



中裕能源控股有限公司

ZHONGYU ENERGY HOLDINGS LIMITED

Stock Code 股份代號: 3633

2022年報

ANNUAL REPORT



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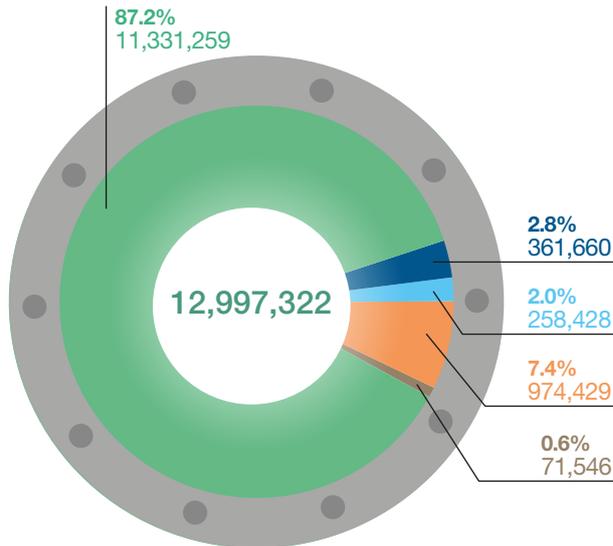




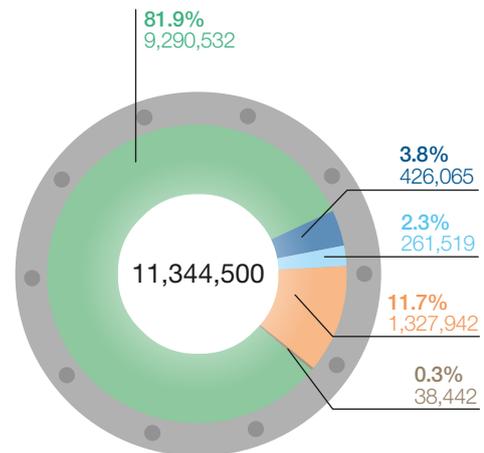
FINANCIAL AND OPERATIONAL HIGHLIGHTS

	For the year ended 31st December,		
	2022 HK\$'000	2021 HK\$'000	changes %
Turnover	12,997,322	11,344,500	14.6%
Non-HKFERS EBITDA	1,932,267	2,079,049	(7.1)%
Unit of natural gas sold ('000 m ³)	2,854,188	2,818,011	1.3%
New piped gas connections made for industrial and commercial customers	2,591	2,422	7.0%
Sales volume of integrated energy (million kWh)	117.00	21.74	438.2%

2022
(HK\$'000)



2021
(HK\$'000)

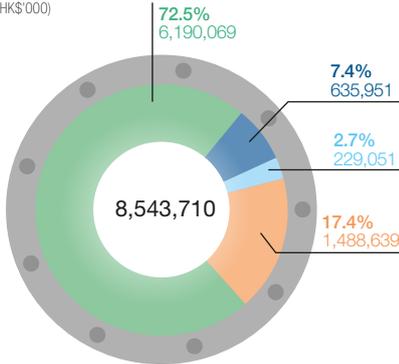


- Sales of gas
- Gas pipeline construction
- Smart energy
- Sales of CNG/LNG in vehicle filling stations
- Value-added services

FINANCIAL AND OPERATIONAL HIGHLIGHTS

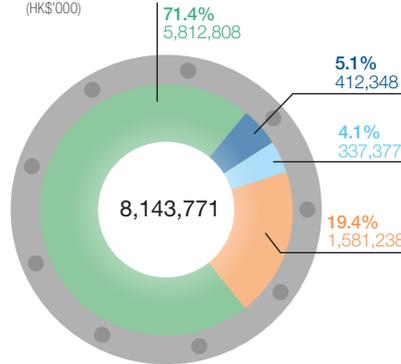
2020

(HK\$'000)



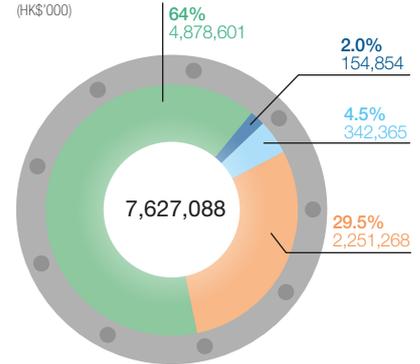
2019

(HK\$'000)

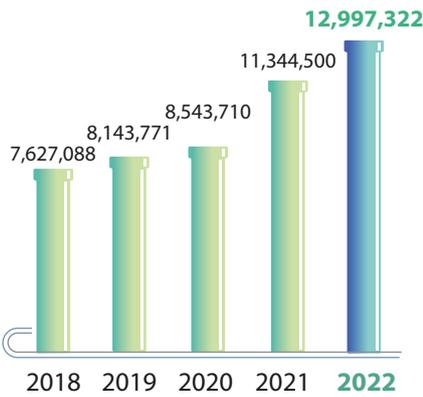


2018

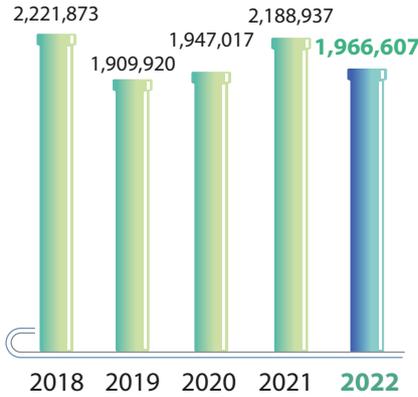
(HK\$'000)



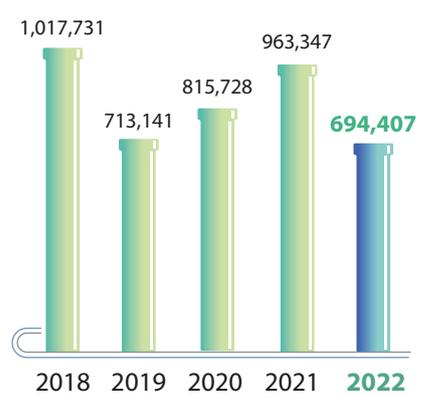
Turnover (HK\$'000)



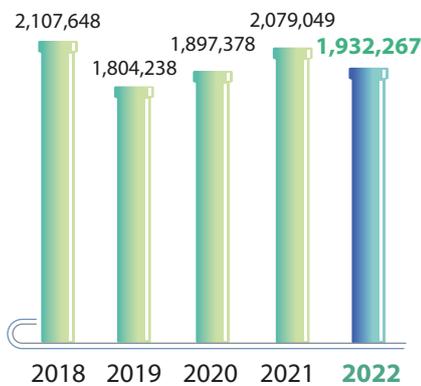
Gross Profit (HK\$'000)



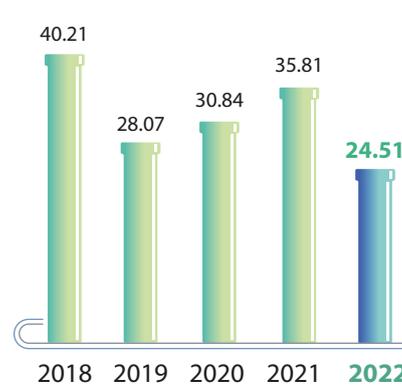
Non-HKFRs Profit attributable to owners of the Company (HK\$'000)



Non-HKFRs EBITDA (HK\$'000)



Non-HKFRs Basic Earnings per share (HK cents)





CORPORATE INFORMATION

Executive Directors

Mr. Wang Wenliang (*Chairman*)
Mr. Yiu Chi Shing (*Vice Chairman*)
Mr. Lui Siu Keung (*Chief Executive Officer*)
Mr. Jia Kun (*Executive President*)
Mr. Lu Zhaoheng
Mr. Li Yan

Independent Non-executive Directors

Mr. Li Chunyan
Dr. Luo Yongtai
Ms. Liu Yu Jie

Company Secretary

Mr. Lui Siu Keung

Authorised Representatives

Mr. Wang Wenliang
Mr. Lui Siu Keung

Audit Committee

Mr. Li Chunyan (*Chairman*)
Dr. Luo Yongtai
Ms. Liu Yu Jie

Remuneration Committee

Mr. Li Chunyan (*Chairman*)
Dr. Luo Yongtai
Ms. Liu Yu Jie

Nomination Committee

Mr. Li Chunyan (*Chairman*)
Dr. Luo Yongtai
Ms. Liu Yu Jie

Hong Kong Legal Advisors

Reed Smith Richards Butler LLP

Auditors

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

Corporate Website

www.zhongyuenergy.com

Stock Code

3633

Registered Office

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Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

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China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Principal Share Registrar and Transfer Office

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Branch Share Registrar and Transfer Office in Hong Kong

Tricor Secretaries Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Principal Bankers

China CITIC Bank
Bank of Communications Co., Ltd.
Industrial and Commercial Bank of China Limited
Shanghai Pudong Development Bank Co., Limited
Bank of China
Standard Chartered Bank (Hong Kong) Limited
Ping An Bank Co., Ltd
Bank of Kunlun Corporation Limited
Tai Fung Bank Limited
Bank of Beijing Co., Ltd
Fubon Bank (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

CHAIRMAN'S STATEMENT



To our valued shareholders,

The year 2022 is the 20th anniversary of the Group's establishment, and it is also a year full of challenges. Internationally, geopolitical issues intensified, bulk commodity prices fluctuated frequently and the aggressive interest rate hike by the US Federal Reserve triggered a global "interest rate hike". Domestically, the recurring epidemic and continued weakness of the real estate industry have caused different levels of impact on all walks of life. Under the complex and volatile macro situation, the Group promptly adjusted its strategy and put forward the concept of "dual-wheel drive and synergetic development". At present, the smart energy business has made a good start and is progressing in synergy with the gas business, jointly creating a new situation of high-quality development for the Group.

In 2022, the Group actively participated in the national energy revolution with the goal of "carbon peak and carbon neutrality". Among them, the city gas segment seized market opportunities and expanded its business territory to Jiangxi Province again. The smart energy segment achieved collaborative innovation, empowered enhancement and rapid growth in business scale. Leveraging the existing regional advantages in the gas segment, the Group has achieved remarkable market expansion, enriched business types, and put high-quality projects into operation one after another. The new "dual-wheel drive" pattern of gas and smart energy has initially achieved results.



CHAIRMAN'S STATEMENT

The year 2022 is also the closing year of the PRC State Council's three-year special rectification action on production safety. The Group has always put safety and stable operation in the first place in management and operation, and has successfully become the director unit of the Safety Committee of China Gas Association. The Group continued to nurture safety talents and constantly enhanced technical protection measures to ensure zero accident in production and operation throughout the year. At the same time, in order to ensure sufficient supply of natural gas to residents in the northern area during the heating season, the Group continued to strengthen the optimization of gas sources, vigorously promote interconnection between regions, fulfill its corporate social responsibility and achieve critical breakthroughs in difficult issues. While ensuring safe operation and gas supply, the Group successfully achieved the development goal of stable growth and won the continuous trust and praise of customers and regulators.

Based on the steady development of gas business, the Group has achieved several innovative breakthroughs in integrated energy business fields such as photovoltaic, incremental power distribution, industrial steam, industrial energy saving, etc. The Group has established a smart energy business development and management system with Zhongyu characteristics. At present, the Group has signed a number of regional and integrated energy development agreements with local governments such as Linyi, Linzhang and Puyang, and is actively promoting technology exchange and innovation with multiple parties, laying a solid foundation for the future development of the smart energy business. With the gradual increase in number of projects in operation, the Group has established a set of institutionalized and standardized smart energy management system and has realized digital management of smart energy, which can meet real-time access to four types of business data: photovoltaic, charging station, energy station and regional function.

While striving to develop its business in various segments, the Group further innovated service model, optimized service quality, strengthened market competitiveness to enhance brand influence. By actively exploring green and sustainable financial instruments, the Group has enhanced its position in the capital market while reducing finance costs. Through efforts, the Group has become the first private enterprise in the domestic natural gas industry to integrate a sustainable framework (SLL) into offshore financing structure. At the same time, we continue to optimize the governance system of the listed vehicle and actively practice the concept of sustainable development under environmental, social and governance (ESG), opening new windows for more international strategic cooperation in the future.

Prospects

In 2023, the international geopolitical situation is still uncertain and the price fluctuation of bulk commodities has become normal. However, with the optimization of national epidemic prevention and control measures and the continuous efforts of the central government to expand domestic demand, the impact of the epidemic on economic growth and supply chain stability is gradually receding. It is expected that China's economy will usher in an overall rebound.

In the new year, the Group will make precise efforts and respond quickly, seizing the opportunities after the easing of Covid-19 restrictions. We will grasp the new opportunities of economic recovery and policy promotion, cooperate with local economic revitalization strategies, vigorously explore industrial and commercial gas demand, and further improve the stability of gas business operating profits. At the same time, the Group will firmly grasp the trend of green and low-carbon transformation and development, and adapt to local conditions to achieve efficient synergy between city gas and smart energy.

CHAIRMAN'S STATEMENT

In terms of gas business, the Group will continue to improve its pipeline network and the level of informatisation and digitisation to promote the Group's overall healthy development. In addition, the Group will devote efforts to its main gas business, coordinate overall resources, actively explore quality projects and expand the gas business footprint in an orderly manner. The Group will also continue to develop value-added business potential and make every effort to expand markets outside its operating regions. Meanwhile, the Group will gradually improve its gas source structure, and while achieving stable supply assurance, explore domestic and international energy trading business and vertically develop the gas industry business chain.

In terms of smart energy business, the Group will expand its industrial integrated energy services, develop smart energy concession projects in industrial parks, explore the construction of energy storage and hydrogen energy demonstration projects. We will carry out research on energy digital technology, advanced technology for energy-saving renovation of industrial enterprises and other energy and carbon asset management, give full play to the advantages of the Group's technology platform and enhance its core competitiveness.

In the new year, the Group will continue to insist on the business principles of "market-oriented, customer-centered, and economic efficiency", providing customers with high-quality and efficient energy integrated services, and strive to become the "most valuable integrated energy service provider", promoting the Group to create a new situation of high-quality development.

APPRECIATION

Over the past two decades, we appreciate all Zhongyu people for their commitment and contributions to the development of the Group. The Group's achievements today do not come easy and deserve our applause.

As the epidemic comes to an end and the economy is recovering, a new journey and a bright future awaits. Let us continue to adhere to our original aspirations, be confident, resilient, and cohesive to create a better future together. On behalf of the Board of Directors, I would like to express my sincere gratitude to our customers, shareholders, investors, people from all walks of life who have been following and supporting our company, and to our dedicated and innovative colleagues.

Wang Wenliang

Chairman

Hong Kong

28th March, 2023



CEO MESSAGE



To our valued shareholders,

On behalf of the board of directors and fellow staff members, I am pleased to present our annual results for the year ended 31st December, 2022 (the “Year”).

In 2022, COVID-19 epidemic was rampant over the world, with frequent outbreaks in many places in China, causing an unprecedented impact on the national economy and the development of all walks of life. At the same time, international geopolitical risks were elevated and the great power game intensified, coupled with the continuous interest rate hikes in major economies around the world, which had a significant

impact on the global economy and commodity markets. In particular, international liquefied natural gas prices fluctuated, and the domestic natural gas supply and demand pattern has undergone adjustments. The year 2022 is a crucial year for the national “14th Five Year Plan”. Against the backdrop of the continuous promotion and implementation of the “dual carbon goals”, China’s clean energy industry is undergoing a phase of change from the initial stage to rapid development, providing great development opportunities and market space for leading enterprises in the energy industry and bringing momentum for the Group’s strategic transformation. In 2022,

the Group seized market opportunities in accordance with policy adjustments, paid close attention to annual operating targets, coordinated operation and production as well as epidemic prevention and control, and continued to promote refined management to ensure operational safety and stable growth, successfully achieving the annual operating targets. As at 31st December, 2022, the Group had 75 concession gas projects in 11 provinces and added 2 new concession gas projects; the urban gas business served approximately 23,964 commercial and industrial customers and 4.66 million residential households. Total natural gas sales volume also increased by 1.3% year-on-year to 2,854,188,000 cubic meters in 2022. Integrated energy sales increased by 438.2% year-on-year to 117 million kWh.

RESULTS

For the year ended 31st December, 2022, the Group recorded a turnover of HK\$12,997,322,000, representing a year-on-year increase of 14.6% (2021: HK\$11,344,500,000). The increase in turnover was mainly attributable to the increase in gas sales volume and higher average selling price of natural gas. Non-HKFRS EBITDA of the Group was HK\$1,932,267,000 (2021: HK\$2,079,049,000).



BUSINESS REVIEW

According to the latest data released by the National Bureau of Statistics of the PRC, the economy of the PRC grew by 3% in 2022. According to data from the National Development and Reform Commission of the PRC, China's apparent natural gas consumption in 2022 was 366.3 billion cubic meters, representing a year-on-year decrease of 1.7%. This was mainly due to the frequent outbreaks of epidemics in many parts of the country and the continued tightening of preventive and control measures, which hampered industrial production in many places.

During the Year, the Group's three major business segments, namely, sales of gas, gas pipeline construction and connection and value-added services, accounted for 87.2%, 7.4% and 2.8% of the Group's turnover in 2022 respectively.



CEO MESSAGE

Sales of gas business continued to be the Group's largest contributor in 2022, with sales of HK\$11,331,259,000, representing an increase of 22% year-on-year. The growth in this business was mainly attributable to the success of the Group's customer diversification strategy among residential, industrial and commercial customers. Industrial and commercial customers, especially major market participants with high gas consumption, will continue to be a core contributor to the Group's results in this segment.

With the Group's efforts over the past few years, it has achieved a relatively high level of gas connection penetration in its coverage areas. As a result, the Group will be more prudent in selecting customers when attracting new customers for gas connections in order to maintain a good profitability, cash flow and receivables. During the Year, the total number of new piped gas connection customers reached 280,807. As the Group continued to expand its coverage, the total length of the Group's existing intermediate and main pipelines increased from 26,399 km to 27,263 km with an increase of 3.3%.

The value-added services provided by its own offline retail brand "Zhongyu Phoenix" (中裕鳳凰) and online retail platform "Zhongyu iFamille" (中裕家) have been an effective channel for the Group to enrich the business ecology and effectively increase customer stickiness. During the Year, the Group aggressively expanded its customer base, with initial results of out-of-region expansion, and consolidated its retail brand market share by expanding product portfolio and enhancing brand awareness. Turnover for the Year from value-added services amounted to HK\$361,660,000. The Group will continue to promote and enhance development of value-added services, commence the terminal information construction, activate the retail system and after-sales

service system, and empower the regular businesses of subsidiaries such as retail, direct store sales, installation and maintenance, rapidly improving the performance and management effectiveness in this segment.

Over the years, the Group has been actively looking for quality city gas projects and investment opportunities, based on the surrounding areas and coordinating opportunities for the entire Group. The Group has always maintained an open, cooperative and win-win attitude and is committed to promoting cooperation with leading enterprises in the industry to complement each other's strengths and enhance the comprehensive risk resistance of the industry. In 2022, the Group's city gas concession business has spread to 11 provinces including Henan, Shandong, Hebei, Jiangsu, Anhui, Heilongjiang, Jilin, Fujian, Zhejiang, Inner Mongolia and Jiangxi.

In 2022, it is imperative for the country to promote green and low-carbon development, deepen the energy revolution, and accelerate the planning and construction of a new energy system. The implementation of the "dual carbon" target across the country has also brought more opportunities for the development of Zhongyu Group's smart energy business. During the Year, the Group changed the name of its listed company from "Zhongyu Gas" to "Zhongyu Energy", fully implemented the new corporate development strategy of "dual-wheel drive and transformation development", and the smart energy Group was formally established. During the Year, the Group's integrated energy projects, such as photovoltaic, incremental power distribution, industrial steam and industrial energy saving, were put into operation. The Zhongyu smart energy management system has been preliminarily completed.



PROSPECTS

As domestic epidemic restrictions were eased at the end of 2022, China's economy is expected to recover steadily under the impetus of "the Outline of Strategic Planning for Expanding Domestic Demand (2022-2035)". As all industries and occupations of the country gradually shake off the effects of the epidemic, with the promotion of the dual carbon goals, the demand for gas and various renewable energy sources will maintain growth. The overall domestic energy industry is expected to enjoy a better development prospect.

In 2023, the country will continue to promote the market-oriented reform of the oil and gas pipeline network, further promote the marketization of natural gas prices and establish a pricing mechanism for natural gas as soon as possible. At the same time, the assessment of gas business concessions is being carried out in many places, and a piped gas construction and operation pattern of "one enterprise in

one city, one network in one county, urban-rural integration" has been gradually formed, leading to significant changes in the entire gas industry. As a leading enterprise in the natural gas industry, the Group will capitalize on its strengths accumulated through its intensive experience in the city gas industry and proactively seize the development opportunities in the change to build a good foundation and grow stronger.

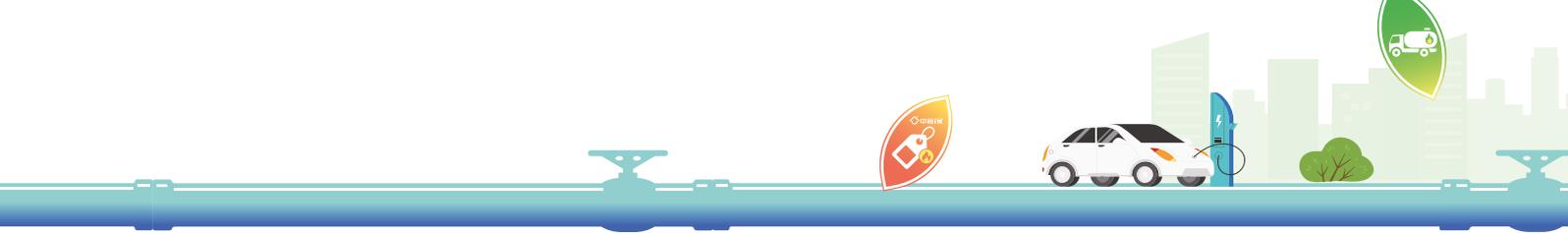
As a sunrise industry, smart energy is characterized by rigid demand and weak cyclicity, which is of great significance to the Group's high-quality development. In 2023, the Group's smart energy segment will continue to advance in parallel with its multiple business types. Relying on the good customer relationships established in the gas business, the Group will dig deeper into its existing customer resources and provide customers with comprehensive energy services including energy construction, multi-energy complementation, efficiency management and smart operation and maintenance, further enhancing its market scale and brand influence.



CEO MESSAGE

In order to achieve a new landscape of high-quality development, the Group will implement the following key strategies in the coming year:

- (i) pay close attention to the opportunities brought by economic recovery in the post epidemic era and the strategic plan to expand domestic demand, continue to expand the Group's urban gas business landscape;
- (ii) focus on the business strategy of clean energy and smart energy, comprehensively consider the long-term development of the Group in the future, and efficiently coordinate the two businesses of gas and smart energy;
- (iii) focus on strategic cooperation opportunities with upstream resources, give full play to the interconnection advantages of midstream pipeline networks, streamline sales strategies, improve market competitiveness and innovate value-added businesses;
- (iv) constantly improve risk prevention, control, and troubleshooting capabilities, refine hierarchical control, implement safety information construction, and build professional safety management inspection teams and institutions;
- (v) continuously optimize the natural gas sales structure, effectively enhance the risk resistance of the gas market, benchmark industry price differentials, and explore international LNG trading opportunities and gas storage capacity trading business; and
- (vi) upgrade the Group's financial management, strictly control overdue receivables and strictly enforce the accountability mechanism.



CEO MESSAGE

The year 2023 is a crucial year for the National 14th Five Year Plan to connect the past and usher in the future. In the gas business segment, the Group will continue to focus on safety, supply assurance, low carbon and opportunities to achieve safe and stable gas supply in the region of operation and further expand its business territory. In the smart energy business segment, the Group will develop and innovate to achieve leapfrog development of integrated energy business by adapting to local conditions and synergizing efficiency. Driven by the dual carbon goal and the strategic target of expanding domestic demand, the Group will proactively grasp new development opportunities, strengthen business indicators, and strive to become the “most valuable integrated energy service provider”.

Lui Siu Keung

Chief Executive Officer

28th March, 2023



OPERATIONAL STATISTICS

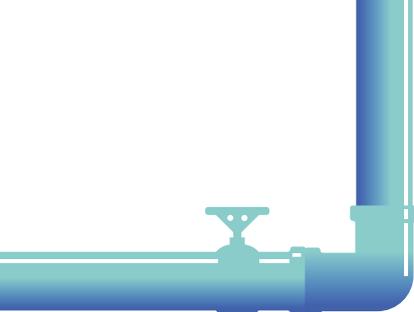
Province	Operational location	Connectable Population	Connectable Residential Households	Accumulated Connected Residential Households	Accumulated Connected Industrial Customers	Accumulated Connected Commercial Customers	Length of Existing Intermediate and Main Pipelines (km)	Number of CNG/LNG Vehicle Filling Stations
Henan	Jiaozuo City	1,664,389	475,540	386,090	159	1,506	1,790	7
	Qinyang City	496,611	141,889	108,192	82	335	834	1
	Wuzhi County	754,768	215,648	109,770	109	311	1,063	1
	Xiuwu County	258,486	73,853	51,834	91	333	668	4
	Luohe City	2,181,542	623,298	509,158	232	2,071	1,438	4
	Light Food Industrial Park in Luohe Economic Development District	-	-	-	10	-	40	-
	Luohe Shaoling District	-	-	-	18	-	-	-
	Luohe Songjiang Industrial Zone	-	-	-	15	-	-	-
	Luohe Houxie Village Industrial Zone	-	-	-	-	-	-	-
	Luohe West Industrial Zone	-	-	-	-	-	-	-
	Venture Centre in Luohe Economic Development District	-	-	-	15	-	-	-
	Xiping County	32,800	9,371	-	-	-	-	-
	Jiyuan City	1,004,674	287,050	213,331	279	1,836	1,417	4
	Sanmenxia City	676,222	193,206	178,179	82	939	1,562	4
	Shanzhou District	68,600	19,600	4,457	-	8	-	-
	Sanmenxia Industrial Park	4	1	1	12	8	-	-
	Lingbao City	355,499	101,571	65,355	37	234	415	-
	Yanshi City	375,923	107,407	88,637	248	419	819	2
	Yongcheng City	901,059	257,446	214,180	70	856	819	4
	Yongcheng Industrial Zone	35,000	10,000	-	1	-	-	-
	Xinmi City	625,731	178,780	150,444	115	692	886	5
	Huiguo Town, Gongyi City	24,554	7,015	5,773	67	44	138	-
	Yuanyang County	234,310	66,946	8,742	3	8	81	-
	Hui County	59,103	16,886	7,064	1	1	-	-
	Wen County	576,958	164,845	89,222	162	383	634	-
	Mengzhou	511,496	146,142	94,254	264	483	513	-
	Puyang Industrial Zone	1,887	539	526	67	13	197	-
Puyang Administrative Region	386,034	110,296	66,494	30	155	2,324	-	
Hebei	Sanshuitou Town, Yangjiatao Town, Hongqiao Town and Guojiatun Town of Yutian County	228,091	65,169	29,506	22	12	54	-
	Administrative jurisdiction of Gucheng County	369,928	105,694	76,197	37	25	1,077	-
	Within the operation area of Xinhe County	130,000	37,143	5,606	20	60	133	-
	Yutian County	284,800	81,371	92,322	29	309	277	-
	Yutian Town and Caitingqiao Town, Yutian County	105,200	30,057	-	-	-	46	-
	Changli County	239,070	68,306	72,428	73	334	364	-
	Weixian County	149,100	42,683	52,425	8	97	217	-
	Weixian Economic Development Zone	3,000	940	-	-	-	-	-
	Xiahuayuan District	118,352	33,815	41,953	-	132	138	-
	Chengan County	539,864	154,246	56,759	13	83	267	-
	Wuqiao County	263,516	75,290	41,792	48	129	540	-
	Ningjin County	520,000	148,571	114,654	131	576	593	-
	Linzhang County	262,780	75,080	81,553	35	135	510	1

OPERATIONAL STATISTICS

Province	Operational location	Connectable Population	Connectable Residential Households	Accumulated Connected Residential Households	Accumulated Connected Industrial Customers	Accumulated Connected Commercial Customers	Length of Existing Intermediate and Main Pipelines (km)	Number of CNG/LNG Vehicle Filling Stations
	Zaoqiang County	380,000	108,572	38,150	5	204	213	-
	Longyao County	23,907	6,831	6,603	-	91	39	-
	Xingtang County	86,551	24,729	24,839	1	84	135	-
	City district of Gucheng	514,350	146,957	44,719	49	428	493	-
	Nangong City	648,570	171,534	140,744	7	213	581	-
	Jize County	310,400	88,685	19,071	26	86	160	-
	Xinhe County	250,617	71,605	43,819	35	165	350	-
	Xingtai	675,000	192,857	13,181	23	47	26	-
Jiangsu	Jingjiao Town, Nanjing City	50,711	14,489	1,024	10	4	-	-
	Donghai County	58,555	16,730	2,301	32	12	73	-
	Shong County	35,927	10,265	4,498	39	2	522	-
	Guannan County	314,531	89,866	77,983	-	419	332	-
	Sujian Zhongyu Hong Cheng	472,829	135,094	15,094	19	5	-	-
	Tongshan	355,000	101,429	85,457	-	251	62	-
	Within the jurisdiction of City district of Sihong County	486,000	138,857	162,096	68	594	674	-
River-Sea Interconnected Development Demonstration District of Tongzhou Bay	100,000	28,571	-	26	11	70	-	
Shandong	Linyi City (Note)	1,785,626	510,179	422,036	439	2,065	1,252	7
	Linyi Economic Development District	403,640	115,326	95,893	277	413	754	4
	Linshu County	11,972	3,420	2,602	103	35	238	2
	Tianqu Industrial Park in Dezhou City	4	1	1	34	26	96	1
Jilin	Baishan City	469,639	134,182	127,755	16	965	333	2
	Changbaishan International Tourist Resort Zone in Fusong County	166,419	47,548	7,805	9	124	132	-
	Lushuihe Town and Quanyang Town within the administrative divisions of Fusong County	60,000	17,142	-	-	-	-	-
	Within the administrative jurisdiction of Wan Liang Zhen of Fusong County (including the Industrial Park)	16,900	4,830	-	-	-	-	-
Fujian	Shaowu City	291,533	83,295	55,173	14	310	133	2
Heilongjiang	Chengqu Town, Tieli City	254,765	72,790	26,806	14	164	137	-
	Current administrative jurisdiction of Shuangfeng Forestry Bureau, Tieli City	62,000	17,714	-	-	-	-	-
Zhejiang	Within the administrative jurisdiction of Daishan Island and Xiushang Township	79,474	22,707	26,488	37	75	95	1
	Yueqing City	53,967	15,419	13,001	9	62	104	-
Inner Mongolia	Bainyou Qi	79,111	22,603	1,870	-	-	13	-
Anhui	Bang Bu Hong Yu	35,000	10,000	-	-	-	-	-
	Wuhe County	241,500	69,000	108,688	33	422	217	-
	Sixian County	186,037	53,153	77,797	9	241	165	-
Jiangxi	Tiannan Area, Gaoan	87,500	25,000	-	-	-	10	-
		23,487,386	6,697,074	4,662,392	3,919	20,045	27,263	56

Note: The operational location covers the administrative jurisdiction of Linyi City, which is from Binhe Road on the west bank of Yihe River in the east to Beijing-Shanghai Expressway in the west, bordering Binhe Road on the south bank of Fanghe River in the north and reaching Yihe Road, Luozhuang District in the south (excluding western part beyond Mengshan Avenue and southern part beyond Huawu Road).





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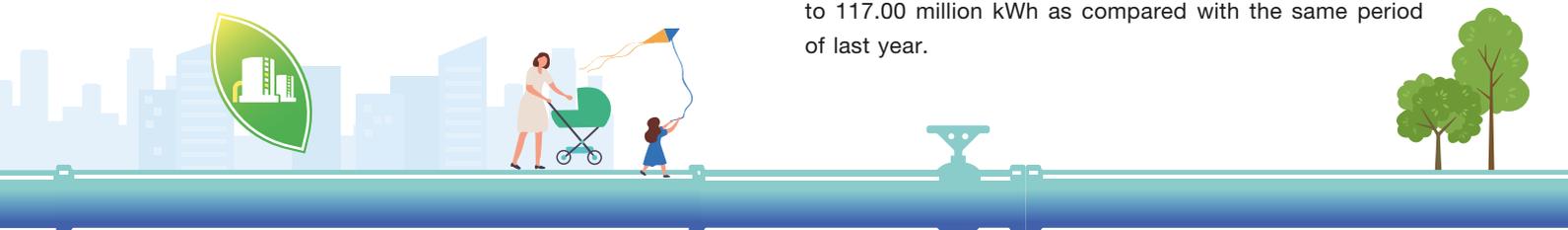
During the year ended 31st December, 2022, the Group was principally engaged in (i) the investment, operation and management of city gas pipeline infrastructure, and the distribution of piped gas to residential, industrial and commercial users; (ii) development of smart energy; (iii) sales of stoves and provision of other related value-added services; and (iv) the operation of CNG/LNG vehicle filling stations in the PRC.

New Downstream Piped Gas Distribution Projects

As at 31st December, 2022, the Group had 75 gas projects with exclusive rights in the PRC. During the year, the Group obtained concession right to operate 2 additional natural gas projects in Jiangsu Province and Jiangxi Province.

Smart Energy Business Development

With the reform of the domestic energy market and the national strategy emphasizing “green development” and “clean and low-carbon, safety and efficiency”, environmental protection policies and “dual carbon goals (carbon peak and neutrality)” have become one of the biggest driving forces for the Group to develop clean energy projects. The Group has established the “one body, three wings” business layout strategy in early 2020, with “city gas” as the “body” and “value-added business and new retail”, “smart energy” and “energy trading” as its “wings”, and strives to become the most valuable integrated energy service provider in the PRC. In view of the launch of a series of new energy policies and rural energy transformation policies in various regions, opportunities for the smart energy group to develop diversified businesses such as distributed energy, photovoltaic rooftop and charging stations were created. In line with the countywide rooftop distributed photovoltaic development pilot scheme of the National Energy Administration, the Group’s subsidiaries signed framework agreements on the promotion of countywide rooftop distributed photovoltaic with several local governments to expand the smart energy business coverage by relying on its own advantages in the gas project concession area. During the year, the Group steadily promoted the development of integrated energy business and the cumulative number of projects in operation reached 98. The Group also actively sought to increase its market share in the clean transportation energy market. The sale of electricity throughout the year increased by 438.2% to 117.00 million kWh as compared with the same period of last year.





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Major Operational Data

The downstream natural gas distribution business of the Group primarily comprises sales of gas, gas pipeline construction and sales of natural gas from CNG/LNG vehicle filling stations.

The major operational data of the Group for the year ended 31st December, 2022 together with the comparative figures for the corresponding period last year are as follows:

	2022	2021	Increase/ (Decrease)
Number of operational locations <i>(Note a)</i>	75	73	2
– Henan Province	28	28	–
– Hebei Province	21	21	–
– Jiangsu Province	8	7	1
– Shandong Province	4	4	–
– Jilin Province	4	4	–
– Fujian Province	1	1	–
– Heilongjiang Province	2	2	–
– Zhejiang Province	2	2	–
– Anhui Province	3	3	–
– Inner Mongolia	1	1	–
– Jiangxi Province	1	–	1
Connectable population ('000) <i>(Note b)</i>	23,487	22,007	6.7%
Connectable residential households ('000)	6,697	6,274	6.7%
New piped gas connections by the Group made during the year			
– Residential households	280,807	381,876	(26.5)%
(i) “Coal-to-gas” projects	35,193	91,074	(61.4)%
(ii) Non “Coal-to-gas” projects	245,614	290,802	(15.5)%
– Industrial customers	374	312	19.9%
– Commercial customers	2,217	2,110	5.1%
Accumulated number of connected piped gas customers			
– Residential households	4,662,392	4,357,324	7.0%
– Industrial customers	3,919	3,519	11.4%
– Commercial customers	20,045	17,723	13.1%
Penetration rate of residential pipeline connection <i>(Note c)</i>	69.6%	69.5%	0.1%
Unit of piped natural gas sold to retail customers ('000 m ³)	2,309,842	2,237,830	3.2%
– Residential households	794,828	649,115	22.4%
– Industrial customers	1,378,882	1,442,913	(4.4)%
– Commercial customers	136,132	145,802	(6.6)%

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	2022	2021	Increase/ (Decrease)
Unit of gas sold to wholesale customers ('000 m ³)	489,490	511,951	(4.4)%
– Piped natural gas	219,628	280,298	(21.6)%
– LNG	269,862	231,653	16.5%
Total unit of gas sold ('000 m ³)	2,799,332	2,749,781	1.8%
Number of CNG/LNG vehicle filling stations			
– Accumulated	56	64	(8)
– Under construction	7	7	–
Unit of natural gas sold to vehicles ('000 m ³)	54,856	68,230	(19.6)%
Total length of existing intermediate and main pipelines (km)	27,263	26,399	3.3%
Average selling price of natural gas (pre-tax) (RMB per m ³)			
– Residential households	2.53	2.49	1.6%
– Industrial customers	3.85	2.95	30.5%
– Commercial customers	3.87	3.34	15.9%
– Wholesale customers	3.45	2.19	57.5%
– Wholesale customers (LNG)	4.15	3.07	35.2%
– CNG/LNG vehicle filling stations	4.07	3.18	28.0%
Average purchase cost of natural gas (RMB per m ³) (Note d)	2.97	2.33	27.5%
Average connection fee for residential households (RMB)			
– “Coal-to-gas” projects	3,034	2,945	3.0%
– Non “Coal-to-gas” projects	2,552	2,495	2.3%
Accumulated number of integrated energy projects in operation	98	43	127.9%
Sales volume of integrated energy (million kWh)	117.00	21.74	438.2%

Note a: The number of operational locations represents the gas projects with exclusive rights which are operated by the Group in different cities and regions in the PRC.

Note b: The information is quoted from the website of the PRC government.

Note c: The penetration rates of residential pipeline connection refers to the accumulated number of the Group's connected residential households to the estimated aggregate number of connectable residential households in its operation regions expressed in percentages.

Note d: The amounts do not include the average distribution costs of natural gas, which is RMB0.19 per m³ (2021: RMB0.17 per m³).



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OVERALL

The Group's turnover for the year ended 31st December, 2022 increased by 14.6% to HK\$12,997,322,000 (2021: HK\$11,344,500,000). The gross profit decreased to HK\$1,966,607,000 (2021: HK\$2,188,937,000) as a result of the decline in revenue from gas pipeline construction with relatively high gross profit margin. The Group's profit attributable to owners of the Company decreased by 85.4% to HK\$174,077,000 (2021: HK\$1,188,997,000). The basic and diluted earnings per share attributable to the owners of the Company were HK6.14 cents and HK6.14 cents respectively for the year ended 31st December, 2022, as compared with that of HK44.20 cents and HK44.14 cents respectively for the corresponding period last year.

Non-HKFRS profit attributable to owners of the Company amounted to HK\$694,407,000 (2021: HK\$963,347,000). Non-HKFRS basic and diluted earnings per share attributable to the owners of the Company for the period under review were HK24.51 cents (2021: HK35.81 cents) and HK24.48 cents (2021: HK35.76 cents) respectively.

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Turnover

An analysis of the Group's turnover by products and services for the year, together with the comparative figures for the corresponding period last year, are as follows:

	Year ended 31st December,				
	2022	%	2021	%	Increase/ (Decrease)
	HK\$'000	of total	HK\$'000	of total	
Sales of Gas	11,331,259	87.2%	9,290,532	81.9%	22.0%
Gas Pipeline Construction	974,429	7.4%	1,327,942	11.7%	(26.6)%
Value-added Services	361,660	2.8%	426,065	3.8%	(15.1)%
Sales of CNG/LNG in Vehicle					
Filling Stations	258,428	2.0%	261,519	2.3%	(1.2)%
Smart Energy	71,546	0.6%	38,442	0.3%	86.1%
Total	12,997,322	100%	11,344,500	100%	14.6%

The turnover for the year ended 31st December, 2022 amounted to HK\$12,997,322,000 (2021: HK\$11,344,500,000). The increase in revenue from sales of gas was partially offset by the decline in revenue from gas pipeline construction and valued-added services.

Sales of gas

Sales of gas for the year ended 31st December, 2022 amounted to HK\$11,331,259,000 (2021: HK\$9,290,532,000), representing an increase of 22.0% over the corresponding period last year.

Sales of gas for the year ended 31st December, 2022 contributed 87.2% of the total turnover of the Group, as compared with the percentage of 81.9% during the corresponding period last year. Sales of gas continued to be the major source of turnover for the Group. The following table set forth the breakdown of revenue from sales of gas by customers.



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Sales of gas by customers

	Year ended 31st December,				
	2022 HK\$'000	% of total	2021 HK\$'000	% of total	Increase/ (Decrease)
Industrial customers	6,186,829	54.6%	5,155,944	55.5%	20.0%
Residential households	2,344,278	20.7%	1,950,373	21.0%	20.2%
Commercial customers	612,840	5.4%	587,074	6.3%	4.4%
Wholesale customers	2,187,312	19.3%	1,597,141	17.2%	37.0%
Total	11,331,259	100%	9,290,532	100%	22.0%

Industrial customers

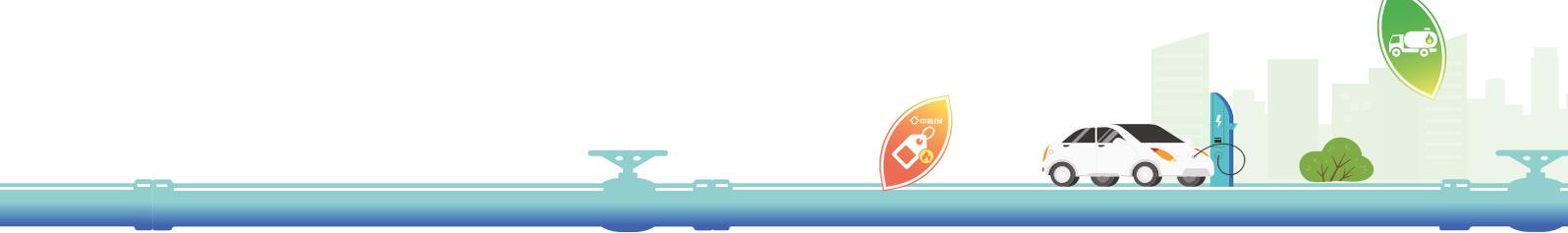
The sales of gas to the Group's industrial customers for the year ended 31st December, 2022 increased by 20.0% to HK\$6,186,829,000 from HK\$5,155,944,000 for the corresponding period last year. During the year ended 31st December, 2022, the Group connected 374 new industrial customers. In 2021, global economy gradually recovered and certain social distancing measures were relaxed after COVID-19 vaccine worldwide rollout. Benefiting from effective pandemic prevention and control, domestic consumption in the PRC rebounded and the demand for natural gas was boosted. However, the cases of COVID-19 increased in 2022, the demand for gas from industrial customers were adversely impacted as factories were temporarily closed. During the year under review, the piped natural gas usage provided by the Group to its industrial customers decreased by 4.4% to 1,378,882,000 m³ (2021: 1,442,913,000 m³). Such decrease was offset by the increase in selling price. In response to higher cost of natural gas from suppliers for gas sales, the average selling price of natural gas for industrial customers for the year under review was adjusted upward by 30.5% to RMB3.85 per m³ (2021: RMB2.95 per m³).

The sales of gas to our industrial customers for the year ended 31st December, 2022 contributed 54.6% of the total sales of gas of the Group (2021: 55.5%) and continues to be the major source of sales of gas of the Group.

Residential households

The sales of gas to our residential households for the year ended 31st December, 2022 increased by 20.2% to HK\$2,344,278,000 from HK\$1,950,373,000 for the corresponding period last year. The growth in sales of gas to residential households was supported by the increase in construction work for gas pipeline connection and the growth in population in the Group's existing project cities in the PRC. Since the outbreak of the COVID-19 pandemic, people developed new lifestyle and spent more time at home both working and learning. Furthermore, after years of promotion of clean energy heating plan, more residential households are willing to use natural gas for indoor heating in the winter, which increased the indoor gas consumption of residential households as well. During the year under review, the Group provided new natural gas connections for 280,807 residential households and the piped natural gas usage provided by the Group to residential households increased by 22.4% to 794,828,000 m³ (2021: 649,115,000 m³). The average selling price of natural gas for residential customers increased by 1.6% to RMB2.53 per m³ (2021: RMB2.49 per m³).

The sales of gas to our residential households for the year under review contributed 20.7% of the total sales of gas of the Group (2021: 21%).



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Commercial customers

The sales of gas to our commercial customers for the year ended 31st December, 2022 increased by 4.4% to HK\$612,840,000 from HK\$587,074,000 for the corresponding period last year. The sales of gas to commercial customers for the year under review contributed 5.4% of the total sales of gas of the Group (2021: 6.3%). During the year ended 31st December, 2022, the Group connected 2,217 new commercial customers. As at 31st December, 2022, the number of commercial customers of the Group reached 20,045, representing an increase of 13.1% as compared with 17,723 commercial customers as at 31st December, 2021.

The demand for gas from commercial customers were adversely impacted during the COVID-19 pandemic. With the social distancing policies in the PRC, residents stay home and social activities decreased. The demand of gas by restaurants, schools and recreational facilities decreased. The gas consumption of commercial customers decreased by 6.6% to 136,132,000 m³ (2021: 145,802,000 m³) for the year under review. Such decrease was offset by the increase in selling price. In response to higher cost of natural gas from suppliers for gas sales, the average selling price of natural gas for commercial customers for the year was adjusted upwards by 15.9% to RMB3.87 per m³ (2021: RMB3.34 per m³).

Wholesale Customer

The sales of gas to our wholesale customers for the year end 31st December, 2022 increased by 37.0% to HK\$2,187,312,000 from HK\$1,597,141,000 for last year. The sales of gas to wholesale customers for the year under review contributed 19.3% of the total sales of gas of the Group (2021: 17.2%).

During the year under review, piped natural gas usage provided by the Group to its wholesale customers decreased by 21.6% to 219,628,000 m³ (2021: 280,298,000 m³). The impact of decline in volume of natural gas sold was offset by the increase in selling price. The average selling price of natural gas for wholesale customers for the year under review was adjusted upwards by 57.5% to RMB3.45 per m³ (2021: RMB2.19 per m³).

During the year under review, the LNG provided by the Group to its wholesale customers increased by 16.5% to 269,862,000 m³ (2021: 231,653,000 m³) and the average selling price of LNG for wholesale customers for the year under review was adjusted upwards by 35.2% to RMB4.15 per m³ (2021: RMB3.07 per m³).

Gas Pipeline Construction

Revenue from gas pipeline construction for the year ended 31st December, 2022 amounted to HK\$974,429,000, representing a decrease of 26.6% over last year. It contributed 7.4% of the total turnover of the Group, as compared with the percentage of 11.7% of last year. The following table sets forth the breakdown of revenue from gas pipeline construction by customers.



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Revenue from gas pipeline construction by customers

	Year ended 31st December,				
	2022 HK\$'000	% of total	2021 HK\$'000	% of total	Increase/ (Decrease)
Residential households					
– “Coal-to-gas” projects	124,309	12.8%	323,099	24.3%	(61.5)%
– Non “Coal-to-gas” projects	729,690	74.9%	874,040	65.8%	(16.5)%
Non-residential customers	120,430	12.3%	130,803	9.9%	(7.9)%
Total	974,429	100%	1,327,942	100%	(26.6)%

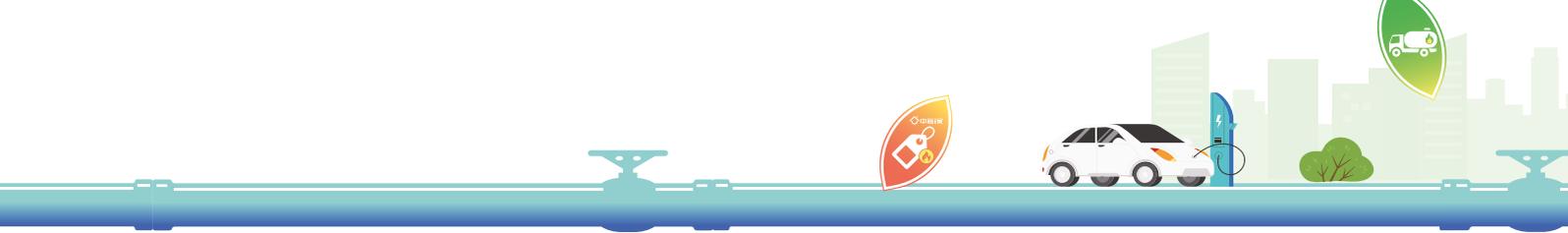
In 2017, the PRC government launched the “coal-to-gas” policy as one of its major priorities to fight against air pollution. The Group followed the “coal-to-gas” conversion policy and carried out a number of conversion projects in different regions of the PRC. The Group carefully selected new projects and focused on projects with better profitability and recoverability, such as projects partly sponsored by local governments. Since 2021, the decline in government-sponsored projects available caused a drop in connections made by the Group. The revenue from gas pipeline construction for residential households for “coal-to-gas” projects for the year ended 31st December, 2022 decreased by 61.5% to HK\$124,309,000 from HK\$323,099,000 for last year. During the year ended 31st December, 2022, the Group provided new natural gas connections for 35,193 residential households (2021: 91,074) under “coal-to-gas” projects and the average connection fee was RMB3,034 (2021: RMB2,945).

During the year ended 31st December, 2022, revenue from gas pipeline construction for residential households for non “coal-to-gas” projects decreased by 16.5% to HK\$729,690,000 from HK\$874,040,000 for last year. The drop was mainly attributable to the decrease in construction work for gas pipeline connection completed by the Group for residential households for non “coal-to-gas” projects to 245,614 from 290,802 for last year. The average connection fee slightly rose to RMB2,552 in 2022 from RMB2,495 in 2021.

The gross profit margin for gas pipeline construction for the year under review remained relatively stable at 70.4% (2021 : 72.3%).

The connection fee charged to industrial/commercial customers by the Group was significantly higher than that charged to residential households and was determined on a case-by-case basis. During the year ended 31st December, 2022, revenue from gas pipeline construction for non-residential customers decreased by 7.9% to HK\$120,430,000 from HK\$130,803,000 for last year.

As at 31st December, 2022, the Group’s penetration rates of residential pipeline connection amounted to 69.6% (2021: 69.5%) (calculated by the accumulated number of the Group’s connected residential households over the estimated aggregate number of connectable residential households in regions it operates in and expressed in percentages). In view of the favourable energy policies in the PRC, the Group is aiming to continue to increase its market coverage by acquisitions when suitable opportunities arise.



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Value-added Services

Revenue from value-added services for the year ended 31st December, 2022 amounted to HK\$361,660,000 (2021: HK\$426,065,000), representing a decrease of 15.1% over last year. It contributed 2.8% of the total turnover of the Group, as compared with 3.8% of last year.

Since 2017, the Group placed greater efforts in value-added services such as sales of stoves and safe and reliable kitchenware, including gas water heaters, gas cooking appliances and wall-hang boilers under its own brand name, “Zhongyu Phoenix” (中裕鳳凰), to residential customers. The decrease in revenue of value-added services for the year under review was mainly due to a decrease in the sales of wall-hang boilers by 69.1% to HK\$48,987,000 from HK\$158,285,000 for last year, as a result of reduced number of “coal-to-gas” projects. During the year ended 31st December, 2022, other than sales of wall-hang boilers, revenue from sales of stoves and provision of other related services amounted to HK\$312,673,000 (2021: HK\$267,780,000), representing a growth of 16.8% as compared to last year. With the increasing number of connected residential customers and brand recognition developed in recent years, as well as the establishment of the online shopping platform “Zhongyu iFamille” (中裕家), the independent supply platform, customer service platform and customer online community, the value-added services is expected to contribute stable revenue to the Group.

Sales of CNG/LNG in Vehicle Filling Stations

Revenue from operating CNG/LNG vehicle filling stations for the year ended 31st December, 2022 amounted to HK\$258,428,000 (2021: HK\$261,519,000), representing a slight decrease of 1.2% compared to last year. The unit of natural gas sold to vehicles declined by 19.6% to 54,856,000 m³ (2021: 68,230,000 m³) and the average selling price of natural gas for CNG/LNG vehicle filling stations increased by 28.0% to RMB4.07 per m³ (2021: RMB3.18 per m³) for the year ended 31st December, 2022.

During the year ended 31st December, 2022, the turnover derived from operating CNG/LNG vehicle filling stations accounted for 2.0% (2021: 2.3%) of the total turnover of the Group. As at 31st December, 2022, the Group had 56 CNG/LNG vehicle filling stations and 7 CNG/LNG vehicle filling stations under construction in the PRC.



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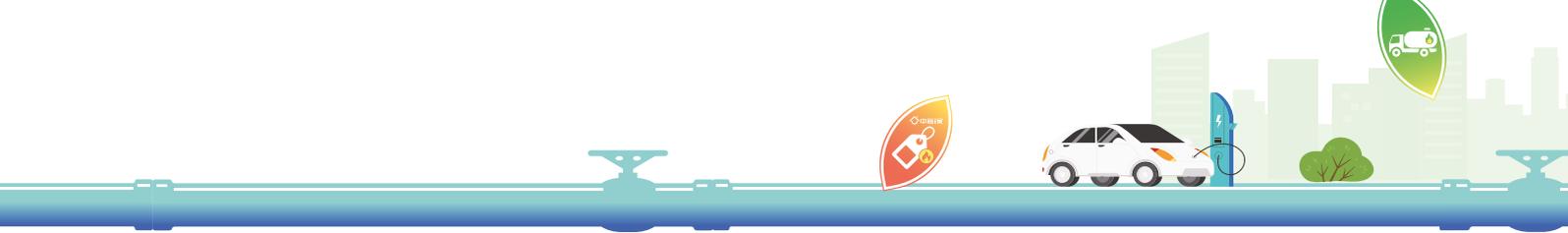
Smart energy

Revenue from smart energy for the year ended 31st December, 2022 increased by 86.1% to HK\$71,546,000 from HK\$38,442,000 for last year. Leveraging the huge market and customer base of its gas projects, the Group is currently establishing an extensive network of new businesses in China, including natural gas-fired distributed energy, photovoltaic power generation and charging stations. It seeks to comprehensively utilise energy with years of cumulative experience in market development and technical innovation, in an effort to provide customers with highly efficient integrated energy that addresses their needs for gas, heating, electricity and cooling. The smart energy business contributed 0.6% (2021: 0.3%) of the total turnover of the Group for the year ended 31st December, 2022. The Group will continuously explore the operation model of energy business, and promote the expansion of energy projects to meet the diversified energy demand of customers.

Gross profit margin

The overall gross profit margin for the year ended 31st December, 2022 was 15.1% (2021: 19.3%). The decline in overall gross profit margin for the year ended 31st December, 2022 was mainly due to decrease of gross profit margin of gas pipeline construction and sales of gas.

The gross profit margin for the sales of piped natural gas decreased to 10.1% (2021: 11.1%) as the increment of average purchase cost of natural gas outweighed the increment of average selling price of natural gas for residential households. The Group's energy trading business has been strengthened to secure stable gas supply from different sources and contracts have been signed with suppliers to secure more piped gas supply with lower average cost. The gross profit margin for gas pipeline construction remained stable at 70.4% for the year under review (2021: 72.3%). The gross profit margin for value-added services increased to 73.4% (2021: 67.9%) due to a reduction in the sales of low-gross-profit-margin wall-hang boilers in 2022 and an increase in the value added services fee and selling price of other gas applicants. The gross profit margin for the sales of CNG/LNG in vehicle filling stations increased to 9.4% (2021: 3.4%) as a result of increase in average selling price of CNG/LNG sold in vehicle refilling station. The gross profit margin of smart energy slightly increased to 26.7% (2021: 25.0%) as a result of an increase in number of integrated energy projects and supply of integrated energy during the year under review.



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Other gains and losses

The Group recognised other net losses of HK\$524,386,000 in 2022 (2021: other net gains of HK\$220,525,000). The amount mainly derived from net foreign exchange loss of HK\$522,538,000 (2021: gain of HK\$224,472,000) mainly arising from the Group's bank borrowings denominated in United States dollars and Hong Kong dollars as a result of the depreciation of RMB in 2022.

Every year, the Group performs impairment assessment under expected credit loss model according to HKFRS 9 on trade receivables and contract assets based on provision matrix except for the debtors with credit-impaired balances which are assessed individually. During the year ended 31st December, 2022, the Group made a reversal of impairment loss of HK\$2,187,000 on contract assets (2021: HK\$1,835,000) in consideration of the likelihood of recovery of those aged receivables. In addition, the Group recognised a reversal of impairment loss of HK\$21,000 (2021: impairment loss of HK\$657,000) on other receivables, based on the individual assessment of the recoverability of the relevant receivables. The amount was considered as credit-impaired and full provision has been made.

Other income

Other income increased to HK\$177,806,000 in 2022 from HK\$148,161,000 in 2021. The balance in 2022 represented the bank interest income of HK\$9,406,000 (2021: HK\$10,138,000), interest income on amount due from an associate of nil (2021: HK\$3,229,000), interest income from loans to employees of HK\$23,319,000 (2021: HK\$23,319,000), government subsidies of HK\$90,863,000 (2021: HK\$67,963,000), income from investments in life insurance contracts of nil (2021: HK\$1,897,000) and sundry income of HK\$54,218,000 (2021: HK\$41,615,000).

Selling and distribution costs and administrative expenses

Selling and distribution costs decreased by 3.8% to HK\$237,251,000 in 2022 from HK\$246,598,000 in 2021. Administrative expenses decreased by 3.0% to HK\$572,191,000 in 2022 from HK\$590,154,000 in 2021. The decrease was mainly attributable to (i) decreased insurance expenses as two life insurance contracts were terminated in 2021; (ii) decreased charitable and other donations in the PRC; and (iii) decreased consultancy fee paid as system updates and integration of new IT systems were completed in 2021.

Finance costs

Finance costs increased by 73.7% to HK\$329,382,000 in 2022 from HK\$189,627,000 in 2021. The increase was mainly attributable to increment of effective interest rate.

Income tax expenses

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries of the Company is 25% for both years.

Under the EIT Law of the PRC, withholding tax is imposed on the dividend declared to non-PRC tax residents in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards. During the year ended 31st December, 2022, withholding tax amounting to HK\$5,429,000 (2021: nil) was charged by the PRC tax authority on the dividends paid to overseas group entities.

Accordingly, the income tax expenses in 2022 amounted to HK\$271,732,000 (2021: HK\$318,859,000).



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Non-HKFRS EBITDA

For the purposes of this report, non-HKFRS EBITDA is defined as earnings from continuing operations before finance costs, taxation, depreciation, amortisation, foreign exchange gain/loss, impairment losses/reversal of impairment losses and share option expenses. Non-HKFRS EBITDA is a non-HKFRS measure used by the management for monitoring the core business performance of the Group. The Company considers that the non-HKFRS EBITDA can provide shareholders and potential investors of the Company with useful supplementary information on the performance of the Group's core operations. Foreign exchange gain/loss and share option expenses are considered not directly resulting from the actual business activities of the Group. They, together with the impairment losses/reversal of impairment losses, are non-cash items which we do not believe are reflective of the core operating performance of the Group. The non-HKFRS EBITDA may not be comparable to similar measures presented by other companies.

The Group's non-HKFRS EBITDA was approximately HK\$1,932,267,000 for the year ended 31st December, 2022, representing a decrease of 7.1% as compared with that of approximately HK\$2,079,049,000 for last year.

Profit attributable to owners of the Company

As a result of the above, profit attributable to owners of the Company was HK\$174,077,000 in 2022, representing a decrease of 85.4% as compared with that of HK\$1,188,997,000 in 2021.

Excluding the net foreign exchange loss of HK\$522,538,000 (2021: gain of HK\$224,472,000) and reversal of impairment loss of HK\$2,208,000 (2021: HK\$1,178,000), non-HKFRS profit attributable to owners of the Company would amount to HK\$694,407,000 (2021: HK\$963,347,000). Similar to the non-HKFRS EBITDA, the non-HKFRS profit attributable to owners of the Company is a non-HKFRS measure used by the management for monitoring the actual operating performance of the Group and may not be comparable to similar measures presented by other companies.

Net profit margin

For the year ended 31st December, 2022, the net profit margin, representing a ratio of profit attributable to owners of the Company to turnover, was 1.3% (2021: 10.5%).

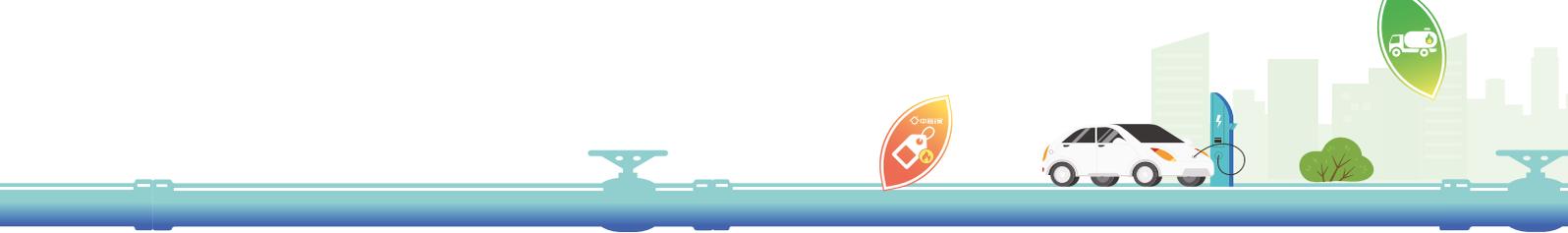
Earnings per share

The basic and diluted earnings per share attributable to the owners of the Company were HK6.14 cents and HK6.14 cents respectively in 2022, as compared with that of HK44.20 cents and HK44.14 cents respectively in 2021.

The non-HKFRS basic and diluted earnings per share attributable to the owners of the Company (calculated by reference to the non-HKFRS profit attributable to owners of the Company which excludes the net foreign exchange gain/loss, impairment losses/reversal of impairment losses and share option expenses, if any, as the numerator) for the year ended 31st December, 2022 were HK24.51 cents (2021: HK35.81 cents) and HK24.48 cents (2021: HK35.76 cents) respectively. Similar to the non-HKFRS EBITDA, the non-HKFRS basic and diluted earnings per share attributable to the owners of the Company are non-HKFRS measures used by the management for monitoring the actual operating performance of the Group and may not be comparable to similar measures presented by other companies.

Net assets value per share

The net assets value per share attributable to the owners of the Company was HK\$2.87 as at 31st December, 2022, representing a decrease of 6.2% as compared with that of HK\$3.06 as at 31st December, 2021.



MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

LIQUIDITY, FINANCIAL RESOURCES AND WORKING CAPITAL

Treasury Management and Cash Funding

The Group's funding and treasury policy is designed to maintain a diversified and balanced debt profile and financing structure. The Group continues to monitor its cash flow position and debt profile, and to enhance the cost-efficiency of funding initiatives by its centralised treasury function. In order to maintain financial flexibility and adequate liquidity for the Group's operations, potential investments and growth plans, the Group has built a strong base of funding resources and will keep exploring cost-efficient ways of financing.

Liquidity

As at 31st December, 2022, the total assets of the Group decreased by HK\$361,982,000 or 1.4% to HK\$26,310,882,000 (2021: HK\$26,672,864,000).

As at 31st December, 2022, the Group has net current liabilities of HK\$4,233,143,000 (2021: HK\$1,318,166,000). Increase in net current liabilities was mainly due to increase in borrowings due within one year.

As at 31st December, 2022, the Group's current ratio, represented by a ratio of total current assets to total current liabilities, was approximately 0.6 (2021: 0.8).

As at 31st December, 2022, the total borrowings and lease liabilities increased by HK\$199,270,000 or 1.8% to HK\$11,541,806,000 (2021: HK\$11,342,536,000).

As at 31st December, 2022, the Group had total net debts of HK\$10,204,830,000 (2021: HK\$9,472,748,000), measured as total borrowings and lease liabilities minus the bank balances and cash and pledged bank deposits. As at 31st December, 2022, the Group had net gearing ratio of approximately 1.12 (2021: 1.00), measured as total net debts to total equity of HK\$9,135,242,000 (2021: HK\$9,516,998,000). The increase of net gearing ratio mainly due to the increase of total borrowings and decrease of total equity.

Financial resources and liquidity

During the year ended 31st December, 2022, the Group entered into several loan agreements with several banks in Hong Kong and overseas, pursuant to which loan facilities of up to HK\$1,462,703,000 in total were made available to the Group.

During the year ended 31st December, 2022, the Group generally financed its operations with internally generated resources and bank and other borrowings. As at 31st December, 2022, all of the bank and other borrowings were on normal commercial terms.

The Group's borrowing was not affected by seasonality.

The Group's borrowings, principally denominated in RMB, which were outstanding as at 31st December, 2022 amounted to approximately HK\$3,663,916,000 (2021: HK\$3,438,581,000). Bank borrowings amounting to approximately HK\$9,932,048,000 (2021 HK\$9,463,048,000) and approximately HK\$1,590,412,000 (2021: HK\$1,857,932,000) were carried at floating interest rate and fixed interest rate respectively.



MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL REVIEW

Cash and cash equivalents held by the Group as at 31st December, 2022 was approximately HK\$1,284,802,000 (2021: HK\$1,573,192,000), principally denominated in RMB.

In view of the Group's current financial and liquidity positions and in the absence of unforeseen circumstances, the Directors are of the opinion that the Group has sufficient working capital for its requirements.

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

During the year, the Group's monetary assets and liabilities are principally denominated in either Renminbi ("RMB"), Hong Kong dollars or United States dollars and the Group conducted its business transactions principally in RMB. As a result of the depreciation of RMB in 2022, exchange loss arising from the Group's bank borrowings denominated in United States dollars and Hong Kong dollars was recognised during the year. The Group may, as it thinks fit, seek suitable financial instruments to hedge against potential depreciation of RMB. As at 31st December, 2022, the Group did not, but was actively exploring opportunities to, employ any financial instruments for hedging purposes.

EMPLOYEE INFORMATION

As at 31st December, 2022, the Group had a total of 5,067 employees (2021: 4,876) in Hong Kong and the PRC, and the total employee benefit expenses (other than directors) for the year was approximately HK\$637,100,000 (2021: HK\$592,971,000). The growth was mainly due to the increase in the number of headcount of the Group. Around 99.7% of the Group's employees are based in the PRC.

The Group's remuneration and bonus policies are determined based on the performance of individual employees.

The emoluments of the Directors are recommended by the Remuneration Committee of the Company, having regard to the Group's operating results, the Directors' duties and responsibilities within the Group and comparable market statistics.

SHARE OPTION SCHEME

On 24th October, 2003, the Company adopted a share option scheme ("Old Share Option Scheme") pursuant to which the Directors were authorised to grant share option to its employees (including executive directors and employees of any of its subsidiaries) or any person who has contributed or will contribute to the Group. The Old Share Option Scheme was terminated and replaced by a new share option scheme ("New Share Option Scheme") on 3rd May, 2013 by an ordinary resolution passed by the shareholders of the Company at the annual general meeting held on 3rd May, 2013.

As at 31st December, 2022, there was no share option outstanding under the Old Share Option Scheme.

The details of the New Share Option Scheme and movements of the Company's share options granted under the New Share Option Scheme during the year ended 31st December, 2022 are disclosed in the section headed "Share Option Scheme" in the Directors' Report.

CHARGE ON THE GROUP'S ASSETS

As at 31st December, 2022, there was no pledge of any of the Group's assets (2021: bank deposit of RMB40,000,000 (equivalent to HK\$48,924,000) was used to secure the short-term general banking facilities granted to the Group).

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITION AND DISPOSALS

During the year ended 31st December, 2022, save for events described in notes 21, 37 and 38 to the consolidated financial statements, the Group did not conduct any significant investments, or material acquisitions or disposal of subsidiaries, associates and joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

As at 31st December, 2022, the Board did not have any specific plans for material investment or capital assets.

CAPITAL AND OTHER COMMITMENTS

As at 31st December, 2022, the capital expenditure in respect of the acquisition of property, plant and equipment and right-of-use assets contracted for but not provided in the consolidated financial statements was HK\$144,487,000 (2021: HK\$149,021,000).

CONTINGENT LIABILITIES

As at 31st December, 2022, the Group did not have any contingent liabilities (2021: nil).



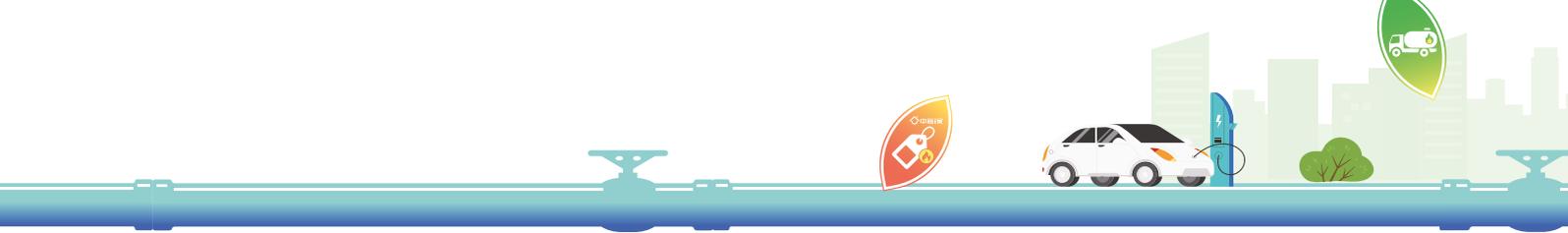
BIOGRAPHICAL INFORMATION OF DIRECTORS

Executive Directors

Mr. Wang Wenliang, aged 52, is the Chairman of the Company. He was appointed as an executive Director on 10 July 2003 and is responsible for the overall strategic planning and operational development of the Company and its subsidiaries (collectively the “Group”). Mr. Wang also serves as a director of certain other subsidiaries within the Group. Mr. Wang have accumulated over 30 years of business experience in China. With keen investment vision and rich operational and management experience, he has invested in various fields including financial securities, internet information services and operation, building materials, real estate development, energy and infrastructures, etc. Mr. Wang currently serves as the standing vice chairman of Hong Kong Association for Promotion of Peaceful Reunification of China and the deputy chairman of the fourth council of China Foundation For Justice And Courage. Mr. Wang was an executive director of China Gas Holdings Limited between 17 January 2003 and 10 June 2003. Mr. Wang completed his postgraduate course in Finance in the Graduate School of Chinese Academy of Social Sciences in the PRC in June 2001. Mr. Wang completed the EMBA program at School of Business of Peking University in July 2019. Mr. Wang is the sole shareholder, a chairman and director of Hezhong Investment Holding Company Limited (“Hezhong”), which is a substantial shareholder (as defined in the Listing Rules) of the Company.

Mr. Yiu Chi Shing, aged 59, is the executive Director and Vice Chairman of the Company. He was appointed as an executive Director and Vice Chairman of the Company on 29th October, 2021. He holds a master’s degree in Business Administration from Huaqiao University, PRC and a honorary Doctor of International Business from William Penn University, Iowa, USA. He is also qualified as a senior economist. Mr. Yiu is the Chairman of the board of directors of TransGlobal Group (International) Limited, a company principally engaged in real estate development and operation, financial investments, tourist resorts and the construction of bridges, roads and urban public utility infrastructure in Hong Kong and Mainland China. Mr. Yiu is a standing committee member of the National Committee of the Chinese People’s Political Consultative Conference, the president of the Hong Kong Association for the Promotion of Peaceful Reunification of China, a member of the Election Committee of the HKSAR and a Justice of the Peace of the HKSAR. He is also awarded the Gold Bauhinia Star by the Government of the HKSAR.

Mr. Lui Siu Keung, aged 51, is the Chief Executive Officer and Company Secretary of the Company. He was appointed as an executive Director of the Company on 22 October 2007. Mr. Lui joined the Company in 2003 and is responsible for the general business operations and management. Mr. Lui also serves as a director of certain other subsidiaries within the Group. Mr. Lui has approximately twenty years of experience in corporate finance, accounting and auditing fields. He graduated from The Hong Kong Polytechnic University with a bachelor of arts degree in accountancy in November 1996. Mr. Lui is an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Lui was an independent non-executive director of Dashan Education Holdings Limited (stock code: 9986) from June 2020 to Feb 2023.



BIOGRAPHICAL INFORMATION OF DIRECTORS

Mr. Jia Kun, aged 52, is an executive Director of the Company. He was appointed as an executive Director on 25 February 2019. Mr. Jia graduated from Zhongnan University of Economics and Law (中南財經政法大學) (formerly known as Zhongnan University of Law (中南政法學院)) and Cheung Kong Graduate School of Business (長江商學院). Mr. Jia holds a bachelor of laws degree and an EMBA degree. Mr. Jia has 8 years of judicial experience and over 20 years of legal, risk management and administrative management experience. Mr. Jia previously served as head of office and chief executive officer of Henan Hezhong Group Company (河南和眾集團公司). Mr. Jia joined the Group in 2003 and currently serves as its executive president (執行總裁). Mr. Jia also serves as a director of certain other subsidiaries within the Group.

Mr. Lu Zhaoheng, aged 59, is an executive Director of the Company. He was appointed as an executive Director on 24 June 2004. Mr. Lu also serves as a director of certain other subsidiaries within the Group. Mr. Lu is the National Registered Public Facilities Engineer and Senior Engineer. Mr. Lu graduated from 重慶建築工程學院 (The Architecture and Engineering Institute of Chongqing) specializing in Town Gas Thermal Engineering in 1984, and obtained a master degree in senior management of business administration from China Europe International Business School in 2017. Mr. Lu has accumulated more than thirty years of experience in the development and commercialisation of natural gas in the PRC. Mr. Lu held various positions in 河南省城鄉規劃設計研究總院 (Henan Urban Planning Institute Corporation) and has comprehensive qualification and experience in planning research, engineering and business management in the natural gas industry.

Mr. Li Yan, aged 59, is an executive Director of the Company. Mr. Li joined the Group in 2003. He was appointed as an executive Director on 25 February 2019. Mr. Li also serves as a director of certain other subsidiaries within the Group. Mr. Li holds a bachelor's degree from Henan University of Economics and Law (河南財經政法大學) (formerly known as Henan University of Economics (河南財經學院)) and an EMBA degree from The Guanghua School of Management of Peking University (北京大學光華管理學院). Mr. Li taught accounting, finance and economics at Henan Province Supply and Marketing School (河南省供銷學校) from July 1988 to February 1992 and served as assistant to the general manager of China Commercial Resources Zhengzhou Company (中國商業物資鄭州公司) from March 1992 to 2002. In December 2005, Mr. Li obtained the title of senior economist.

Independent Non-executive Directors

Mr. Li Chunyan, aged 59, is an independent non-executive Director, Chairman of Audit Committee, Remuneration Committee and Nomination Committee of the Company. He was appointed as an independent non-executive Director on 5 October 2010. He has been a practicing lawyer at Henan Shi Ji Tong Law Office (河南世紀通律師事務所) since April 1999. He has also been a teacher at Xiangcheng Normal School in Henan Province, a lawyer at Pingdingshan Economic Law Office (平頂山經濟律師事務所), a lawyer at Asia Pacific (Group) CPAs, a certified public accountant, as well as a registered assets valuer. In July 2007, he attended the independent director training of Shenzhen Stock Exchange and obtained the qualification certificate of independent directors. He has been an external director of Henan Investment Group Co., Ltd. (河南投資集團有限公司) Since November 2022.



BIOGRAPHICAL INFORMATION OF DIRECTORS

Dr. Luo Yongtai, aged 76, is an independent non-executive Director, a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. He was appointed as an independent non-executive Director on 31 July 2003. He is a professor and a doctoral tutor in management of Tianjin University of Finance and Economics, the committee member of Tianjin Historical Building Protection Expert Consultation Committee, a Director of Coordinated Innovation Development Research Institute of the Beijing, Tianjin and Hebei region, the committee member of Coordinated Development Research Center Expert Consultation Committee of the Northeastern region and the Beijing, Tianjin and Hebei region, and an expert of Thinking Tank in Tianjin Science and Technology Commission, as well as a beneficiary of the Expert Special Subsidy granted by the State Council of the PRC. Dr. Luo had been an independent director of Tianjin Tianbao Infrastructure Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000965) for the period from December 2014 to June 2017. He was an independent director of Tianjin Guifaxiang 18th Street Mahua Food Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002820) during the period between December 2012 and September 2018. He was also an external director of Tianjin Ringpu Bio-Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 300119) during the period between January 2015 and December 2018.

Ms. Liu Yu Jie, aged 58, is an independent non-executive Director, a member of Audit Committee, Remuneration Committee and Nomination Committee of the Company. She was appointed as an independent non-executive Director on 30 June 2017. Ms. Liu graduated from University of International Business and Economics in Beijing and obtained a master's degree in business management. She has been working in Hong Kong, Singapore and the PRC for over 20 years and is familiar with the business environment and regulatory systems of such jurisdictions. She has comprehensive experience in capital markets, business promotion and corporate management through participating in initial public offerings, underwriting over 30 companies in their

respective initial public offerings on The Stock Exchange of Hong Kong Limited, and having led and completed mergers and acquisitions of a number of companies in Hong Kong and Singapore. Ms. Liu also assisted in capital raising and management of large-scale industrial funds which make investments in China, and acted as executive directors of listed companies in Hong Kong and Singapore which engaged in utilities and infrastructure investments. Ms. Liu is a non-executive director of China Water Affairs Group Limited (stock code: 855) and an executive director of New Universe Environmental Group Limited (stock code: 436) and Kangda International Environmental Company Limited (stock code: 6136). She was also an executive director of SICC Environment Holdings Ltd. (a company listed on the Singapore Exchange) from 19 November 2009 to 8 August 2014.

Update on Directors' Information Under Rule 13.51B(1) of the Listing Rules

- Mr. Li Chunyan ceased to be a non-executive director of Rosan Resources Holdings Limited with effect from 1st November, 2022.
- Mr. Lui Siu Keung resigned as an independent non-executive director of Dashan Education Holdings Limited (stock code: 9986) with effect from 13rd February, 2023.
- Ms. Liu Yu Jie was re-designated from an executive director to a non-executive director of China Water Affairs Group Limited (stock code: 855) with effect from 12th April, 2023.

The board of directors (the “Directors”) and the management of Zhongyu Energy Holdings Limited (the “Company”) are committed to high standards of corporate governance. Corporate governance system is set up to achieve a balance of the interests of different participants in the corporation, to direct and manage corporate affairs and to monitor corporate performance. The Company is dedicated to continue improving its corporate governance practices to ensure accountable, transparent and efficient management.

The Company has fully complied with all code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) (the “CG Code”) for the year ended 31st December, 2022. The following summarises the corporate governance practices of the Company and the reasons for deviations, if any, from the CG Code.

Executive Directors:

Mr. Wang Wenliang (“Mr. Wang”) (*Chairman*)
Mr. Yiu Chi Shing (*Vice Chairman*)
Mr. Lui Siu Keung (“Mr. Lui”) (*Chief Executive Officer*)
Mr. Jia Kun (*Executive President*)
Mr. Lu Zhaoheng
Mr. Li Yan

Independent Non-executive Directors:

Mr. Li Chunyan
Dr. Luo Yongtai
Ms. Liu Yu Jie

Save for the Directors’ business relationships as a result of their respective directorships and positions in the Company and its subsidiaries (collectively the “Group”), there are no financial, business, family or other material or relevant relationships among members of the Board.

The Company received a written annual confirmation of independence from each of the independent non-executive Directors pursuant to the Rule 3.13 of the Listing Rules. The Company considered each independent non-executive Director to be independent.

A. Board of Directors

The board of Directors (the “Board”), holds responsibility for leadership and control of the Company. By directing and supervising corporate affairs, the Board plays an important role in protecting and enhancing long-term shareholder value.

A.1 Board composition

As at 31st December, 2022, the Board included nine Directors, of which six were executive Directors and the remaining three were independent non-executive Directors. The composition of the Board up to the date of this report are as follows:

Given the business nature, the Board members have distinct skills and experience in a variety of business range, which includes city gas network design and operation, organisational management, financial and securities trading market, etc.. The relevant biographies and the respective roles of all Directors on the Board are set out on pages 32 to 34 in this report.

The primary roles of the Board are to set the corporate strategy by determining business objectives, development plan and strategic policies; to delegate day-to-day operations to the management and to monitor their operating and financial performance; to avoid risks and oversee corporate affairs.



CORPORATE GOVERNANCE REPORT

A.2 Board meetings and information supply

The Board meets regularly and board meetings were held quarterly and additional meetings would be arranged, if and when required. All Directors can attend meetings in person or through other electronic means of communication.

The Company Secretary assists the Chairman in establishing the meeting agenda and each Director may request inclusion of matters in the agenda.

Notice of at least 14 days in advance is given for a regular board meeting to give all Directors an opportunity to attend.

The management of the Company has provided the Board with adequate information in a timely manner to enable it to make informed decisions. In addition, the management may be invited, if and when requested, to attend board meetings to make presentation and answer the queries raised by the Board.

All Directors have access to the advice and services of the Company Secretary with a view to ensuring that board procedures, and all applicable rules and regulations are followed.

Minutes of board meetings are kept by the Company Secretary and such minutes are open for inspection at any reasonable time on reasonable notice by any Director.

Minutes of board meetings are recorded in sufficient detail and draft and final versions of minutes of board meetings are sent to all Directors for their comment and records respectively, in both cases within a reasonable time after the board meeting is held.

If and when a substantial shareholder of the Company or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter would not be dealt with by way of circulation but a board meeting would be held. Independent non-executive Directors (and whose associates) who have no material interest in the transaction would be present at such board meeting.

For the year ended 31st December, 2022, the Board held 24 board meetings and the Company held one general meeting. The attendance records of all board meetings and the general meeting are set out below:

Executive Directors

Mr. Wang Wenliang (*Chairman*)
 Mr. Yiu Chi Shing (*Vice Chairman*)
 Mr. Lui Siu Keung (*Chief Executive Officer*)
 Mr. Jia Kun (*Executive President*)
 Mr. Lu Zhaoheng
 Mr. Li Yan

Independent Non-executive Directors

Mr. Li Chunyan
 Dr. Luo Yongtai
 Ms. Liu Yu Jie

	General meeting		Board meetings	
Mr. Wang Wenliang (<i>Chairman</i>)	1	100%	24	100%
Mr. Yiu Chi Shing (<i>Vice Chairman</i>)	1	100%	23	96%
Mr. Lui Siu Keung (<i>Chief Executive Officer</i>)	1	100%	24	100%
Mr. Jia Kun (<i>Executive President</i>)	1	100%	24	100%
Mr. Lu Zhaoheng	1	100%	23	96%
Mr. Li Yan	1	100%	24	100%
Mr. Li Chunyan	1	100%	22	92%
Dr. Luo Yongtai	1	100%	22	92%
Ms. Liu Yu Jie	1	100%	22	92%

A.3 Chairman and chief executive

The Chairman is responsible for offering leadership and effectiveness for the Board, arranging all key and appropriate issues to be discussed by the Board in a timely manner, and ensuring the Board acts in the best interests of the Group by establishing constructive relations between executive and non-executive Directors and providing effective communication with shareholders; whereas the chief executive is responsible for running the Group's business, supervising the implementation of the Group's strategy in achieving the overall commercial objectives and managing the day-to-day operation of the Group.

The Provision C.2.1 in Part 2 of CG Code provides that the roles of Chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and chief executive should be clearly established and set out in writing.

During the year ended 31st December 2022, Mr. Wang served as the Chairman and Mr. Lui served as the chief executive officer. Save for their business relationship as a result of their respective directorships and positions in the Group, there are no financial, business, family or other material or relevant relationships between Mr. Wang and Mr. Lui.

A.4 Appointments and re-election

According to the Company's articles of association amended and restated on 2nd June, 2022 ("Articles of Association"), the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy on the Board, or as an addition to the existing Board and the Directors shall have the power from

time to time and at any time to appoint any person to be a Director either to fill a casual vacancy on the Board, or as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next following annual general meeting of the company and shall then be eligible for re-election.

Except for the Directors hereinafter, the Company renewed the service contracts with each Director on 11th July 2021. The Company renewed the service contract with Ms. Liu Yu Jie on 3rd June, 2020 and with Mr. Li Yan and Mr. Jia Kun on 25th February, 2022 and entered into service contracts with Mr. Yiu Chi Shing on 29th October, 2021. The term of appointment for the Directors is three years and they are subject to retirement by rotation and re-election in accordance with the Articles of Association. The details of procedure for retirement of Directors are as follows:

According to the Articles of Association, one-third of the Directors shall retire from office by rotation at the annual general meeting. Furthermore, in compliance with Provision B.2.2 in Part 2 of CG Code, every director should be subject to retirement by rotation at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself for re-election. Any further Director so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall be determined by lot. Any Director appointed pursuant to the Company's Articles of Association as stated in the first paragraph under the heading "A.4 Appointment and re-election" shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.



CORPORATE GOVERNANCE REPORT

Accordingly, Mr. Wang Wenliang, Mr. Li Chunyan and Ms. Liu Yu Jie will retire from office as Directors by rotation at the upcoming annual general meeting and being eligible, offer themselves for re-election.

A.5 Responsibilities of directors

Directors are provided with sufficient and appropriate information by management periodically to ensure they have a proper understanding of the operations and business of the Group, and to enable them to be fully aware of their responsibilities. When a new Director is appointed, he will receive a formal induction and other materials to familiarize with the Group promptly. Besides every Director is required to disclose his interests, potential conflict of interests, and changes in a timely manner according to the Group's written responsibilities guideline. The independent non-executive Directors participate in board meetings and serve on relevant committees to make an independent judgment on corporate affairs and to develop a balanced understanding of the views of shareholders. Individual Directors may also seek external independent professional advice, at the Company's expense, on any specific matter. The Company also encourages all Directors to participate in programs of continuous professional development to develop and refresh their knowledge and skills, in order to discharge their responsibilities positively and constructively.

A.6 Directors' securities transaction

The Company has adopted and complied with the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, they have all confirmed their compliance with the required standard of dealings and the Model Code regarding securities transactions by Directors adopted by the Company during the year ended 31st December, 2022.

A.7 Directors and Officers' Liabilities Insurance

The Company maintains appropriate insurance cover in respect of legal action against the Company's directors and officers when they discharge their duties. The insurance coverage is reviewed on an annual basis.

A.8 Corporate Governance Functions

The Board also assumes the corporate governance functions and is responsible for: developing and reviewing the Company's policies on corporate governance; reviewing and monitoring training and continuous professional development of Directors and senior management; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the Company's code of conduct; and reviewing the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

A.9 Continuous Professional Development

Any newly appointed Director would receive an induction package covering the Group's operations, businesses, governance policies and the statutory regulatory obligations and responsibilities of a director of a listed company. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged in-house trainings for Directors and provision of training materials. A summary of training received by Directors during the year ended 31st December, 2022 according to the records provided by the Directors is as follows:

Name of Directors	Training on corporate governance, Directors' responsibilities and other relevant topics
Executive Directors	
Mr. Wang Wenliang	✓
Mr. Yiu Chi Shing	✓
Mr. Lui Siu Keung	✓
Mr. Jia Kun	✓
Mr. Lu Zhaoheng	✓
Mr. Li Yan	✓
Independent non-executive Directors	
Mr. Li Chunyan	✓
Dr. Luo Yongtai	✓
Ms. Liu Yu Jie	✓

The Directors confirmed that they have complied with the Provision C.1.4 in Part 2 of CG Code Provision in relation to continuous professional development.

B. Remuneration Matters

The Board has established a Remuneration Committee comprising three independent non-executive Directors including Mr. Li Chunyan, Dr. Luo Yongtai and Ms. Liu Yu Jie. Mr. Li Chunyan is the chairman of the Remuneration Committee. The Remuneration Committee meets at least once a year. It will consult the Chairman about their remuneration proposals for other executive directors and the primary responsibilities of the Remuneration Committee are: to make recommendations to the Board on the Company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; to determine specific remuneration packages of individual executive directors and senior management including benefits in kind, pension rights and compensation policy (i.e. the model as described in Provision E.1.2(c) in Part 2 of CG Code was adopted); to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; to ensure that no Director or any of his associates is involved in deciding his own remuneration; and to review and/or approve matters related to share schemes under Chapter 17 of the Listing Rules.

A remuneration committee meeting was held on 28th March, 2022 to review the remuneration packages of Directors with reference to their duties and responsibilities within the Group, the Company's remuneration policy and the prevailing market condition. The attendance record of the Remuneration Committee meeting is set out below:

Independent Non-executive Directors		
Mr. Li Chunyan (Chairman)	1	100%
Dr. Luo Yongtai	1	100%
Ms. Liu Yu Jie	1	100%



CORPORATE GOVERNANCE REPORT

C. Accountability and Audit

C.1 Financial reporting

The Directors acknowledge their responsibilities for preparing the accounts of the Group and ensuring that the preparation of the accounts of the Group is in accordance with statutory requirements and applicable accounting standards. The Directors shall ensure the publication of the Group's accounts in a timely manner.

The statement of the Auditor of the Company about their reporting responsibilities on the accounts of the Group is set out in the Independent Auditor's Report of this Annual Report.

C.2 Risk Management and Internal controls

The risk management and internal control systems have a key role in the management of risks that are significant to the fulfillment of corporation business objectives. Internal control is designed to facilitate the effectiveness and efficiency of operations, to help ensure the reliability of internal and external reporting, to assist compliance with laws and regulations.

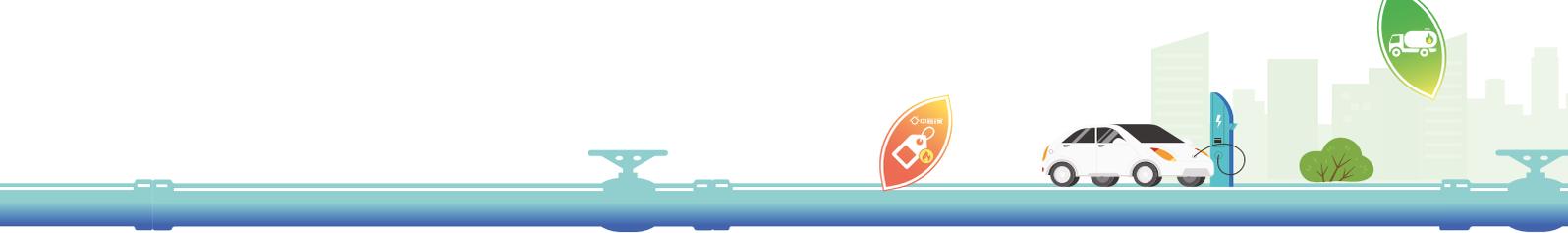
Risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board is responsible for the Group's risk management and internal control systems and reviewing their effectiveness. The effectiveness of the risk management and internal control systems is reviewed

annually by the Board through the Audit Committee. Management is accountable to the Board for ongoing monitoring of the systems of risk management and internal control. By covering financial, operational, compliance controls and risk management, the Board takes the following procedures to achieve business objectives: A distinct organizational structure exists with defined lines of authority and control responsibilities.

- As the Board sets up corporate strategy and delegates daily operation power to senior management, both senior managers in administration headquarter and heads in divisions or projects are involved in the strategic plan and resource allocation to achieve their annual operational and financial targets.
- A comprehensive performance assessment system is implemented to provide financial and operational performance evaluation for both the management and employees once a year. When there are variances against targets or quality requirements, to find the reasons and take appropriate actions to eliminate gaps.

According to business nature and management structure, the Company has established different departments in two levels. The administration headquarter has major responsibilities to prepare and accomplish the Group's business development plan, to conduct day-to-day operation and report to senior management directly, to appoint and direct administrative officers in gas project divisions and to assess their business performances, to implement internal control and avoid



CORPORATE GOVERNANCE REPORT

operational and financial risks. Compared with headquarter offices, the gas project divisions hold very similar duties except that all their daily jobs are done in a lower level and they have to report to the corresponding administration departments respectively on different operational matters.

In order to realize effective financial controls, through maintenance of proper accounting records, both the upper and lower financial departments ensure the Group is not unnecessarily exposed to avoidable financial risks and the financial information can be used only within the business and for reliable publication. They also contribute to pre-setting annual financial budgets, saving expenses and safeguarding of assets, including the prevention and detection of fraud.

Operational control is another important part of the whole risk management and internal control system. To achieve effective result and avoid operational risks, human resource department employs motivation plan to attract employees with necessary knowledge, skills and information, while administrative and engineering departments in two levels pay more attention to ensure efficient operational management and construct high quality gas projects. In addition, all employees have responsibility for internal control as part of their accountability for achieving the Group's objectives. With delegated authority, they are allowed to establish, operate and monitor the system of internal control, and are required to have an understanding of the Group, its objectives, the energy industry and gas markets, and the risks it faces.

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:

- is aware of its obligations under the Securities and Futures Ordinance and the Listing Rules and the overriding principle that inside information should be announced as soon as practicable after such information comes to our attention unless it falls within the "Safe Harbours" as defined under the Securities and Futures Ordinance;
- conducts its affairs in strict compliance with the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012;
- has implemented procedures for responding to external enquiries about the Group's affairs; and
- has implemented policy regarding prohibition on the unauthorised use of confidential or inside information.

The Group's internal audit department checks for compliance with statutory requirements, internal policies and procedures. It assesses the operating effectiveness and efficiency of the Group's risk management and internal control systems in the course of its audit. The audit scope and frequency are determined by the level of assessed risks and have to be reviewed and approved by the Audit Committee.

The Board, through the Audit Committee, reviews the risk management and internal control systems of the Group once every year.



CORPORATE GOVERNANCE REPORT

During the year ended 31st December, 2022, the Board, through the Audit Committee, conducted an annual review of the effectiveness of the risk management and internal control systems of the Group. The annual review covered all material controls, including financial, operational and compliance controls. The annual review also covered the resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions, which the Board considered to be adequate.

As part of the key processes that have been established in reviewing the adequacy and integrity of the systems of risk management and internal control, the Audit Committee of the Company reviewed risk management and internal control issues (if any) identified by internal auditor, external auditor, regulatory authorities and management, and evaluates the adequacy and effectiveness of the Group's risk management and internal control systems.

The Board is of the view that the risk management and internal control systems of the Group are effective and adequate. The Board is also satisfied that the Group has fully complied with the code provisions on risk management and internal controls as set forth in the CG Code.

C.3 Audit committee

The Company has established the Audit Committee in compliance with Rules 3.21 and 3.23 of the Listing Rules. The primary duties of the Audit Committee are: to independently review and supervise the financial reporting process and risk management and internal control systems,

to ensure good communication among Directors and the Company's auditors, to recommend the appointment of external auditors on an annual basis and approval of the audit fees, to assist the Board in oversight of the independence, qualifications, performance and compensation of the independent accountant, to review interim and annual results announcements as well as the financial statements prior to their approval by the Board, to provide audit report, advice, accounting policies and comments to all Directors.

The Audit Committee comprises three independent non-executive Directors who have extensive experience in financial matters, including Mr. Li Chunyan, Dr. Luo Yongtai and Ms. Liu Yu Jie. Mr. Li Chunyan is the chairman of the Audit Committee. In 2022, the Audit Committee held two meetings to check the effectiveness of the risk management and internal control systems; to review the report of internal control prepared by the internal audit department; to consider major investigation findings on risk management and internal control matters (if any); to review the effectiveness of the Company's internal audit function; to review all draft interim and annual financial reports, circulars and announcements; and understand the external auditors' statutory audit plan and the Letters of Representation, and to consider and approve the audit fees. The attendance records of the Audit Committee meetings are set out below:

Independent Non-executive Directors

Mr. Li Chunyan (Chairman)	2	100%
Dr. Luo Yongtai	2	100%
Ms. Liu Yu Jie	2	100%

C.4 Auditor's remuneration

The remuneration in respect of audit service provided by Deloitte Touche Tohmatsu, being the Company's auditor during the year 2022, amounted to HK\$3,916,000.

D. Nomination Committee

The Board has established a Nomination Committee with written terms of reference in compliance with the CG Code. The principal duties of the Nomination Committee include reviewing the structure, size and composition of the Board, making recommendation to the Board on selection of candidates for directorships, the appointment and reappointment of Directors, Board succession planning and assessing the independence of independent non-executive Directors.

The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents. On selection of candidates for directorship of the Company, the Nomination Committee makes reference to criteria such as the skills, experience, professional qualifications, personal integrity and time commitments of such individuals. Each candidate shall be ranked by order of preference based on the needs of the Company and his/her reference check. The Nomination Committee shall report its findings and make recommendation to the Board on the appointment of appropriate candidate for directorship for decision.

The Nomination Committee comprises three independent non-executive Directors including Mr. Li Chunyan, Dr. Luo Yongtai and Ms. Liu Yu Jie. Mr. Li Chunyan is the chairman of the Nomination Committee.

The Nomination Committee held a meeting during the year ended 31st December, 2022 to determine the policy for the nomination of directors, review the nomination, re-appointment and re-election of Directors, and to determine the nomination procedures and consider the process and criteria to be adopted by the Nomination Committee for selecting and proposing a person for election as a Director including the benefits of board diversity in terms of skill, experience, knowledge and gender. The attendance record of the Nomination Committee meeting is set out below:

Independent Non-executive Directors

Mr. Li Chunyan (<i>Chairman</i>)	1	100%
Dr. Luo Yongtai	1	100%
Ms. Liu Yu Jie	1	100%

The Company believes diversity is important to enhance board effectiveness by encouraging a diversity of perspectives and to maintain high standards of corporate governance. According to the Board diversity policy adopted by the Company, the range of diversity perspectives may include a consideration of various factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and industry and regional experience, and other factors based on the specific needs of the Company. As at the date of this Report, the Board comprises nine Directors, one of which is female. The Nomination Committee targeted to avoid a single gender Board. It will review the composition of the Board annually to ensure an appropriate balance of diversity perspectives of the Board is maintained and will discuss and where necessary, agree on the measurable objectives for achieving diversity on the Board and make recommendation to the Board. The Nomination Committee considered the current size and composition of the Board to be sufficient to meet the Company's business needs.



CORPORATE GOVERNANCE REPORT

E. Shareholders' Rights

Dividend Policy

The Company adopted a dividend policy (the "Dividend Policy") which aimed to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the shareholders of the Company.

In recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and needs for future growth as well as its shareholder value in the long-run.

The Board shall also take into account the following factors of the Group when considering the declaration and payment of dividends:

- financial results;
- cash flow situation;
- availability of distributable profits;
- business conditions and strategies;
- future operations and earnings;
- development plans;
- cash requirements;
- capital requirements and expenditure plans;
- interests of shareholders;
- any restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate.

Notwithstanding anything in the Dividend Policy, the declaration and payment of dividends (if any) by the Company is subject to the discretion of the Board, any restrictions under the Companies Law of the Cayman Islands, the Listing Rules, the laws of Hong Kong and the Company's Memorandum and Articles of Association and any other applicable laws and regulations.

Procedures for Shareholders to convene an extraordinary general meeting and putting forward proposals at Shareholders' meetings

Pursuant to Article 58 of the Articles of Association of the Company, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company by mail at Unit 04-06, 28th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

If Shareholder(s) would like to express their views to a matter mentioned in a proposed resolution or other business to be dealt with at a general meeting, they can submit a written statement of not more than 1,000 words with respect to that matter or business and request the Company to circulate their written statement to Shareholders entitled to receive notice of the meeting. Such Shareholder(s) must represent at least (a) 2.5% of the total voting rights of all the Shareholders having the relevant right to vote at the meeting or (b) 50 shareholders having the relevant right to vote at the meeting.

Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the secretary of the Company by mail at Unit 04-06, 28th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. The company secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the Directors of the Company.

Investor Relations and Shareholders Communication Policy

The Company endeavours to maintain an on-going dialogue with shareholders and investment community, mainly through annual general meeting and other general meetings that may be convened. The members of the Board will make themselves available at general meetings to meet Shareholders and answer their enquiries.

The Company maintains a website at www.zhongyuenergy.com, where information and updates on the Company's business developments and operations, financial information, corporate

governance practices (including Shareholders Communication Policy) and other information are available for public access.

F. Constitutional Documents

The Company adopted the amended and restated articles of association of the Company on 2nd June 2022, in order to (i) bring the articles of association in alignment with the Core Shareholder Protection Standards set out in Appendix 3 of the Listing Rules; (ii) reflect certain updates in relation to the applicable laws of the Cayman Islands and Listing Rules; and (iii) incorporate certain housekeeping amendments.

Save as disclosed above, there was no change in the Company's constitutional documents during the year ended 31st December, 2022.

G. Company Secretary

The Company Secretary is Mr. Lui Siu Keung. He took no less than 15 hours of relevant professional training during the year ended 31st December, 2022.

H. Workforce Diversity

The Company has taken steps to promote diversity at all levels of its workforce. Opportunities for employment, training and career development are equally opened to all eligible employees without discrimination.

As at the date of this report, approximately 66% of the Group's workforce (including senior management) is male and approximately 34% is female. The gender ratio of the Group is in line with industry norm. The Company is committed to maintaining an appropriate level of female staff in the workforce and will apply its diversity policy to attract, retain and motivate employees from the widest possible pool of available talent.



DIRECTORS' REPORT

The directors of the Company present their annual report and the audited consolidated financial statements of the Group for the year ended 31st December, 2022.

Further discussion and analysis of the activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a fair review of the business, an analysis using key performance indicators and an indication of likely future development in the Group's business can be found in the "Chairman's Statement", "CEO Message" and the "Management Discussion and Analysis" sections of this annual report (which form part of this report of the Directors).

Principal Activities

The Company is an investment holding company and provides corporate management services to its subsidiaries. The activities of the Company's principal subsidiaries are set out in note 46 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31st December, 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 62 and 63.

The Board recommended the payment of a final dividend of HK8 cents per ordinary share (payable in cash) and a special dividend of HK5 cents per ordinary share (payable in cash) for the year ended 31st December, 2021 to shareholders whose names appear on the register of members of the Company on 10th June, 2022 and the

final dividend and special dividend were paid on 15th July, 2022. The payment of final dividend and special dividend were approved by the shareholders at the annual general meeting of the Company held on 2nd June, 2022.

The Board recommended the payment of an interim dividend of HK3 cents per ordinary share (payable in cash) for the year ended 31st December, 2022 to shareholders whose names appear on the register of members of the Company on 20th October, 2022 and the interim dividend was paid on 15th November, 2022.

The Board does not recommend the payment of a final dividend for the year ended 31st December, 2022.

Investment Properties and Pipelines

The Group revalued all of its investment properties and pipelines included in property, plant and equipment at the year end date. The decrease in fair value of investment properties, which has been debited to profit or loss, amounted to HK\$561,000. The investment properties are primarily used as offices and shop in the PRC.

Details of the movements during the year in investment properties and pipelines of the Group are set out in notes 15 and 16 to the consolidated financial statements respectively.

Share Capital

Details of movements during the year in the share capital of the Company are set out in note 34 to the consolidated financial statements.

Distributable Reserves

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for distributions as dividends to shareholders subject to the provisions of its Articles of Association and provided that immediately following the distribution of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business. In the opinion of the directors, as at 31st December, 2022, the Company's reserves available for distribution amounted to HK\$815,406,000 which consisted of share premium of HK\$2,707,098,000 and accumulated loss of HK\$1,891,692,000.

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

During the year ended 31st December, 2022, the Company repurchased on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") a total of 4,079,000 shares of the Company at a total consideration of HK\$22,650,500. The repurchase of the Company's shares was made for the benefit of the shareholders with a view to enhancing the net asset value per share and earnings per share of the Company. Such repurchased shares were cancelled on 30th December, 2022. Details of the share repurchases are summarized as follows:

Date of repurchase	Total number of shares repurchased	Repurchased price per share		Aggregate consideration (HK\$)
		Lowest (HK\$)	Highest (HK\$)	
25th October, 2022	500,000	5.30	5.34	2,664,180
26th October, 2022	500,000	5.42	5.57	2,766,100
27th October, 2022	500,000	5.62	5.68	2,826,880
28th October, 2022	500,000	5.68	5.80	2,884,330
7th November, 2022	579,000	5.38	5.41	3,131,400
8th December, 2022	500,000	5.46	5.52	2,742,610
9th December, 2022	500,000	5.51	5.63	2,791,090
13rd December, 2022	500,000	5.58	5.76	2,843,910

Save as disclosed 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.



DIRECTORS' REPORT

Directors

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

Executive Directors

Mr. Wang Wenliang (*Chairman*)
Mr. Yiu Chi Shing (*Vice Chairman*)
Mr. Lui Siu Keung (*Chief Executive Officer*)
Mr. Jia Kun (*Executive President*)
Mr. Lu Zhaoheng
Mr. Li Yan

Independent non-executive Directors

Mr. Li Chunyan
Dr. Luo Yongtai
Ms. Liu Yu Jie

In accordance with the provisions of the Company's Articles of Association, Mr. Wang Wenliang, Mr. Li Chunyan and Ms. Liu Yu Jie will retire by rotation at the upcoming annual general meeting and, being eligible, offer themselves for re-election.

Directors Service Contracts

Except for the Directors hereinafter, the Company renewed the service contracts with each of the Directors on 11th July, 2021. The Company renewed the service contract with Ms. Liu Yu Jie on 3rd June, 2020 and with Mr. Li Yan and Mr. Jia Kun on 25th February, 2022. The Company entered into service contracts with Mr. Yiu Chi Shing on 29th October, 2021. The term of appointment for all Directors under their respective service contracts, including the independent non-executive Directors, is three years and the Directors are subject to retirement

by rotation and re-election in accordance with the Articles of Association and the CG Code. There are no existing or proposed directors' service contracts which are not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Transactions, Arrangements or Contracts of Significance

No transactions, arrangements or contracts of significance in which a Director or an entity connected with the Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at 31st December, 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

Long positions in the shares/underlying shares of the Company

Name of Directors	Notes	Number of shares and/or underlying shares	Type of interests	Approximate shareholding interest as disclosed under the SFO (Note 10)
Mr. Wang Wenliang	1	797,725,206	Beneficial/Interest in controlled corporation/Interest of spouse	28.19%
Mr. Yiu Chi Shing	2	188,000,000	Interest in controlled corporation	6.64%
Mr. Lui Siu Keung	3	19,002,179	Beneficial	0.67%
Mr. Jia Kun	4	7,055,031	Beneficial	0.25%
Mr. Lu Zhaoheng	5	6,040,984	Beneficial	0.21%
Mr. Li Yan	6	9,013,063	Beneficial	0.32%
Mr. Li Chunyan	7	1,510,761	Beneficial	0.05%
Dr. Luo Yongtai	8	502,900	Beneficial	0.02%
Ms. Liu Yu Jie	9	502,900	Beneficial	0.02%

Notes:

- Among these shares and/or underlying shares, 765,462,289 shares were held by Hezhong Investment Holding Company Limited ("Hezhong"). Mr. Wang Wenliang was beneficially interested in 100% of the issued share capital of Hezhong. The remaining 21,324,616 shares and 10,938,301 shares were directly held by Mr. Wang Wenliang and his spouse respectively.
- These shares were held by Fundway International Investment Limited ("Fundway"). Mr. Yiu Chi Shing was beneficially interested in 100% of the issued share capital of Fundway.
- These comprise 11,458,679 shares directly held by Mr. Lui Siu Keung and 7,543,500 underlying shares issuable upon exercise of the rights attaching to the 7,543,500 share options at an exercise price of HK\$5.468 per share granted under the New Share Option Scheme.
- These shares were directly held by Mr. Jia Kun.
- These comprise 3,023,584 shares directly held by Mr. Lu Zhaoheng and 3,017,400 underlying shares issuable upon exercise of the rights attaching to the 3,017,400 share options at an exercise price of HK\$5.468 per share granted under the New Share Option Scheme.
- These shares were directly held by Mr. Li Yan.
- These comprise 1,007,861 shares directly held by Mr. Li Chunyan and 502,900 underlying shares issuable upon exercise of the rights attaching to the 502,900 share options at an exercise price of HK\$5.468 per share granted under the New Share Option Scheme.
- These represent underlying shares issuable upon exercise of the rights attaching to the 502,900 share options at an exercise price of HK\$5.468 per share granted under the New Share Option Scheme.



DIRECTORS' REPORT

9. *These represent underlying shares issuable upon exercise of the rights attaching to the 502,900 share options at an exercise price of HK\$5.468 per share granted under the New Share Option Scheme.*
10. *As at 31st December, 2022, the total number of issued shares of the Company was 2,829,753,157.*

Save as disclosed above, as at 31st December, 2022, none of the Directors and chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) are required, pursuant

Long positions in the shares of the Company

Name of shareholder	Notes	Type of interests	Number of Shares	Approximate shareholding interest as disclosed under the SFO (Note 5)
China Gas Holdings Limited	1	Interest of controlled corporation	1,057,905,071	37.39%
Hezhong	2	Beneficial	765,462,289	27.05%
Ms. Feng Haiyan	3	Beneficial/Interest of spouse	797,725,206	28.19%
Fundway	4	Beneficial	188,000,000	6.64%

Notes:

- According to the disclosure of interests filings as shown in the website of the Stock Exchange as at 31st December, 2022, China Gas Holdings Limited held these shares through Rich Legend International Limited ("Rich Legend"), its wholly-owned subsidiary, and is therefore deemed to be interested in the 1,057,905,071 shares held by Rich Legend.*
- Hezhong was beneficially interested in 765,462,289 shares. Mr. Wang Wenliang was beneficially interested in 100% of the issued share capital of Hezhong.*
- Ms. Feng Haiyan directly held 10,938,301 shares and was deemed to be interested in 786,786,905 shares under the SFO as she is the spouse of Mr. Wang Wenliang.*

to section 352 of the SFO, to be entered in the register referred to therein; or (iii) are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Interests of substantial shareholders of the Company

So far as is known to the Directors, as at 31st December, 2022, the following entities (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

4. *Fundway was beneficially interested in 188,000,000 shares. Mr. Yiu Chi Shing was beneficially interested in 100% of the issued share capital of Fundway.*
5. *As at 31st December, 2022, the total number of issued shares of the Company was 2,829,753,157.*

Save as disclosed above, as at 31st December, 2022, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Share option scheme

On 24th October, 2003, the Company adopted a share option scheme ("Old Share Option Scheme") pursuant to which the Directors were authorised to grant share option to its employees (including executive directors and employees of any of its subsidiaries) or any person who has contributed or will contribute to the Group. The Old Share Option Scheme was terminated and replaced by a new share option scheme ("New Share Option Scheme") on 3rd May, 2013 by an ordinary resolution passed by the shareholders of the Company at the annual general meeting held on 3rd May, 2013.

As at 1st January, 2022 and 31st December, 2022, there was no share options outstanding under Old Share Option Scheme.

The purpose of the New Share Option Scheme is to reward participants who have contributed or will contribute to the Group and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Under the New Share Option Scheme, the Directors may offer share options to any directors and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who the board of directors of the Company considers, in its sole discretion, have contributed or will contribute to the Group, to subscribe for shares in the Company in accordance with the terms of the New Share Option Scheme.

The New Share Option Scheme shall be valid and effective for a period of ten years commencing on 3rd May, 2013 and will expire on 2nd May, 2023. The Board may, at its absolute discretion, specify in an offer to any participant a minimum period for which an option must be held before it can be exercised. Options granted under the New Share Option Scheme may be exercised during the period to be determined and notified by the Board to the grantee at the time of making an offer which shall not expire later than 10 years from the date of grant. An amount of HK\$1.00 is payable within 28 days from the day of grant upon acceptance of the grant of options. The exercise price shall be determined by the Board in its absolute discretion but in any event shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.



DIRECTORS' REPORT

The maximum number of shares which may be issued upon exercise of all share options to be granted under the New Share Option Scheme shall not, in the absence of shareholders' approval, in aggregate exceed 10% in nominal amount of the aggregate of shares in issue on the adoption date (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

The Company may renew the Scheme Mandate Limit at any time subject to prior shareholders' approval but in any event, the total number of shares which may be issued upon exercise of all share options to be granted under the New Share Option Scheme under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of the Shareholders' approval of the renewed limit. Options previously granted under the New Share Option Scheme (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the limit as renewed.

Further, no options will be granted which would result in the maximum aggregate number of shares which may be issued upon exercise of all outstanding options granted but yet to be exercised under the New Share Option Scheme, the existing options granted under the Old Share Option Scheme, in aggregate, 30% of the issued share capital of the Company from time to time.

The maximum number of shares issued and to be issued upon exercise of the options granted to each grantee under the New Share Option Scheme (including both exercised and outstanding options) in any 12-month period shall not (when aggregated with any shares subject to options granted during such period under any other share option scheme(s) of the Company other than those options granted pursuant to specific approval by the shareholders in a general meeting) exceed 1% of the shares of the Company in issue for the time being.

On 5th January, 2018, 126,000,000 share options to subscribe for an aggregate of 126,000,000 ordinary shares of the Company at par value of HK\$0.01 each were granted to the eligible participants (including Directors) by the Company pursuant to the New Share Option Scheme. The exercise price of such share options granted under the New Share Option Scheme was HK\$5.5 per share. The share options granted shall be valid for a period of ten years from the date of grant. The closing price of the Company's shares on 4th January, 2018, being the date immediately before the date on which the share options under the New Share Option Scheme were granted, was HK\$4.98. As announced by the Company on 1st August, 2018, the exercise price and the number of options outstanding as at that date were adjusted to HK\$5.468 per share and 126,730,800 options in accordance with the terms of the New Share Option Scheme, as a result of the issue of scrip shares by the Company to its shareholders on 1st August, 2018.

The Scheme Mandate Limit of the New Share Option Scheme is 252,400,768 (representing 8.92% of the issued shares of the Company as at the date of this report). No options were granted, exercised, cancelled or lapsed in the year ended 31st December, 2022. As at 1st January 2022, 31st December 2022 and the date of this report, 126,730,800 share options were granted, 3,023,200 share options have lapsed in accordance with the terms of the New Share Option Scheme, 107,614,800 Shares have been issued under the New Share Option Scheme, the number of share options outstanding was 16,092,800 and the maximum number of share options which may be granted under the Scheme Mandate Limit of the New Share Option Scheme is 128,693,168 (representing 4.55% of the issued shares of the Company as at the date of this report). The outstanding share options, if converted in full into shares of the Company, and the number of options available for future grant, if granted and converted in full, represent approximately 0.57% and 4.55% of the number of issued shares of the Company as at the date of this report.

DIRECTORS' REPORT

The following table discloses movements of the Company's share options granted to the eligible participants (including Directors) under the New Share Option Scheme during the year ended 31st December, 2022:

Name of participants who are Directors and category of other participants	Date of grant	Exercise period	Exercise price HK\$	Number of share options granted under the New Share Option Scheme				
				Outstanding at 1st January, 2022	Granted during the year under review	Exercised during the year under review	Cancelled/Lapsed during the year under review	Outstanding at 31st December, 2022
Lui Siu Keung	5th January, 2018	5th January, 2018 to 4th January, 2028 ^(a)	5.468	7,543,500	-	-	-	7,543,500
Lu Zhaoheng	5th January, 2018	5th January, 2018 to 4th January, 2028 ^(a)	5.468	3,017,400	-	-	-	3,017,400
Li Chunyan	5th January, 2018	5th January, 2018 to 4th January, 2028 ^(a)	5.468	502,900	-	-	-	502,900
Luo Yongtai	5th January, 2018	5th January, 2018 to 4th January, 2028 ^(a)	5.468	502,900	-	-	-	502,900
Liu Yu Jie	5th January, 2018	5th January, 2018 to 4th January, 2028 ^(a)	5.468	502,900	-	-	-	502,900
				12,069,600	-	-	-	12,069,600
Employees	5th January, 2018	5th January, 2018 to 4th January, 2028 ^(a)	5.468	2,514,500	-	-	-	2,514,500
Employees	5th January, 2018	17th December, 2019 to 4th January, 2028 ^(b)	5.468	1,508,700	-	-	-	1,508,700
				16,092,800	-	-	-	16,092,800
Exercisable at the end of the period								16,092,800
Weighted average exercise price				HK\$5.468	-	-	-	HK\$5.468

Notes:

- (a) The options became vested immediately on 5th January, 2018.
- (b) Pursuant to an ordinary resolution passed by the Shareholders on 17th December, 2019, the options became vested immediately upon passing of the resolution.



DIRECTORS' REPORT

Save as disclosed above, (i) at no time during the year under review was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company; and (ii) no other equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

Connected Transaction

To the extent the related party transactions set out in note 41 to the consolidated financial statements constitute connected transactions of the Company (i.e. the transactions referred to in note 27, note 31 and note 41(b)), they are fully exempt under Rule 14A.76 or Rule 14A.95 (as the case may be) of the Listing Rules. The Board confirms that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules for the year ended 31st December, 2022.

Compliance with Laws and Regulations

The Group has complied with the relevant laws and regulations that have a significant impact on the Group. The Group has established policies to reduce wastewater and solid wastes and monitor the waste emissions to comply with relevant environmental laws and regulations in different region in the PRC.

The Group has formulated relevant policies to protect employees' rights and strictly complied with relevant laws and regulations. We have clear requirements for working hours and holidays, which complies with Labour Contract Law and relevant national laws and regulations and prohibits employment of child labour or forced labour.

The Group has formulated various rules in relation to occupational health and work safety in accordance with the Law of the People's Republic of China on Work Safety to specify work safety responsibilities of staff at all levels,

and ensure that these rules and measures are strictly followed.

Environmental policies

The Group has established a mechanism to monitor, formulate and implement measures to ensure proper management and reduction of greenhouse gases, air pollutants, waste and wastewater emissions from its operations.

To reduce greenhouse gas emissions, the Group has adopted measures such as strengthening the inspection on exhaust gas from vehicles and prioritizing the procurement of new energy and clean energy vehicles (LNG vehicles and pure electric vehicles) vehicles as company vehicles to promote low-carbon transportation. There was a slight reduction in greenhouse gas emissions (measured by intensity per head) in the year ended 31st December 2022 when compared to the preceding year.

To enhance water usage efficiency, the Group has introduced water-saving technologies such as water-saving faucets and water-saving toilet systems, thereby reducing consumption in daily operations.

The Group has set waste reduction goals and is committed to reducing hazardous and non-hazardous wastes per head to minimize the environmental impact of office operations.

The Group regularly reviews its energy efficiencies and management systems by means such as the procurement of energy saving equipment, promotion of energy saving plans, reducing power consumption to lower the electricity consumption per capita and continuously improve the Group's energy performance.

Key Relationship with Employees

The Group has put in place a comprehensive employment system covering compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, anti-discrimination, and other benefits and welfare. In order to meet the needs of business expansion,

the Group makes active efforts to recruit talent through open and campus recruitment activities based on the principles of fair competition, two-way selection and merit selection. We have formulated Performance Management System, pursuant to which we provide fair and reasonable promotion opportunities to our employees. The ranks and remuneration of employees are determined according to their skills, contributions and scope of influence. The Group also provides thorough and comprehensive training for staff at all levels through diversified means including lectures, practical training, sharing and learning, onsite observation and outreach training.

Major Customers and Suppliers

The aggregate sales attributable to the Group's five largest customers were less than 7.1% of total turnover for the year. The Group's largest customer accounted for 1.8% of the total sales for the year. The Group allows an average credit period of 30 to 180 days to its trade customers. Customers are mainly local reputable real estate developers and corporate entities in the PRC and no significant counterparty default was noted in the past. The concentration of credit risk is limited due to the customer base being large and unrelated.

For the year ended 31st December, 2022, our five largest suppliers comprised 50.0% of our total purchase for the year. The Group's largest supplier accounted for 34.5% of the total purchase for the year. Long-term relationship has been established with major suppliers to ensure stable supply of gas.

At no time during the year did a director, a close associate of a director, or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

Pre-emptive Rights

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

Confirmation from Independent Non-executive Directors

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Board is not aware of any circumstances which may influence the independent non-executive Directors in exercising their independent judgement.

Emolument Policy

The Group's remuneration and bonus policies are determined based on the performance of individual employees.

The emoluments of the Directors are recommended by the Remuneration Committee, having regard to the Group's operating results, the Directors' duties and responsibilities within the Group and comparable market statistics.

Pursuant to E.1.5 of the CG Code, the remuneration of the senior management of the Company is set out in note 12 to the consolidated financial statements.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 36 to the consolidated financial statements.

Retirement Benefits Plans

The Group had joined the Mandatory Provident Fund Scheme under the rules and regulations of the Hong Kong Mandatory Provident Fund Schemes Authority. The Group's employees in Hong Kong are required to join the scheme. The Group and each employee employed in Hong Kong are required to make a contribution of 5% on the employees' monthly relevant income with a maximum monthly contribution of HK\$1,500 per person.

No forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) may be used by the employer to reduce the existing level of contributions.



DIRECTORS' REPORT

The Company's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in various central pension schemes operated by the relevant municipal and provincial governments. These subsidiaries are required to make defined contributions to these schemes at rates ranging from 15% to 30% of their covered payroll. The Group has no other material obligation for the payment of its staff's retirement and other post-retirement benefits other than the contributions described above.

Indemnity Provision

Pursuant to article 164 of the Articles of Association of the Company, every director of the Company shall be entitled to be indemnified and assured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which he/she may sustain or incur in or about the execution of the duties of his/her office or trusts in relation thereto provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the said directors. Such provision was in force during the year ended 31st December, 2022 and remained in force as of the date of this report.

Principal Risks and Uncertainties Facing the Group

Work safety is the most important operational risk facing by the Group. The Group has formulated various rules in relation to occupational health and work safety in accordance with the Law of the People's Republic of China on Work Safety to specify work safety responsibilities of staff at all levels, and ensure that these rules and measures are strictly followed. We organize annual training for all staff in respect of management, environment to safety systems, and departments organize their own relevant training as well, with the aim of raising employees' awareness of prevention. We have also equipped our employees with appropriate safety gear to ensure their work safety. For frontline positions, all employees are strictly required to obtain certificates of labour skills from the government, ensuring that the related personnel are equipped with the professional qualifications and safety knowledge about dangerous working conditions.

We proactively prevent gas leakage. Apart from thorough and rigorous control systems including the Rules on Gas Pipeline Network Safety Inspection, we have also equipped the pipeline network management department with adequate manpower and equipment, ensuring that any leakage can be noticed timely. We also greatly publicize the Group's hotline to encourage the public to report any gas leakage.

Please refer to note 44 to the consolidated financial statements for a summary of financial risks of the Group.

Competing Business

As far as the Directors are aware, during the year, none of the Directors had any interest in a business which competed with or might compete with the business of the Group.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31st December, 2022 and as at the latest practicable date prior to the issue of this report.

Donations

During the year under review, the Group made charitable and other donations amounted to approximately RMB2,659,000.

Auditor

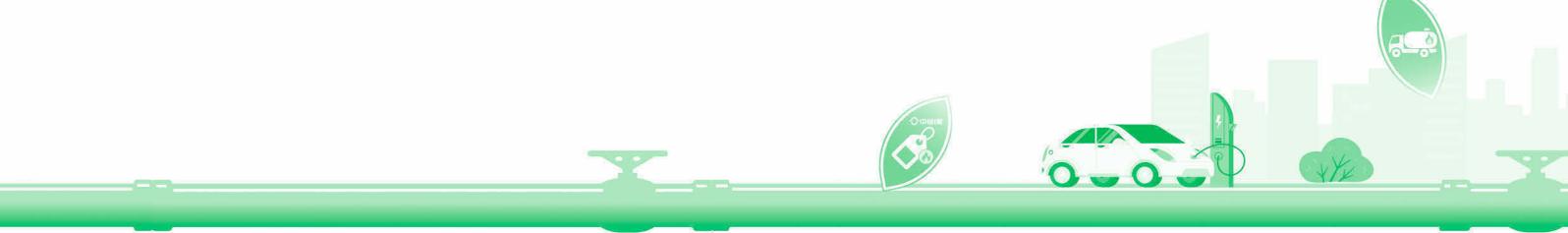
A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Wang Wenliang

Chairman

Hong Kong
28th March, 2023



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ZHONGYU ENERGY HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Zhongyu Energy Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 62 to 203, which comprise the consolidated statement of financial position as at 31st December, 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

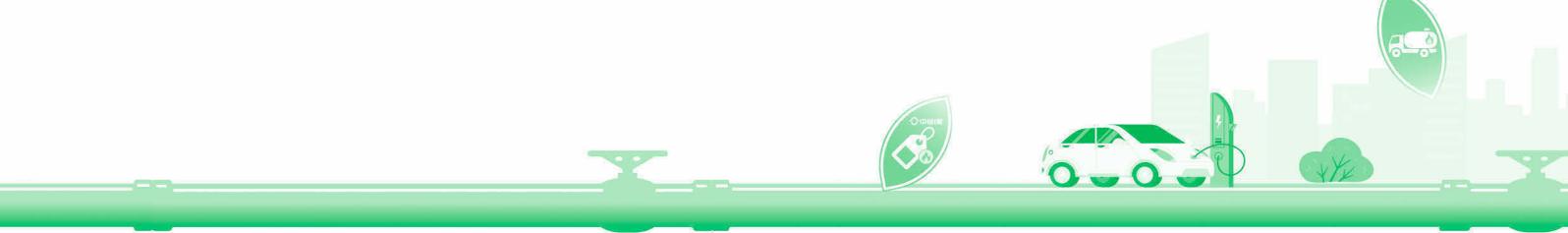
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our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



INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment assessment of goodwill, other intangible assets, property, plant and equipment and right-of-use assets</i></p> <p>We identified the impairment assessment of goodwill, other intangible assets, property, plant and equipment and right-of-use assets of the Group as a key audit matter due to their significance to the consolidated financial statements and significant judgment and estimation involved in the impairment assessment.</p> <p>As at 31st December, 2022, the carrying amounts of goodwill, other intangible assets, property, plant and equipment and right-of-use assets of HK\$471,022,000, HK\$1,530,058,000, HK\$8,681,700,000 and HK\$319,941,000 respectively as disclosed in note 18 to the consolidated financial statements were assessed for impairment.</p> <p>As disclosed in note 4 to the consolidated financial statements, the relevant assets have been allocated to individual cash-generating units ("CGUs") relating to (i) sales of gas, (ii) pipeline construction, (iii) different subsidiaries of Harmony Gas Holdings Limited engaging in sales of gas and (iv) design and consulting of energy projects. The recoverable amounts of the respective CGUs have been determined with reference to the value in use of the relevant CGUs, which require adoption of key assumptions such as suitable discount rates and growth rates, in order to calculate the present value of the estimated future cash flows.</p>	<p>Our procedures in relation to the impairment assessment of goodwill, other intangible assets, property, plant and equipment and right-of-use assets included:</p> <ul style="list-style-type: none"> • understanding management's process over impairment assessment of goodwill, other intangible assets, property, plant and equipment and right-of-use assets; • obtaining the cash flow forecasts prepared by the management that were used to calculate the value in use of the CGUs to which the Group's goodwill, other intangible assets, property, plant and equipment and right-of-use assets are allocated and understanding the key management assumptions adopted in these cash flow forecasts through enquiries with the management; • assessing of the models used including the macroeconomic assumptions used; • comparing key assumptions (including discount rates and growth rates) used in the model to external data; and • assessing the reasonableness of forecasted future cash flows by comparing to historical performance.



INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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



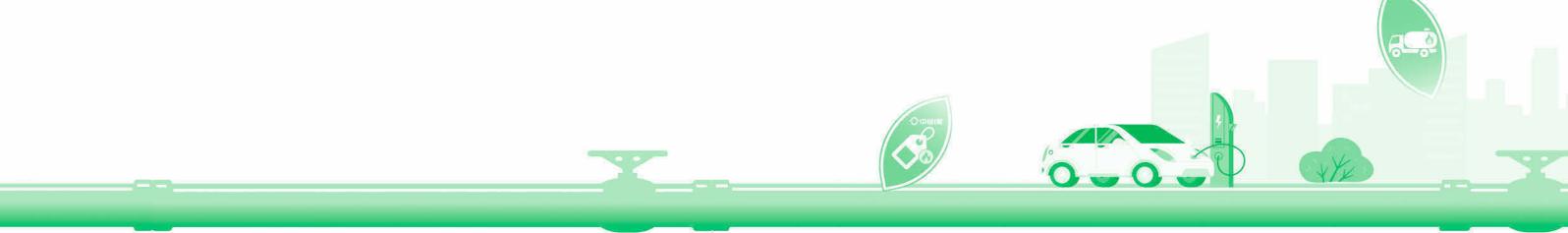
INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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



INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Wong Kuen.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28th March, 2023



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
Turnover	5	12,997,322	11,344,500
Cost of sales		(11,030,715)	(9,155,563)
Gross profit		1,966,607	2,188,937
Other gains and losses	7	(524,386)	220,525
Other income	8	177,806	148,161
Selling and distribution costs		(237,251)	(246,598)
Administrative expenses		(572,191)	(590,154)
Reversal of impairment losses on financial assets and contract assets, net		2,208	1,178
Finance costs	9	(329,382)	(189,627)
Share of results of associates		32,079	50,441
Share of results of joint ventures		(841)	(1,361)
Profit before tax		514,649	1,581,502
Income tax expenses	10	(271,732)	(318,859)
Profit for the year	11	242,917	1,262,643
Other comprehensive income (expense)			
Items that will not be reclassified subsequently to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		(670,494)	185,031
Fair value gain on revaluation of pipelines included in property, plant and equipment	16	600,459	667,836
Deferred tax arising from revaluation of pipelines included in property, plant and equipment		(150,115)	(166,959)
Other comprehensive (expense) income for the year		(220,150)	685,908
Total comprehensive income for the year		22,767	1,948,551
Profit for the year attributable to:			
Owners of the Company		174,077	1,188,997
Non-controlling interests		68,840	73,646
		242,917	1,262,643

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2022

	NOTE	2022 HK\$'000	2021 HK\$'000
Total comprehensive (expense) income attributable to:			
Owners of the Company		(54,622)	1,826,885
Non-controlling interests		77,389	121,666
		22,767	1,948,551
Earnings per share	14		
Basic		HK6.14 cents	HK44.20 cents
Diluted		HK6.14 cents	HK44.14 cents



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
Non-current assets			
Investment properties	15	7,743	8,942
Property, plant and equipment	16	15,351,567	14,995,812
Right-of-use assets	17	622,144	616,721
Goodwill	18	471,022	468,579
Other intangible assets	19	1,530,058	1,406,259
Long-term deposits, prepayments and other receivables	20	1,197,220	1,247,331
Interests in associates	21	762,102	714,292
Interests in joint ventures	22	16,198	18,358
Financial assets at fair value through other comprehensive income	23	80,158	86,257
		20,038,212	19,562,551
Current assets			
Inventories	24	673,037	689,895
Properties under development for sale	25	234,937	225,809
Trade receivables	26	1,884,906	2,047,401
Deposits, prepayments and other receivables	26	1,648,279	1,748,685
Amount due from a non-controlling shareholder of a subsidiary	27	8,503	9,173
Contract assets	28	482,133	515,356
Tax recoverable		3,899	4,206
Pledged bank deposits	29	–	48,924
Bank balances and cash	29	1,336,976	1,820,864
		6,272,670	7,110,313
Current liabilities			
Trade payables	30	1,683,449	1,730,216
Other payables and accrued charges	30	766,290	779,694
Amount due to a non-controlling shareholder of a subsidiary	27	3,384	–
Amount due to an associate	31	1,014	1,094
Contract liabilities	28	1,651,089	1,838,540
Borrowings	32	6,305,945	3,948,904
Lease liabilities	33	3,602	4,670
Tax payables		91,040	125,361
		10,505,813	8,428,479
Net current liabilities		(4,233,143)	(1,318,166)
Total assets less current liabilities		15,805,069	18,244,385

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
Capital and reserves			
Share capital	34	28,297	28,338
Reserves		8,099,926	8,630,659
Equity attributable to owners of the Company		8,128,223	8,658,997
Non-controlling interests		1,007,019	858,001
Total equity		9,135,242	9,516,998
Non-current liabilities			
Deferred income and advance received	30	5,221	6,258
Borrowings	32	5,216,515	7,372,076
Lease liabilities	33	15,744	16,886
Deferred taxation	35	1,432,347	1,332,167
		6,669,827	8,727,387
		15,805,069	18,244,385

The consolidated financial statements on pages 62 to 203 were approved and authorised for issue by the Board of Directors on 28th March, 2023 and are signed on its behalf by:

MR. WANG WENLIANG
DIRECTOR

MR. LUI SIU KEUNG
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2022

	Equity attributable to owners of the Company											
	Share capital	Share premium	Share option reserve	Property revaluation reserve	Other reserve	Statutory surplus reserve	Translation reserve	Accumulated profits	Sub-total	Non-controlling interests	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Note i)	HK\$'000 (Note ii)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (note 47)	HK\$'000
At 1st January, 2021	26,448	1,644,649	13,981	1,294,591	(611,503)	193,020	281,850	3,173,003	6,016,039	715,311	6,731,350	
Profit for the year	-	-	-	-	-	-	-	1,188,997	1,188,997	73,646	1,262,643	
Other comprehensive income for the year	-	-	-	499,066	-	-	138,832	-	637,888	48,020	685,908	
Total comprehensive income for the year	-	-	-	499,066	-	-	138,832	1,188,997	1,826,885	121,666	1,948,551	
Dividends paid in cash (note 13)	-	-	-	-	-	-	-	(270,174)	(270,174)	-	(270,174)	
Transfer to statutory surplus reserve	-	-	-	-	-	31,482	-	(31,482)	-	-	-	
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	(17,807)	(17,807)	
Capital contribution from non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	38,831	38,831	
Placement of shares (note 34)	1,880	1,088,520	-	-	-	-	-	-	1,090,400	-	1,090,400	
Transaction costs attributable to placement of shares	-	(9,621)	-	-	-	-	-	-	(9,621)	-	(9,621)	
Exercise of share options (note 36)	10	6,248	(790)	-	-	-	-	-	5,468	-	5,468	
Forfeit of share options (note 36)	-	-	(5)	-	-	-	-	5	-	-	-	
Expired of share options (note 36)	-	-	(159)	-	-	-	-	159	-	-	-	
At 31st December, 2021	28,338	2,729,796	13,027	1,793,647	(611,503)	224,502	420,682	4,060,508	8,658,997	858,001	9,516,998	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2022

	Equity attributable to owners of the Company										
	Share capital	Share premium	Share option reserve	Property revaluation reserve	Other reserve	Statutory surplus reserve	Translation reserve	Accumulated profits	Sub-total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Note i)	(Note ii)				(note 47)	
At 1st January, 2022	28,338	2,729,796	13,027	1,793,647	(611,503)	224,502	420,682	4,060,508	8,658,997	858,001	9,516,998
Profit for the year	-	-	-	-	-	-	-	174,077	174,077	68,840	242,917
Other comprehensive income (expense) for the year	-	-	-	283,731	-	-	(512,430)	-	(228,699)	8,549	(220,150)
Total comprehensive income (expense) for the year	-	-	-	283,731	-	-	(512,430)	174,077	(54,622)	77,389	22,767
Dividends paid in cash (note 13)	-	-	-	-	-	-	-	(453,413)	(453,413)	-	(453,413)
Repurchase of shares (note 34)	(41)	(22,698)	-	-	-	-	-	-	(22,739)	-	(22,739)
Transfer to statutory surplus reserve	-	-	-	-	-	21,997	-	(21,997)	-	-	-
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	-	(35,188)	(35,188)
Capital contribution from non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	15,781	15,781
Acquisition of a subsidiary (note 37)	-	-	-	-	-	-	-	-	-	69,822	69,822
Acquisition of assets and liabilities through acquisition of a subsidiary (note 38)	-	-	-	-	-	-	-	-	-	21,214	21,214
At 31st December, 2022	28,297	2,707,098	13,027	2,077,378	(611,503)	246,499	(91,748)	3,759,175	8,128,223	1,007,019	9,135,242

Notes:

- (i) Other reserve mainly represents the difference between the fair values of the considerations paid and the carrying amounts of the non-controlling interests arising from acquisition of additional interest in subsidiaries.
- (ii) The articles of association of the Company's subsidiaries established in the People's Republic of China (the "PRC") state that they may make an appropriation of 10% of their profit for each year (prepared under generally accepted accounting principles in the PRC) to the statutory surplus reserve until the balance reaches 50% of the paid-in capital. The statutory surplus reserve shall only be used for making up losses, capitalisation into paid-in capital and expansion of their production and operation.



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2022

	2022 HK\$'000	2021 HK\$'000
Operating activities		
Profit before tax	514,649	1,581,502
Adjustments for:		
Depreciation of property, plant and equipment	467,155	425,780
Depreciation of right-of-use assets	24,746	31,368
Amortisation of other intangible assets	76,005	76,422
Net losses on disposal of property, plant and equipment	1,233	4,532
Gain on disposal of right-of-use assets	–	(1,385)
(Reversal of impairment losses) impairment losses		
– contract assets	(2,187)	(1,835)
– other receivables	(21)	657
Share of results of associates	(32,079)	(50,441)
Share of results of joint ventures	841	1,361
Interest income	(32,725)	(38,583)
Finance costs	329,382	189,627
Decrease in fair value of investment properties	561	557
Net foreign exchange loss (gain)	530,980	(97,791)
Operating cash flows before movements in working capital	1,878,540	2,121,771
Increase in inventories	(32,338)	(81,313)
Decrease (increase) in trade receivables	19,954	(219,282)
Increase in deposits, prepayments and other receivables	(14,600)	(17,058)
(Increase) decrease in contract assets	(1,006)	112,244
Increase in properties under development for sale	(26,302)	(53,963)
Decrease in deferred income and advance received	(618)	(620)
Increase (decrease) in trade payables	52,365	(205,566)
Decrease in other payables and accrued charges	(120,945)	(51,173)
(Decrease) increase in contract liabilities	(60,052)	417,946
Cash generated from operations	1,694,998	2,022,986
Interest received	9,406	15,264
Income taxes paid	(303,550)	(242,715)
Withholding tax paid	(5,429)	–
Net cash from operating activities	1,395,425	1,795,535

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2022

	NOTES	2022 HK\$'000	2021 HK\$'000
Investing activities			
Dividend received from an associate		–	33,735
Repayment from an associate		–	60,241
Purchases of property, plant and equipment		(1,165,562)	(1,345,295)
Payments of right-of-use assets		(60,778)	(23,266)
Proceeds from disposal of property, plant and equipment		66,580	54,413
Withdrawal (placement) of pledged bank deposits		48,924	(43,373)
Net cash (outflow) inflow on acquisition of subsidiaries	37	(75,477)	4,025
Net cash outflow on acquisition of assets and liabilities through acquisition of a subsidiary	38	(16,438)	–
Payments of unsettled consideration of acquisitions of subsidiaries		(3,260)	(27,898)
Additional investment in an associate		(70,554)	(171,932)
Addition of other intangible assets		(157)	(167)
Deposits paid for acquisition of property, plant and equipment and right-of-use assets		(41,707)	(167,532)
Net cash used in investing activities		(1,318,429)	(1,627,049)
Financing activities			
Interest paid		(378,563)	(311,753)
Loan facilities fees paid		(980)	(130,232)
New borrowings raised		4,543,484	7,691,595
Dividends paid by subsidiaries to non-controlling interests		(29,818)	(4,342)
Repayments of lease liabilities		(8,129)	(14,792)
Repayments of borrowings		(4,115,467)	(8,125,357)
Capital contribution from non-controlling interests of subsidiaries		14,552	25,366
Proceeds from placement of shares		–	1,090,400
Transaction costs attributable to placement of shares		–	(9,621)
Exercise of share options		–	5,468
Payment on repurchase of ordinary shares		(22,651)	–
Transaction costs attributable to repurchase of ordinary shares		(88)	–
Dividends paid		(436,347)	(259,992)
Net cash used in financing activities		(434,007)	(43,260)
Net (decrease) increase in cash and cash equivalents		(357,011)	125,226
Cash and cash equivalents at 1st January		1,820,864	1,744,299
Effect of foreign exchange rate changes		(126,877)	(48,661)
Cash and cash equivalents at 31st December, represented by bank balances and cash		1,336,976	1,820,864



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

1. GENERAL INFORMATION

Zhongyu Energy Holdings Limited (the “Company”) is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company acts as an investment holding company and provides corporate management services to its subsidiaries. The Company’s subsidiaries are principally engaged in the development, construction and operation of natural gas projects and development of smart energy in the PRC.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$” or “HKD”), which is different from the Company’s functional currency of Renminbi (“RMB”). The directors of the Company (the “Directors”) adopt HK\$ as presentation currency for the convenience of the financial statements users as the Company’s shares are listed on the Stock Exchange.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Company and its subsidiaries (collectively referred to as “the Group”) have applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1st January, 2022 for the preparation of the 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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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

Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 Impacts on application of Amendments to HKFRS 3 “Reference to the Conceptual Framework”

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1st January, 2022. The amendments update a reference in HKFRS 3 “Business Combinations” so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the “Conceptual Framework”) instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010), add a requirement that, for transactions and events within the scope of HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” or HK(IFRIC)-Int 21 “Levies”, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the “Conceptual Framework” to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments in the current year has had no impact on the Group’s consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1	Non-current Liabilities with Covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1st January, 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1st January, 2024.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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

New and amendments to HKFRSs in issue but not yet effective (Continued)

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

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.
- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

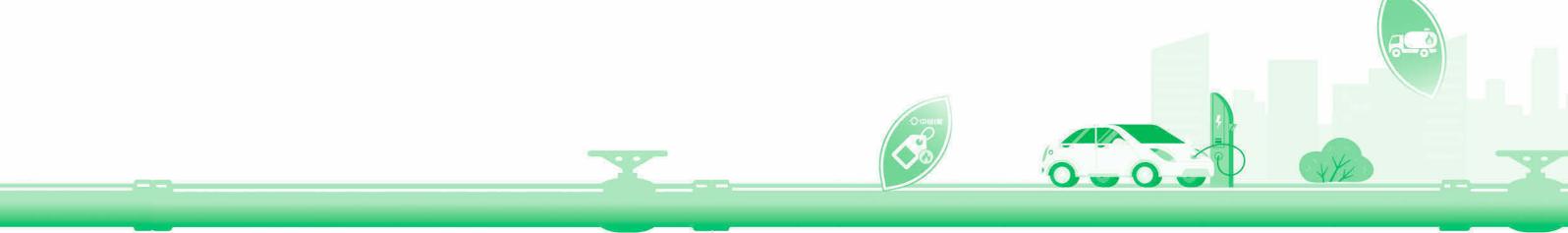
For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity’s right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity’s right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1st January, 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

As at 31st December, 2022, the Group’s right to defer settlement for borrowings of HK\$7,858,544,000 are subject to compliance with certain financial and/or non-financial covenants within 12 months from the reporting date, of which HK\$4,306,973,000 were classified as non-current as the Group expected to meet such covenants as at 31st December, 2022. The Group is still in the process of assessing the full impact of the application of the 2022 Amendments. The impact on application, if any, will be disclosed in the Group’s future consolidated financial statements.

Except as described above, the application of the 2020 and 2022 Amendments will not affect the classification of the Group’s other liabilities as at 31st December, 2022.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

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

New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 “Making Materiality Judgements” (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

Amendments to HKAS 8 “Definition of Accounting Estimates”

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgments or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

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

As at 31st December, 2022, the Group has net current liabilities of HK\$4,233,143,000.

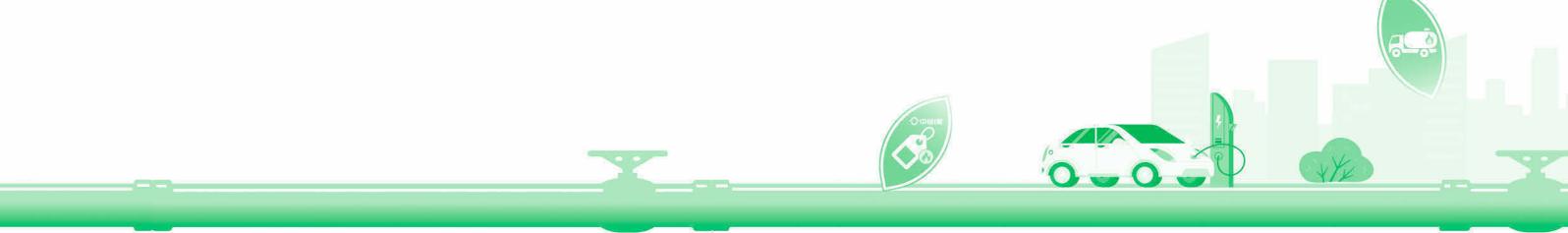
The directors have therefore given careful consideration to the future liquidity of the Group when preparing the consolidated financial statements. The Directors believe that the Group will be able to meet in full its financial obligations as and when they fall due for the foreseeable future, taking into accounts new bank borrowings amounting to approximately HK\$1.1 billion obtained in January and February 2023, cash flows from the profitable operations and expected new banking facilities. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

The consolidated financial statements have been prepared on the historical cost basis except for certain property, plant and equipment, financial instruments and investment properties that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are accounted for in accordance with HKFRS 16 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments, pipelines included in property, plant and equipment and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.1 Basis of preparation of consolidated financial statements *(Continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Significant accounting policies

Basis of consolidation

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

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

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Basis of consolidation (Continued)

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

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

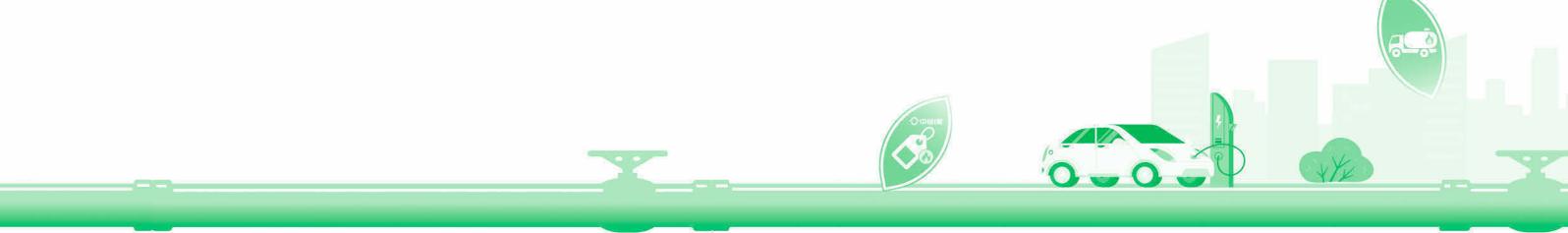
Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Business combinations

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

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

For business combinations in which the acquisition date is on or after 1st January, 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework except for transactions and events within the scope of HKAS 37 or HK(IFRIC)-Int 21, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Business combinations (Continued)

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which the lease term ends within 12 months of the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

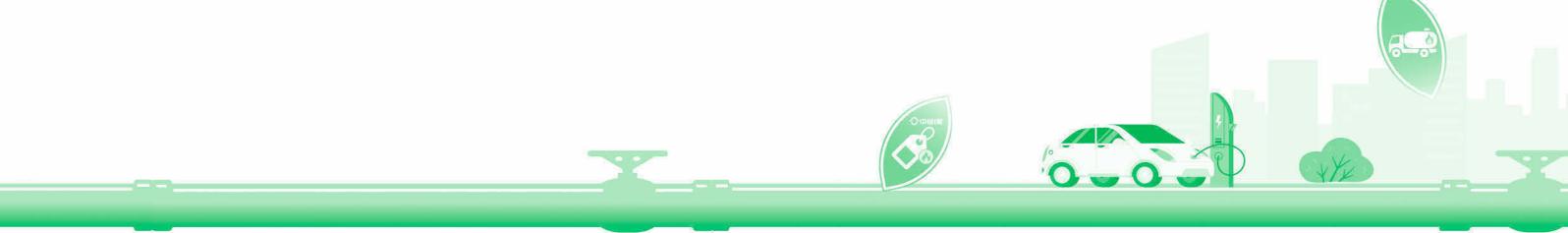
Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's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

Goodwill

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

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

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment at the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Goodwill (Continued)

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

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

Investments in associates and joint ventures

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

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

The results and assets and liabilities of the associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of the associates and joint ventures used for equity accounting purpose are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate and a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Investments in associates and joint ventures (Continued)

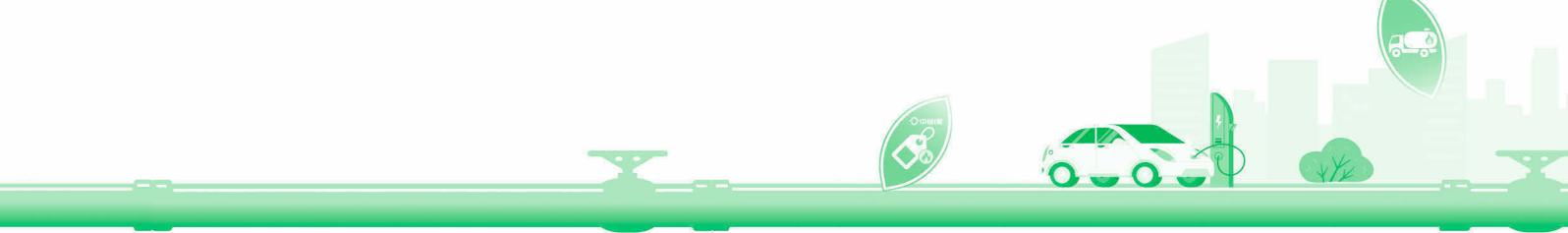
The Group assesses whether there is an objective evidence that the investments in associates and a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset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

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

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

Acquisition of additional interests in associates

When the Group increases its ownership interest in an associate but the Group continues to use the equity method, goodwill is recognised at acquisition date if there is excess of the consideration paid over the share of carrying amount of net assets attributable to the additional interests in associates acquired. Any excess of share of carrying amount of net assets attributable to the additional interests in associates acquired over the consideration paid are recognised in the profit or loss in the period in which the additional interest are acquired.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Revenue from contracts with customers

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

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

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

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

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

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Revenue from contracts with customers (Continued)

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

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Existence of significant financing component

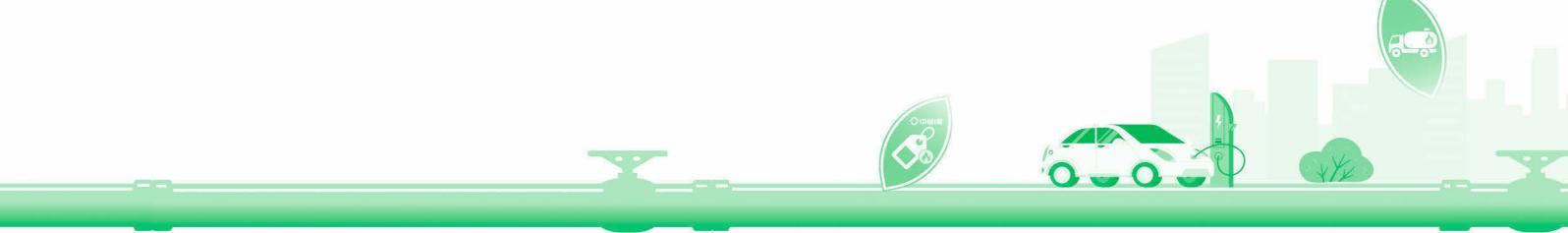
In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Property, plant and equipment

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

Pipelines are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from the estimated fair values at the end of the reporting period.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Property, plant and equipment (Continued)

Any revaluation increase arising from revaluation of property, plant and equipment is recognised in other comprehensive income and accumulated in property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in net carrying amount arising on revaluation of property, plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, in the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

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

For a transfer from investment property carried at fair value to owner-occupied property, the property deemed cost for subsequent accounting shall be its fair value at the date of change in use.

Depreciation is recognised so as to write off the cost or revalued amount of assets other than assets under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Property, plant and equipment (Continued)

Leasehold land and building for own use

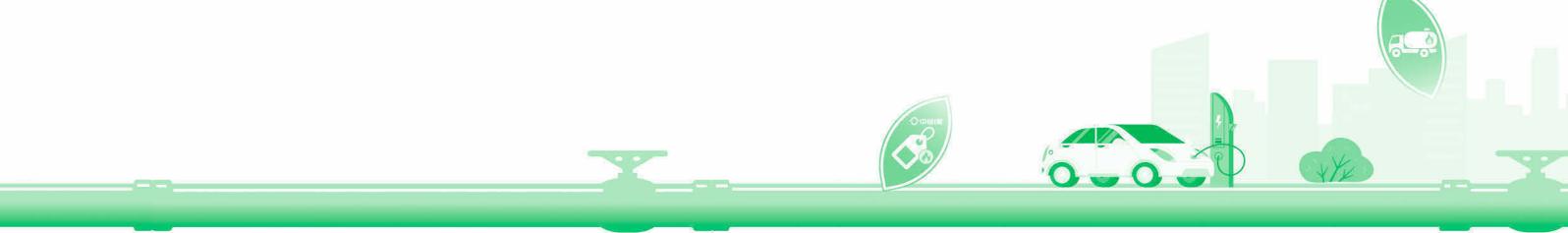
When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as “right-of-use assets” in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, or fair value at the date of transfer including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values, adjusted to exclude any prepaid or accrued operating lease income. All of the Group’s property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases (Continued)

The Group as a lessee (Continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

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

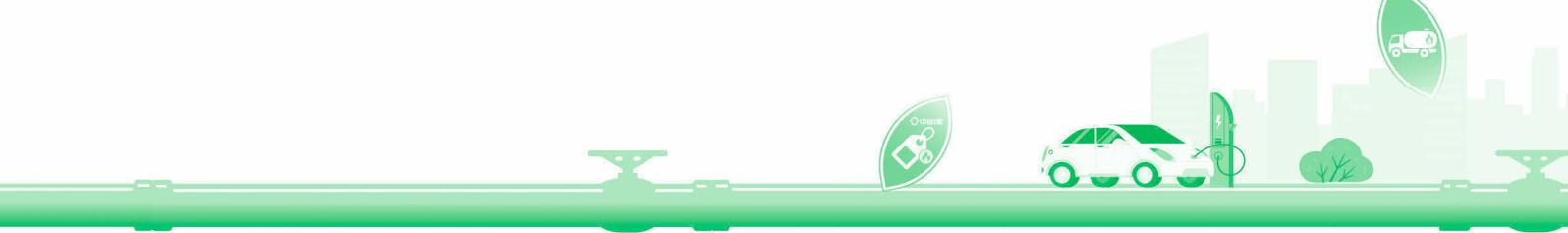
Except for investment properties that are measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property plant and equipment.

The Group presents right-of-use assets that do not meet the definition of investment property and inventories as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property and inventories are presented within “investment properties” and “properties under development for sale” respectively.

The Group transfers a leasehold land from right-of-use assets to properties under development for sale when there is a change in use to hold the leasehold land for sale rather than in the production or supply of goods or services, or for administrative purposes. The cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property under development for sale.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases (Continued)

The Group as a lessee (Continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, if any.

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

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

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

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Leases (Continued)

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

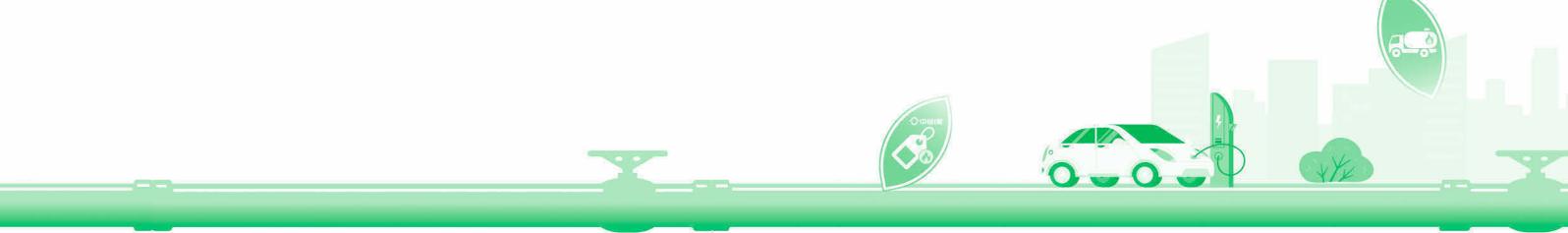
Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

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

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis (see accounting policy in respect of impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill below).

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

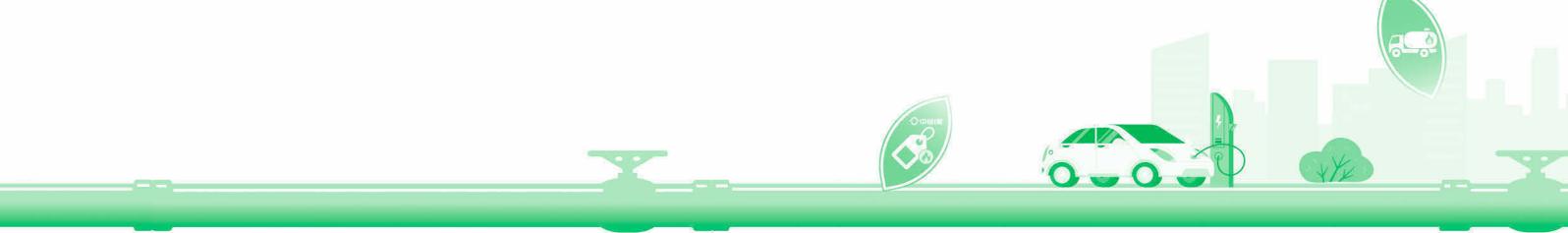
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never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

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

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Taxation (Continued)

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments

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

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

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

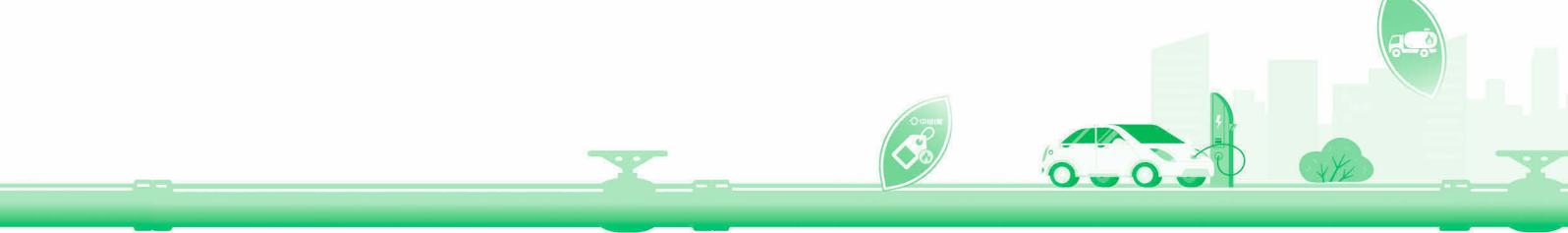
Financial assets

Classification and subsequent measurement of financial assets

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

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

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9 or initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 “Business Combinations” applies.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

(i) Amortised cost and interest income

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

(ii) Equity instruments designated as at FVTOCI

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Equity instruments designated as at FVTOCI (Continued)

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

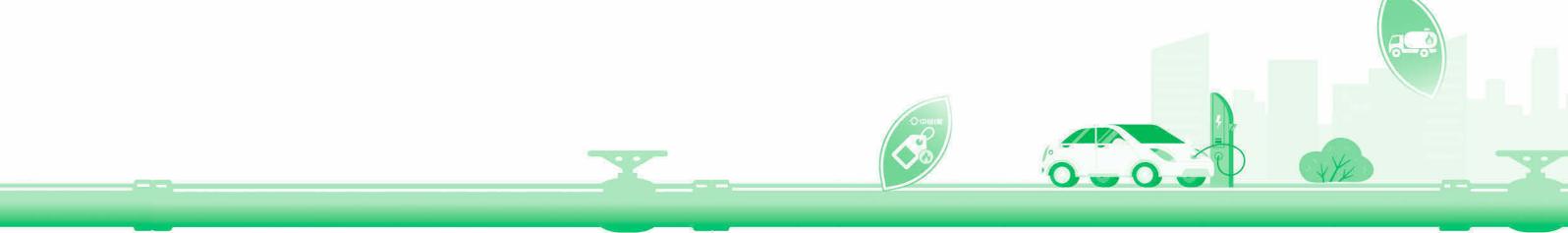
Impairment of financial assets and contract assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, refundable deposits, other receivables, amount due from a non-controlling shareholder of a subsidiary, pledged bank deposits and bank balances) and contract assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables and contract assets.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets *(Continued)*

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets *(Continued)*

(ii) Definition of default

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

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

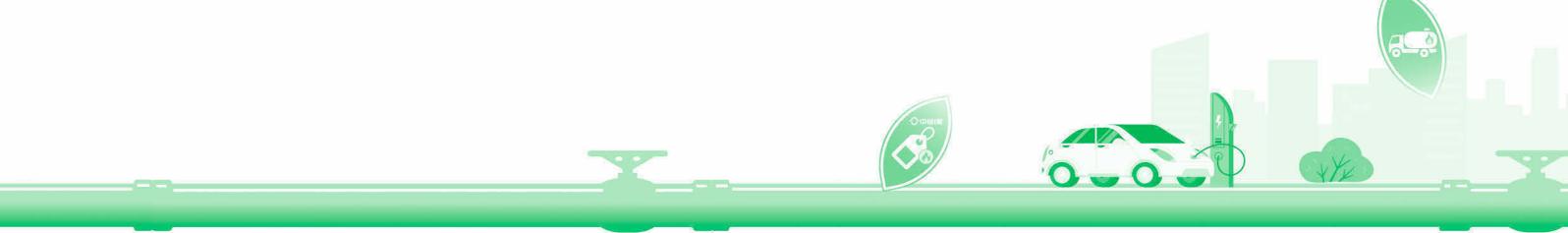
(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets *(Continued)*

(v) Measurement and recognition of ECL

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

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

Lifetime ECL for certain trade receivables/contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

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

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

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

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to accumulated profits.

Financial liabilities and equity

Classification as debt or equity

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

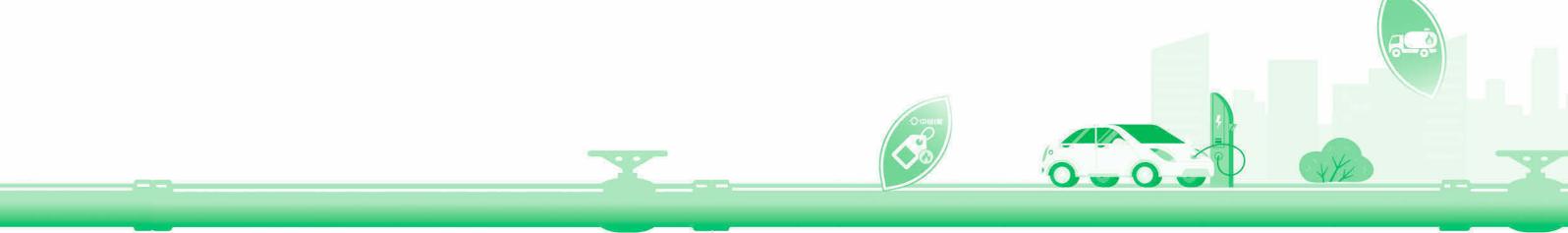
Equity instruments

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

Repurchase of Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase of the Company's own equity instruments.

Financial liabilities at amortised cost

Financial liabilities including trade payables, other payables, amount due to a non-controlling shareholder of a subsidiary, amount due to an associate and borrowings are subsequently measured at amortised cost, using the effective interest method.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Financial instruments (Continued)

Derecognition of financial liabilities

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

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Equity-settled share-based payment transactions

Share options granted to employees

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

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

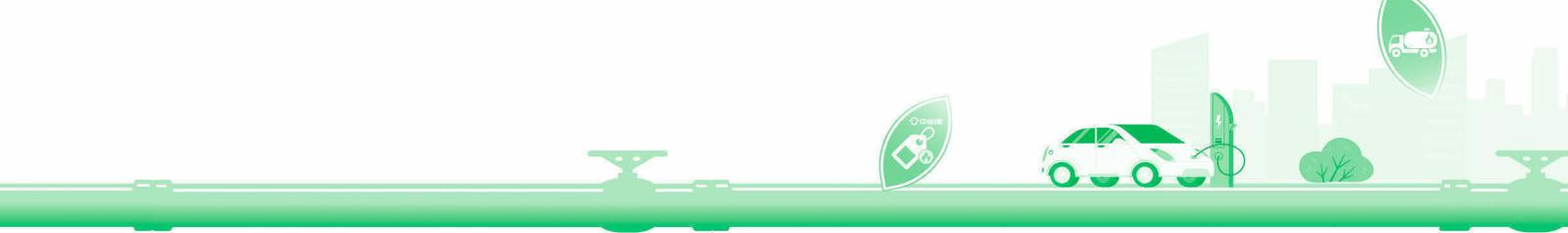
When share options are exercised, the amount previously recognised in the share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

Inventories

Inventories, including construction materials, gas appliances, consumables and spare parts, are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Properties under development for sale

Properties under development which are intended to be sold upon completion of development are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets, properties under development is carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising from the translation of the Company's functional currency, RMB, to the presentation currency of the consolidated financial statements, HK\$, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate) and will not be reclassified subsequently to profit or loss.

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

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

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

In testing a cash-generating unit, corporate assets are allocated to individual cash-generating units when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, the recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

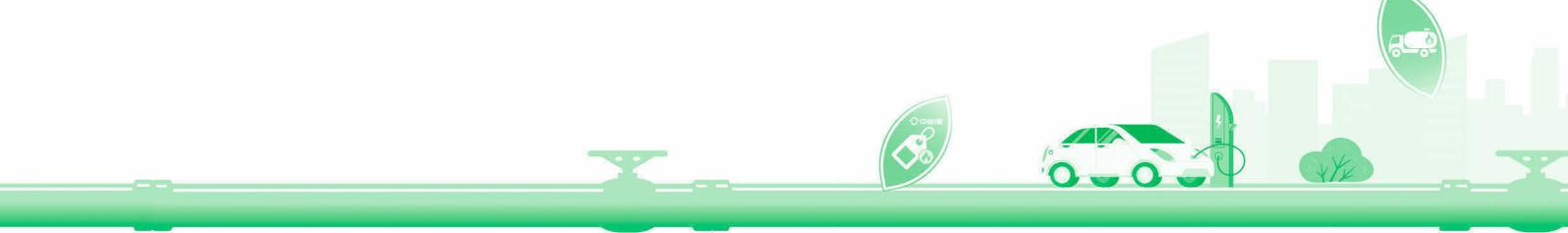
3.2 Significant accounting policies *(Continued)*

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (Continued)

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 Significant accounting policies *(Continued)*

Cash and cash equivalents

Bank balances and cash presented on the consolidated statement of financial position and the consolidated statements of cash flows include:

- (a) cash, which comprises of cash on hand, demand deposits; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Impairment assessment of goodwill, other intangible assets, property, plant and equipment and right-of-use assets

Determining whether goodwill, other intangible assets, property, plant and equipment and right-of-use assets are impaired requires an estimation of the recoverable amount of relevant assets or the cash-generating unit to which the assets belongs. The recoverable amount is determined based on the value in use calculation which requires the Group to estimate the future cash flows expected to arise from relevant assets or the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected or due to changes in estimates, a material impairment loss may arise. Details of the recoverable amount calculation for the cash-generating units in respect of (i) sales of gas, (ii) pipeline construction, (iii) different subsidiaries of Harmony Gas Holdings Limited ("Harmony Gas") engaging in sales of gas and (iv) design and consulting of energy projects are set out in note 18. As at 31st December, 2022, the carrying amounts of goodwill, other intangible assets, property, plant and equipment and right-of-use assets of HK\$471,022,000 (2021: HK\$468,579,000), HK\$1,530,058,000 (2021: HK\$1,406,259,000), HK\$8,681,700,000 (2021: HK\$8,688,538,000) and HK\$319,941,000 (2021: HK\$316,154,000) respectively were assessed for impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Valuation of pipelines included in property, plant and equipment

As described in note 16, pipelines included in property, plant and equipment were revalued as at 31st December, 2022 based on depreciated replacement cost method (“DRC”) determined by an independent professional valuer. Such valuations were based on certain assumptions, which are subject to uncertainty and may differ from the actual results. In making the estimation for depreciated replacement cost for pipelines, the independent professional valuer considers information from the aggregate amount of the new replacement cost of the pipelines and deductions for obsolescence at the end of the reporting period. As at 31st December, 2022, the carrying amount of pipelines included in property, plant and equipment were HK\$9,767,249,000 (2021: HK\$9,327,740,000).

5. TURNOVER

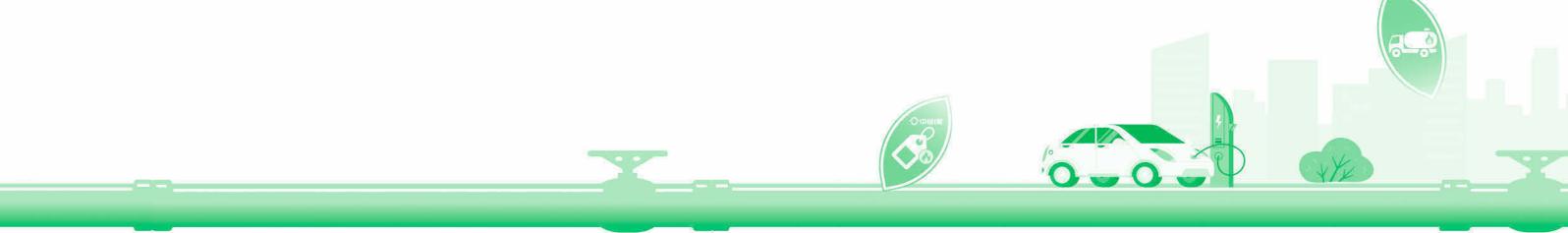
(i) Disaggregation of revenue from contracts with customers

	2022 HK\$'000	2021 HK\$'000
Types of goods or services		
Sales of gas	11,331,259	9,290,532
Gas pipeline construction	974,429	1,327,942
Value-added services	361,660	426,065
Sales of compressed natural gas or liquefied natural gas (“CNG/LNG”) in vehicle filling stations	258,428	261,519
Smart energy	71,546	38,442
Total	12,997,322	11,344,500
Timing of revenue recognition		
A point in time	12,022,893	10,016,558
Over time	974,429	1,327,942
Total	12,997,322	11,344,500

All the revenue from contracts with customers are derived from the PRC.

(ii) Performance obligations for contracts with customers

The Group recognises revenue from the following major sources:



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

5. TURNOVER (Continued)

(ii) Performance obligations for contracts with customers (Continued)

(a) Sales of goods

For the sales of gas, the Group would require advance payment before the usage of the natural gas for certain customers, any shortage against the periodically actual charge for the actual usage of natural gas will be billed by the Group accordingly. The Group allows an average credit period of 30 to 180 days to its customers for the invoices issued. These customers are required to top up the advance payment for future usage of natural gas to be supplied by the Group.

The Group requires advance payment before the usage of the natural gas through prepaid card for certain household users. The charge of the actual usage of natural gas will be deducted directly to the balance of the prepaid card. These customers can only consume the natural gas up to the balance of the prepaid card.

For the sales of CNG/LNG, stoves and liquefied petroleum gas, a receivable is recognised by the Group when the goods are delivered to the customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. The Group allows an average credit period of 30 to 180 days to its customers for the invoices issued.

(b) Construction

The Group provides gas pipeline construction services under construction contracts with its customers. Such contracts are entered into before construction of the gas pipeline begins. The Group's performance creates or enhances an asset that the customer controls as the Group performs. Revenue from construction of gas pipeline is recognised over time on an input method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The Directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under HKFRS 15.

The Group requires certain customers to provide upfront deposits before the commencement of the construction which will give rise to contract liabilities until the revenue recognised on the relevant contracts exceed the amount of the deposits. The Group is entitled to invoice customers for gas pipeline construction services upon completion of construction works. The Group recognises contract asset for any work performed in excess of payment from customer for the same contract. Any amount previously recognised as a contract asset is reclassified to trade receivables upon completion of construction works. The Group allows an average credit period of 30 to 180 days to its customers.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All the contracts for sales of gas and other goods, and gas pipeline construction are for original expected duration of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

6. SEGMENT INFORMATION

The Group's executive directors are the chief operating decision makers ("CODM") as they collectively make strategic decisions on resources allocation and performance assessment.

Information that is reported to the CODM for the purpose of resources allocation and assessment of performance focuses on the type of products delivered or services rendered which is also consistent with the basis of organisation of the Group.

Each type of product or service represents an unique business unit within the Group whose performance is assessed independently. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The Group's operating and reportable segments are therefore as follows:

- (a) sales of gas;
- (b) gas pipeline construction;
- (c) value-added services (including sales of stoves and provision of other related services);
- (d) operation of CNG/LNG vehicle filling stations; and
- (e) smart energy.

A subsidiary of the Company also engages in the property development in the PRC and revenue generate from this business will be included as the consolidated revenue of the Group. There was no property sold for the year ended 31st December, 2022. The operating results and other financial information of this subsidiary's business are not separately reviewed by the CODM for the purpose of resources allocation and performance assessments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

6. SEGMENT INFORMATION (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments.

For the year ended 31st December, 2022

	Sales of gas HK\$'000	Gas pipeline construction HK\$'000	Value-added services HK\$'000	Operation of CNG/LNG vehicle filling stations HK\$'000	Smart energy HK\$'000	Consolidated HK\$'000
Segment revenue	11,331,259	974,429	361,660	258,428	71,546	12,997,322
Segment profit	746,361	559,090	132,688	16,015	36,430	1,490,584
Unallocated other income						26,170
Unallocated other gains and losses						(521,256)
Unallocated central corporate expenses						(151,488)
Reversal of impairment loss on other receivables						21
Finance costs						(329,382)
Profit before tax						514,649

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

6. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 31st December, 2021

	Sales of gas HK\$'000	Gas pipeline construction HK\$'000	Value-added services HK\$'000	Operation of CNG/LNG vehicle filling stations HK\$'000	Smart energy HK\$'000	Consolidated HK\$'000
Segment revenue	9,290,532	1,327,942	426,065	261,519	38,442	11,344,500
Segment profit (loss)	655,104	811,500	190,772	6,883	(7,372)	1,656,887
Unallocated other income						32,548
Unallocated other gains and losses						214,338
Unallocated central corporate expenses						(131,987)
Impairment loss on other receivables						(657)
Finance costs						(189,627)
Profit before tax						1,581,502

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Reportable segments represent the financial result of each segment without allocation of central administration costs, directors' emoluments, interest income, change in fair value of investment properties, foreign exchange gains or losses, certain sundry income, impairment losses on other receivables and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

Other segment information

2022

	Sales of gas HK\$'000	Gas pipeline construction HK\$'000	Value-added services HK\$'000	Operations of CNG/LNG vehicle filling stations HK\$'000	Smart energy HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment profit or loss:								
Net (gain) loss on disposal of property, plant and equipment	1,675	-	7	(412)	(192)	1,078	155	1,233
Depreciation of right-of-use assets	12,867	-	-	6,341	29	19,237	5,509	24,746
Depreciation of property, plant and equipment	439,078	716	2,325	11,167	3,477	456,763	10,392	467,155
Amortisation of other intangible assets	73,782	-	-	-	2,223	76,005	-	76,005
Reversal of impairment losses on								
- contract assets	-	(2,187)	-	-	-	(2,187)	-	(2,187)
- other receivables	-	-	-	-	-	-	(21)	(21)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

6. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

2021

	Sales of gas HK\$'000	Gas pipeline construction HK\$'000	Value-added services HK\$'000	Operations of CNG/LNG vehicle filling stations HK\$'000	Smart energy HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment profit or loss:								
Net loss on disposal of property, plant and equipment	4,336	11	-	-	78	4,425	107	4,532
Gain on disposal of right-of-use assets	(1,385)	-	-	-	-	(1,385)	-	(1,385)
Depreciation of right-of-use assets	18,799	-	-	6,599	156	25,554	5,814	31,368
Depreciation of property, plant and equipment	400,942	884	1,370	11,462	1,932	416,590	9,190	425,780
Amortisation of other intangible assets	74,122	-	-	-	2,300	76,422	-	76,422
(Reversal of impairment losses) Impairment losses on								
- contract assets	-	(1,835)	-	-	-	(1,835)	-	(1,835)
- other receivables	-	-	-	-	-	-	657	657

Geographical information

All the turnover of the Group for both years are derived from the PRC. None of the customers contributes over 10% of the total revenue of the Group.

As at 31st December, 2022, all the non-current assets of the Group (excluding financial assets) amounting to HK\$19,324,245,000 (2021: HK\$18,845,978,000) are located in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

7. OTHER GAINS AND LOSSES

	2022 HK\$'000	2021 HK\$'000
Net foreign exchange (losses) gains (Note)	(522,538)	224,472
Decrease in fair value of investment properties	(561)	(557)
Net losses on disposal of property, plant and equipment	(1,233)	(4,532)
Gain on disposal of right-of-use assets	–	1,385
Others	(54)	(243)
	(524,386)	220,525

Note: The foreign exchange mainly related to the borrowing denominated in United States Dollars (“US\$”) in translation to the functional currency of the relevant group entities.

8. OTHER INCOME

	2022 HK\$'000	2021 HK\$'000
Interest income from financial assets at amortised cost		
– Bank interest income	9,406	10,138
– Interest income on amount due from an associate	–	3,229
– Interest income from loans to employees	23,319	23,319
	32,725	36,686
Government subsidies (Note)	90,863	67,963
Income from investments in life insurance contracts	–	1,897
Sundry income	54,218	41,615
	177,806	148,161

Note:

During the year ended 31st December, 2022, the Group recognised government grants of HK\$1,989,000 (2021: HK\$191,000) in respect of Covid-19-related subsidies of which HK\$120,000 (2021: nil) related to Employment Support Scheme provided by the Hong Kong government.

During the year ended 31st December, 2022, the Group has received subsidies of HK\$88,874,000 (2021: HK\$67,772,000) from the relevant PRC governments for promoting the use of natural gas. There are no conditions attached to the subsidies granted to the Group.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

9. FINANCE COSTS

	2022 HK\$'000	2021 HK\$'000
Interest on borrowings	396,262	317,020
Interest on lease liabilities	1,051	1,300
	397,313	318,320
Amortisation on loan facilities fees relating to bank borrowings	57,241	51,494
Total borrowing costs	454,554	369,814
Less: Amounts capitalised in construction in progress included in property, plant and equipment	(125,172)	(180,187)
	329,382	189,627

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 3.31% (2021: 5.33%) per annum to expenditure on qualifying assets.

10. INCOME TAX EXPENSES

	2022 HK\$'000	2021 HK\$'000
PRC Enterprise Income Tax:		
Current tax	272,387	308,771
Under (over)provision in prior years	6,536	(6,662)
Withholding tax levied on dividend paid previously not recognised	5,429	–
	284,352	302,109
Deferred taxation (note 35)	(12,620)	16,750
	271,732	318,859

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

10. INCOME TAX EXPENSES (Continued)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Company and its subsidiaries had no assessable profits arising in Hong Kong for both years.

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 HK\$'000	2021 HK\$'000
Profit before tax	514,649	1,581,502
Tax at the domestic income tax rate of 25% (2021: 25%) (Note)	128,662	395,376
Tax effect of expenses not deductible for tax purpose	229,873	78,128
Tax effect of income not taxable for tax purpose	(69,556)	(133,555)
Under (over)provision in respect of prior years	6,536	(6,662)
Tax effect of share of results of associates	(8,020)	(12,610)
Tax effect of share of results of joint ventures	210	340
Tax effect of estimated tax losses not recognised	9,573	11,516
Utilisation of estimated tax losses previously not recognised	(30,975)	(13,674)
Withholding tax levied on dividend paid previously not recognised	5,429	–
Tax charge for the year	271,732	318,859

Note: The domestic tax rate in the jurisdiction where the operation of the Group is substantially based is used.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

11. PROFIT FOR THE YEAR

	2022 HK\$'000	2021 HK\$'000
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	3,916	4,560
Amortisation of other intangible assets (included in cost of sales)	76,005	76,422
Depreciation of right-of-use assets	24,746	31,368
Depreciation of property, plant and equipment	467,155	425,780
Employee benefits expenses, other than directors' emoluments		
– Salaries and other benefits	462,897	430,626
– Contributions to retirement benefits schemes	97,300	90,991
	560,197	521,617
Cost of inventories recognised as expenses in respect of contract cost for gas pipeline construction	190,847	231,814
Cost of inventories recognised as expenses in respect of sales of gas, CNG/LNG, liquefied petroleum gas, stoves and smart energy	10,125,775	7,898,207
	10,316,622	8,130,021
(Reversal of impairment losses) impairment losses, net		
– Other receivables	(21)	657
– Contract assets	(2,187)	(1,835)
	(2,208)	(1,178)
Gross rental income from investment properties with minimal outgoings	(839)	(1,714)
Gross rental income from equipment with minimal outgoings	(8,176)	(5,815)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's emoluments

The emoluments paid or payable to the Directors and the chief executive are as follows:

	2022 HK\$'000	2021 HK\$'000
Fees	750	959
Other emoluments:		
– Salaries and other benefits	20,520	18,520
– Contributions to retirement benefits schemes	318	306
Total emoluments	21,588	19,785

The emoluments of Directors and the chief executive of the Company are analysed as follows:

	2022				2021			
	Fees HK\$'000	Salaries and other benefits HK\$'000	Contributions to retirement benefits schemes HK\$'000	Total HK\$'000	Fees HK\$'000	Salaries and other benefits HK\$'000	Contributions to retirement benefits schemes HK\$'000	Total HK\$'000
Executive directors								
Mr. Wang Wenliang	-	7,140	-	7,140	-	7,140	-	7,140
Mr. Yiu Chi Shing (note i)	-	2,400	-	2,400	-	400	-	400
Mr. Lui Siu Keung (note ii)	-	5,600	18	5,618	-	5,600	18	5,618
Mr. Jia Kun	-	1,540	100	1,640	-	1,540	96	1,636
Mr. Lu Zhaoheng	-	2,300	100	2,400	-	2,300	96	2,396
Mr. Li Yan	-	1,540	100	1,640	-	1,540	96	1,636
Non-executive director								
Mr. Xu Yongxuan (note iii)	-	-	-	-	209	-	-	209
Independent non-executive directors								
Mr. Li Chunyan	250	-	-	250	250	-	-	250
Dr. Luo Yongtai	250	-	-	250	250	-	-	250
Ms. Liu Yu Jie	250	-	-	250	250	-	-	250
	750	20,520	318	21,588	959	18,520	306	19,785

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Directors' and chief executive's emoluments (Continued)

Notes:

- (i) Mr. Yiu Chi Shing was appointed as an executive director of the Company with effect from 29th October, 2021.
- (ii) Mr. Lui Siu Keung is also the chief executive officer ("CEO") of the Company and his emoluments disclosed above include those for services rendered by him as the CEO.
- (iii) Mr. Xu Yongxuan resigned as a non-executive director of the Company with effect from 29th October, 2021.

No emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as a compensation for loss of office for both years.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive director's emoluments shown above was for his services as director of the Company and its subsidiaries.

The independent non-executive directors' emoluments shown above were for their services as Directors.

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2021: five) were Directors whose emoluments are disclosed above. The emolument of the remaining individual for the year ended 31st December, 2022 is as follows:

	2022 HK\$'000	2021 HK\$'000
Salaries and other benefits	3,000	–
Contributions to retirement benefits schemes	86	–
	3,086	–

The emolument is within the following band:

	2022 Number of employee	2021 Number of employee
HK\$3,000,001 to HK\$3,500,000	1	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

13. DIVIDENDS

	2022 HK\$'000	2021 HK\$'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2021 final dividend of HK8 cents (2021: 2020 final dividend of HK7 cents) per ordinary share	226,707	185,159
2021 special dividend of HK5 cents (2021: 2020 special dividend of nil) per ordinary share	141,691	–
2022 interim dividend of HK3 cents (2021: 2021 interim dividend of HK3 cents) per ordinary share	85,015	85,015
	453,413	270,174
Final dividend, proposed, of nil (2021: HK8 cents) per ordinary share	–	226,707
Special dividend, proposed, of nil (2021: HK5 cents) per ordinary share	–	141,691

No dividend was paid or proposed for ordinary shareholders of the Company in respect of the year ended 31st December, 2022, nor has any dividend been proposed since the end of the reporting period (2021: final dividend of HK8 cents per ordinary share and special dividend of HK5 cents per ordinary share in respect of the year ended 31st December, 2021 in an aggregate amount of HK\$368,398,000).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

14. EARNINGS PER SHARE

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

	2022 HK\$'000	2021 HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to owners of the Company	174,077	1,188,997
	2022 '000	2021 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,833,290	2,690,155
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	2,848	3,667
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,836,138	2,693,822

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

15. INVESTMENT PROPERTIES

HK\$'000

FAIR VALUE

At 1st January, 2021	9,236
Exchange adjustments	263
Decrease in fair value recognised in profit or loss (Note)	(557)
At 31st December, 2021	8,942
Exchange adjustments	(638)
Decrease in fair value recognised in profit or loss (Note)	(561)
At 31st December, 2022	7,743

Note:

The fair value of the Group's investment properties at 31st December, 2022 and 2021 has been arrived at on the basis of a valuation carried out on the respective dates by 河南九鼎資產評估有限公司 ("河南九鼎"), an independent qualified professional valuer not connected to the Group.

The fair value determined by 河南九鼎 was based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in the PRC and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties. There has been no change from the valuation technique used in the prior year.

The Group leases out various offices under operating leases with rentals payable monthly. The leases mainly run for an initial period of one to ten years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

15. INVESTMENT PROPERTIES (Continued)

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

In estimating the fair value of the properties, the highest and best use of the properties is their current use. At the end of each reporting periods, the CEO of the Group works closely with the independent qualified professional valuers to establish and determine the appropriate valuation techniques and inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the management of the Group.

Information about fair value measurements using significant unobservable inputs

The following table gives information about how the fair value of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Description	Fair value		Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Relationship of inputs to fair value
	2022	2021				
	HK\$'000	HK\$'000				
Commercial property units located in the PRC	7,743	8,942	Level 3	Income approach	Discount rate 2022: 5.84%; (2021: 5.77%)	The higher the discount rate, the lower the fair value

There were no transfers into or out of Level 3 during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Construction in progress HK\$'000	Leasehold improvements HK\$'000	Pipelines HK\$'000	Machinery and equipment HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST OR VALUATION								
At 1st January, 2021	1,100,597	2,969,949	55,194	8,089,944	956,030	39,551	158,551	13,369,816
Exchange adjustments	34,837	95,027	1,623	282,815	30,462	1,374	4,580	450,718
Acquisition of business (note 37)	302	76	–	2,557	237	3	10	3,185
Additions	89,203	1,489,328	2,649	13,130	70,998	10,070	14,107	1,689,485
Disposals	(18,444)	(38,921)	(303)	(11,908)	(17,783)	(848)	(7,104)	(95,311)
Transfer	61,191	(726,137)	–	623,613	39,642	865	826	–
Revaluation	–	–	–	327,589	–	–	–	327,589
At 31st December, 2021	1,267,686	3,789,322	59,163	9,327,740	1,079,586	51,015	170,970	15,745,482
Exchange adjustments	(94,765)	(275,231)	(4,363)	(817,290)	(85,102)	(4,188)	(12,195)	(1,293,134)
Acquisition of business (note 37)	10,559	1,490	–	36,244	8,130	40	7	56,470
Acquisition of assets and liabilities through acquisition of a subsidiary (note 38)	–	486	–	–	–	64	–	550
Additions	17,659	1,090,323	4,359	84,033	128,929	10,466	5,692	1,341,461
Disposals	(16,250)	(45)	–	(1,122)	(67,519)	(1,027)	(4,201)	(90,164)
Transfer	18,174	(843,138)	426	749,067	73,536	1,935	–	–
Revaluation	–	–	–	388,577	–	–	–	388,577
At 31st December, 2022	1,203,063	3,763,207	59,585	9,767,249	1,137,560	58,305	160,273	16,149,242
DEPRECIATION								
At 1st January, 2021	152,028	–	17,080	–	366,725	22,737	64,007	622,577
Exchange adjustments	5,233	–	535	40,312	12,813	800	2,300	61,993
Provided for the year	25,454	–	4,437	302,303	72,720	5,430	15,436	425,780
Eliminated on disposals	(5,951)	–	–	(2,368)	(6,774)	(690)	(4,650)	(20,433)
Eliminated on revaluation	–	–	–	(340,247)	–	–	–	(340,247)
At 31st December, 2021	176,764	–	22,052	–	445,484	28,277	77,093	749,670
Exchange adjustments	(14,840)	–	(1,620)	(122,476)	(37,002)	(2,454)	(6,525)	(184,917)
Provided for the year	28,904	–	3,598	334,679	76,405	9,592	13,977	467,155
Eliminated on disposals	(4,400)	–	–	(321)	(13,122)	(895)	(3,613)	(22,351)
Eliminated on revaluation	–	–	–	(211,882)	–	–	–	(211,882)
At 31st December, 2022	186,428	–	24,030	–	471,765	34,520	80,932	797,675
CARRYING VALUES								
At 31st December, 2022	1,016,635	3,763,207	35,555	9,767,249	665,795	23,785	79,341	15,351,567
At 31st December, 2021	1,090,922	3,789,322	37,111	9,327,740	634,102	22,738	93,877	14,995,812



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment other than construction in progress are depreciated on a straight-line basis after taking into account the residual values at the following rates per annum:

Buildings	Over the remaining terms of leases
Leasehold improvements	Over the remaining terms of leases
Pipelines	Over the shorter of 30 years or operation period of the relevant company
Machinery and equipment	6% – 30%
Furniture and fixtures	20%
Motor vehicles	10% – 18%

As at 31st December, 2022, the Group is in the process of obtaining title deeds from relevant government authority for its buildings in the PRC amounting to HK\$151,094,000 (2021: HK\$190,669,000). In the opinion of the Directors, the Group is not required to incur additional cost in obtaining the title deeds for its buildings in the PRC.

Fair value measurement of the Group's pipelines included in property, plant and equipment

At 31st December, 2022 and 2021, the fair value of the Group's pipelines was valued by the independent qualified professional valuer, GW Financial Advisory Services Limited, using DRC approach.

In determining the fair value of the pipelines, at the end of each reporting period, the CEO works closely with the independent qualified professional valuer to establish and determine the appropriate valuation techniques and inputs to be used in determining the fair value of the assets. Discussion of valuation processes and results is held between CEO and the Directors at least once a year.

The fair value of the pipelines has been determined using the DRC approach that reflects the cost to a market participant to construct assets of comparable utility and the age of the pipelines, adjusted for obsolescence. The Group has determined that the highest and best use of the pipelines at the measurement date would be their existing use.

The Group's pipelines at revalued amount are categorised into level 3 of the fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The following table shows the valuation technique used in the determination of fair value and unobservable inputs used in the valuation model.

Description	Fair value		Valuation techniques	Significant unobservable inputs	Significant inputs
	2022	2021			
	HK\$'000	HK\$'000			
Pipelines included in property, plant and equipment	9,767,249	9,327,740	DRC approach	(a) historical labour cost (RMB/year) (b) historical raw chemical materials purchasing price indices for industrial producers	(a) RMB75,762 (2021: RMB69,986) (b) 106.5 (2021: 115.1)

A significant positive adjustment to any of the above significant unobservable inputs would result in a significant increase in fair value of the pipelines, and vice versa.

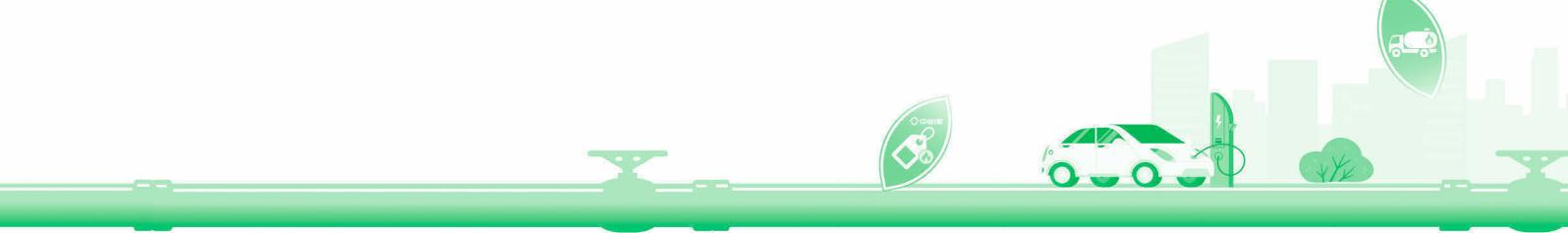
Had the pipelines included in property, plant and equipment at 31st December, 2022 been carried at cost less accumulated depreciation, its carrying value would have been approximately HK\$7,040,780,000 (2021: HK\$6,946,281,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

17. RIGHT-OF-USE ASSETS

	Leasehold lands HK\$'000	Leased properties HK\$'000	Total HK\$'000
COST OR VALUATION			
At 1st January, 2021	593,153	49,277	642,430
Additions	30,061	8,280	38,341
Acquisition of business (note 37)	1,316	–	1,316
Disposals	(1,778)	–	(1,778)
Eliminated upon leases expired	–	(6,739)	(6,739)
Exchange adjustments	17,909	1,331	19,240
At 31st December, 2021	640,661	52,149	692,810
Additions	60,778	7,438	68,216
Acquisition of business (note 37)	6,945	–	6,945
Acquisition of assets and liabilities through acquisition of a subsidiary (note 38)	1,202	–	1,202
Eliminated upon leases expired	–	(11,560)	(11,560)
Exchange adjustments	(48,576)	(3,221)	(51,797)
At 31st December, 2022	661,010	44,806	705,816
DEPRECIATION			
At 1st January, 2021	27,009	23,000	50,009
Charge for the year	15,793	15,575	31,368
Eliminated on disposals	(276)	–	(276)
Eliminated upon leases expired	–	(6,739)	(6,739)
Exchange adjustments	1,042	685	1,727
At 31st December, 2021	43,568	32,521	76,089
Charge for the year	15,791	8,955	24,746
Eliminated upon leases expired	–	(11,560)	(11,560)
Exchange adjustments	(3,739)	(1,864)	(5,603)
At 31st December, 2022	55,620	28,052	83,672
CARRYING VALUES			
At 31st December, 2022	605,390	16,754	622,144
At 31st December, 2021	597,093	19,628	616,721



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

17. RIGHT-OF-USE ASSETS (Continued)

The above items of right-of-use assets are depreciated on a straight-line basis at the following rates per annum:

Leasehold lands	Over the remaining terms of leases
Leasehold properties	Over the remaining terms of leases

Expense relating to short-term leases and low value lease is HK\$4,934,000 (2021: HK\$2,114,000) during the year ended 31st December 2022.

The Group regularly entered into short-term lease for offices, staff quarters and gas containers.

Total cash outflow for lease was HK\$74,892,000 (2021: HK\$41,472,000) for the year ended 31st December, 2022.

For both years, the Group leases various pipelines, offices, staff quarters and gas containers for its operations. Lease contracts are entered into for fixed term of one year to twenty-five years with no options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. In addition, the Group owns several properties. The Group is the registered owner of these properties, including leasehold lands which are for fixed term of eighteen years to fifty-three years.

The Group has obtained the land use right certificates for all leasehold lands except for leasehold lands with carrying amount of HK\$46,427,000 (2021: HK\$64,992,000) in which the Group is in the process of obtaining.

In addition, lease liabilities of HK\$19,346,000 are recognised with related right-of-use assets of HK\$16,754,000 as at 31st December, 2022 (2021: lease liabilities of HK\$21,556,000 and related right-of-use assets of HK\$19,628,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

18. GOODWILL

	2022 HK\$'000	2021 HK\$'000
Cost and carrying amount		
At 1st January	468,579	437,188
Exchange adjustments	(35,191)	13,125
Arising on acquisition of business (note 37)	37,634	18,266
At 31st December	471,022	468,579

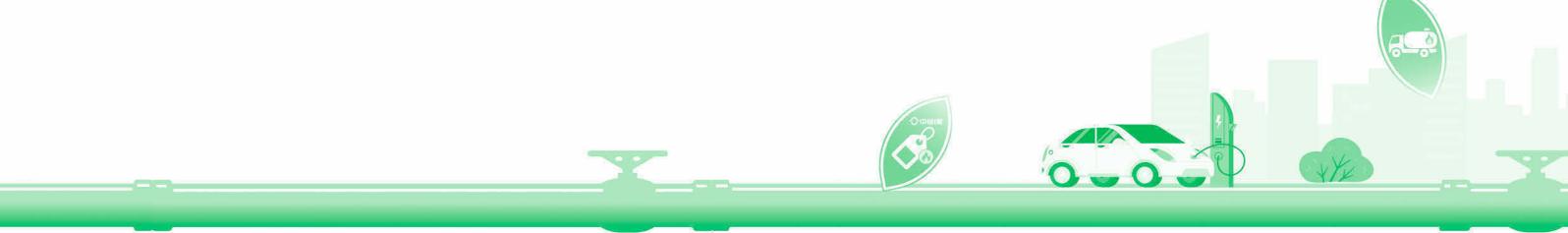
For the purposes of impairment testing, the carrying amount of goodwill is attributable to certain cash-generating units (“CGUs”) relating to sales of gas (“Unit A”) amounting to HK\$292,585,000 in aggregate (2021: HK\$276,087,000), pipeline construction (“Unit B”) amounting to HK\$72,555,000 in aggregate (2021: HK\$78,270,000), different subsidiaries of Harmony Gas engaging in sales of gas (“Unit C”) amounting to HK\$91,802,000 in aggregate (2021: HK\$99,034,000) and design and consulting of energy projects (“Unit D”) amounting to HK\$14,080,000 in aggregate (2021: HK\$15,188,000).

Impairment testing on Unit A

Unit A consists of all CGUs which represent the operations of different subsidiaries engaging in sales of gas, of which goodwill of HK\$292,585,000 (2021: HK\$276,087,000) is attributable to certain CGUs within Unit A. For impairment test purpose, management reviews each CGU’s recoverable amount and compares with the carrying amount of the respective CGU. The aggregate carrying amounts of the CGUs of Unit A comprise goodwill of HK\$292,585,000 (2021: HK\$276,087,000), other intangible assets of HK\$1,162,540,000 (2021: HK\$980,091,000), property, plant and equipment of HK\$5,859,366,000 (2021: HK\$5,889,059,000) and right-of-use assets of HK\$255,009,000 (2021: HK\$247,305,000). The recoverable amount of each CGU has been determined based on the fair value less cost of disposal and value in use calculation of each CGU using the following assumptions for 2022 and 2021.

Period of cash flow projections	5 years (2021: 5 years)
Growth rates beyond 5-year period extrapolated in the financial budgets approved by management	2% to 3% (2021: 2% to 3%)
Discount rate	14.51% (2021: 14.00%)

This growth rate is based on the relevant industry growth forecast and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the respective CGU’s past performance and management’s expectations for the market development. No impairment loss is considered necessary for CGUs with attributed goodwill for the years ended 31st December, 2022 and 2021.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

18. GOODWILL (Continued)

Impairment testing on Unit B

Unit B consists of several CGUs which represent operations of different subsidiaries engaging in the pipeline constructions. For impairment test purpose, management reviews each CGU's recoverable amount and compares with the carrying amount of respective CGU. The aggregate carrying amounts of the CGUs of Unit B comprise goodwill of HK\$72,555,000 (2021: HK\$78,270,000), other intangible assets of HK\$66,893,000 (2021: HK\$76,142,000), and right-of-use assets of HK\$329,000 (2021: nil). The recoverable amount of each CGU has been determined based on the fair value less cost of disposal and value in use calculation of each CGU using the following assumptions for 2022 and 2021:

Period of cash flow projections	5 years (2021: 5 years)
Growth rates beyond 5-year period extrapolated in the financial budgets approved by management	2% (2021: 2%)
Discount rate	14.51% (2021: 14.00%)

This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the respective CGU's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the individual carrying amount of each CGU within Unit B to exceed the individual recoverable amount of each CGU within Unit B. At the end of each reporting period, the recoverable amounts of each CGU of Unit B exceeds its carrying amount, therefore, no impairment loss is considered necessary for the years ended 31st December, 2022 and 2021.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

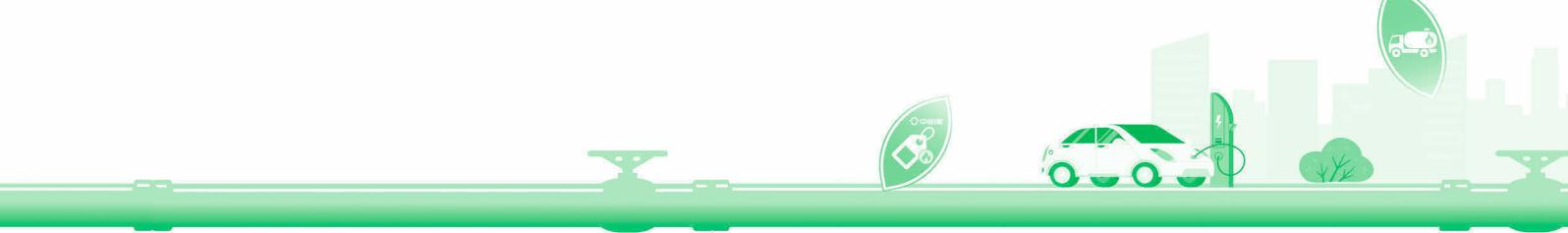
18. GOODWILL (Continued)

Impairment testing on Unit C

Unit C consists of several CGUs which represent the operations of different subsidiaries of Harmony Gas engaging in sales of gas. For impairment test purpose, management reviews each CGU's recoverable amount and compares with the carrying amount of the respective CGU. The aggregate carrying amounts of the CGUs of Unit C comprise goodwill of HK\$91,802,000 (2021: HK\$99,034,000), other intangible assets of HK\$287,637,000 (2021: HK\$333,680,000), property, plant and equipment of HK\$2,819,278,000 (2021: HK\$2,795,727,000) and right-of-use assets of HK\$64,603,000 (2021: HK\$68,849,000). The recoverable amount of each CGU has been determined based on the value in use calculation of each CGU using the following assumptions for 2022 and 2021:

Period of cash flow projections	5 years (2021: 5 years)
Growth rate beyond 5-year period extrapolated in the financial budgets approved by management	2% (2021: 2%)
Discount rate	14.51% (2021: 14.00%)

The growth rate is based on the relevant industry growth forecast and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the respective CGU's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the individual carrying amount of each CGU within Unit C to exceed the individual recoverable amount of each CGU within Unit C. At the end of each reporting period, the recoverable amount of each CGU of Unit C exceeds its carrying amount and no impairment loss is considered necessary for the years ended 31st December, 2022 and 2021.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

18. GOODWILL (Continued)

Impairment testing on Unit D

Unit D consists of several CGUs which represent the operations of different subsidiaries engaging in design and consulting of energy projects. For impairment test purpose, management reviews each CGU's recoverable amount and compares with the carrying amount of the respective CGU. The aggregate carrying amounts of the CGUs of Unit D comprise goodwill of HK\$14,080,000 (2021: HK\$15,188,000), other intangible assets of HK\$12,988,000 (2021: HK\$16,346,000), and property, plant and equipment of HK\$3,056,000 (2021: HK\$3,752,000). The recoverable amount of each CGU has been determined based on the value in use calculation of each CGU using the following assumptions for 2022 and 2021:

Period of cash flow projections	5 years (2021: 5 years)
Growth rate beyond 5-year period extrapolated in the financial budgets approved by management	2% (2021: 2%)
Discount rate	18.76% (2021: 18.10%)

The growth rate is based on the relevant industry growth forecast and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the respective CGU's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the individual carrying amount of each CGU within Unit D to exceed the individual recoverable amount of each CGU within Unit D. At the end of each reporting period, the recoverable amount of each CGU of Unit D exceeds its carrying amount and no impairment loss is considered necessary for the years ended 31st December, 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

19. OTHER INTANGIBLE ASSETS

	Exclusive rights of operation HK\$'000	Other operating rights HK\$'000	Technology know-how HK\$'000	Total HK\$'000
COST				
At 1st January, 2021	1,937,241	104,494	22,686	2,064,421
Exchange adjustments	45,084	4,020	666	49,770
Acquisition of business (note 37)	64,225	–	–	64,225
Addition	167	–	–	167
Disposal	(361)	–	–	(361)
At 31st December, 2021	2,046,356	108,514	23,352	2,178,222
Exchange adjustments	(156,153)	(7,923)	(1,705)	(165,781)
Acquisition of business (note 37)	236,682	–	–	236,682
Acquisition of assets and liabilities through acquisition of a subsidiary (note 38)	73,141	–	–	73,141
Addition	157	–	–	157
At 31st December, 2022	2,200,183	100,591	21,647	2,322,421
AMORTISATION AND IMPAIRMENT				
At 1st January, 2021	576,328	104,494	4,538	685,360
Exchange adjustments	6,091	4,020	168	10,279
Charged for the year	74,122	–	2,300	76,422
Eliminated on disposals	(98)	–	–	(98)
At 31st December, 2021	656,443	108,514	7,006	771,963
Exchange adjustments	(47,112)	(7,923)	(570)	(55,605)
Charged for the year	73,782	–	2,223	76,005
At 31st December, 2022	683,113	100,591	8,659	792,363
CARRYING VALUES				
At 31st December, 2022	1,517,070	–	12,988	1,530,058
At 31st December, 2021	1,389,913	–	16,346	1,406,259

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

19. OTHER INTANGIBLE ASSETS (Continued)

The exclusive rights of operation which represent sales and distribution of piped gas in certain cities in Henan, Shandong, Fujian, Jiangsu, Heilongjiang, Hebei, Zhejiang, Jilin, Anhui, Inner Mongolia and Jiangxi provinces are amortised on a straight-line method over the period of a range of 7 to 34 years (2021: 7 to 34 years), representing the remaining finite useful life period being granted for exclusive operations in the relevant cities.

Other operating rights represent the licences possessed by the Group's subsidiaries, 濟源中裕壓縮氣有限公司, 漯河中裕壓縮氣有限公司 and 三門峽中裕能源有限公司 to operate eight CNG vehicle filling stations in Jiyuan City, Luohe City and Sanmenxia City and are amortised on a straight-line method over a period of 30 years, which is the period of the licenses being granted for operating CNG vehicle filling stations. As at 31st December, 2022 and 31st December, 2021, certain other intangible assets are fully amortised but still in use.

Technology know-how represents the technology developed for design and consulting of energy projects which arose upon acquisition of 北京恩耐特分佈能源技術有限公司 and its subsidiaries during the year ended 31st December, 2018. Technology know-how is amortised on a straight-line method over a period of 10 years.

The Group tests intangible assets if there are indications that intangible assets might be impaired.

The carrying amounts of intangible assets related to the respective units are as follows:

	2022 HK\$'000	2021 HK\$'000
Unit A	1,162,540	980,091
Unit B	66,893	76,142
Unit C	287,637	333,680
Unit D	12,988	16,346
	1,530,058	1,406,259

Impairment assessments of CGUs within Unit A, B, C and D are set out in note 18.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

20. LONG-TERM DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Deposits paid for acquisition of property, plant and equipment	435,445	483,449
Deposits paid for leasehold lands	129,079	135,018
Loans to employees	620,224	613,964
Other long-term deposits	12,472	14,900
	1,197,220	1,247,331

Deposits paid for acquisition of property, plant and equipment

As at 31st December, 2022, deposits of RMB245,895,000 (equivalent to HK\$278,793,000) (2021: RMB243,569,000 (equivalent to HK\$297,907,000)) were paid to a supplier for acquisition of construction materials mainly for construction of the Group's pipelines.

Loans to employees

At 31st December, 2022, included in the Group's other receivables balances are loans to employees with aggregate carrying amount of HK\$620,224,000 (2021: HK\$613,964,000) which are for the purpose of enabling the PRC employees to exercise their share options granted by the Company. The loans are secured by the shares held by the employees, interest bearing at 4% per annum and repayable within three years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

21. INTERESTS IN ASSOCIATES

	2022 HK\$'000	2021 HK\$'000
Cost of unlisted investments in associates	562,141	491,587
Share of post-acquisition results, net of dividends received	228,809	196,730
Exchange adjustments	(28,848)	25,975
	762,102	714,292

Details of the Group's associates as at 31st December, 2022 and 2021 are as follows:

Name of company	Place of establishment	Form of business structure	Proportion of nominal value of registered capital held by the Group		Principal activities
			2022	2021	
Beijing Zhongran Xiangke Oil and Gas Technology Co., Ltd. ("Zhongran Xiangke")	PRC	Sino-foreign joint venture	40%	40%	Sales of natural gas and gas pipeline construction
Yunnan Yuntou Zhongyu Energy Co., Ltd. ("Yunnan Yuntou")	PRC	Limited liability company	39%	39%	Sales of natural gas and gas pipeline construction
Chongqing Zhongran New Energy Co., Ltd.	PRC	Limited liability company	20%	20%	Design and consulting of energy projects
Henan Xinao Zhongyu Gas Co., Ltd. ("Henan Xinao Zhongyu")	PRC	Limited liability company	35% (Note 2)	25% (Note 1)	Sales of natural gas and other energies

Note 1: On 31st July, 2021, the Group acquired 25% of the registered share capital of Henan Xinao Zhongyu for a consideration of RMB143,000,000 (equivalent to HK\$171,932,000) from independent third parties.

Note 2: On 21st July, 2022, the Group acquired further 10% of the registered share capital of Henan Xinao Zhongyu for a consideration of RMB60,613,000 (equivalent to HK\$70,554,000) from independent third party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

21. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of major associates

Summarised financial information in respect of the Group's major associates is set out below. The summarised financial information below represents amounts shown in the associates' management accounts which are prepared in accordance with HKFRSs. All of these associates are accounted for using the equity method in the Group's consolidated financial statements.

Zhongran Xiangke

Zhongran Xiangke and its subsidiaries (collectively "Zhongran Xiangke Group")

	2022 HK\$'000	2021 HK\$'000
Current assets	1,058,929	1,039,008
Non-current assets	1,253,077	1,219,569
Current liabilities	(927,518)	(865,558)
Non-current liabilities	(2)	–
Net assets	1,384,486	1,393,019
Equity attributable to owners of Zhongran Xiangke Group	999,607	990,848
Non-controlling interests	384,879	402,171
	1,384,486	1,393,019
Revenue	1,904,152	1,555,693
Profit for the year	119,256	121,916
Dividend received from Zhongran Xiangke Group during the year	–	33,735
Profit for the year attributable to:		
Owners of Zhongran Xiangke Group	83,278	94,423
Non-controlling interests	35,978	27,493
	119,256	121,916
Exchange difference arising from translation to presentation currency	(127,789)	34,059

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

21. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of major associates (Continued)

Zhongran Xiangke (Continued)

Zhongran Xiangke and its subsidiaries (collectively "Zhongran Xiangke Group") (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Zhongran Xiangke Group recognised in the consolidated financial statements:

	2022 HK\$'000	2021 HK\$'000
Equity attributable to owners of Zhongran Xiangke Group	999,607	990,848
Proportion of the Group's ownership interest in Zhongran Xiangke Group at 40%	399,843	396,339
Carrying amount of the Group's interest in Zhongran Xiangke Group	399,843	396,339



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

21. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of major associates (Continued)

Yunnan Yuntou

Yunnan Yuntou and its subsidiaries (collectively "Yunnan Yuntou Group")

	2022 HK\$'000	2021 HK\$'000
Current assets	551,882	665,300
Non-current assets	966,669	1,007,411
Current liabilities	(762,305)	(1,099,252)
Non-current liabilities	(405,862)	(204,239)
Net assets	350,384	369,220
Equity attributable to owners of Yunnan Yuntou Group	334,585	356,595
Non-controlling interests	15,799	12,625
	350,384	369,220
Revenue	1,035,287	1,051,886
Profit for the year	1,266	18,800
Profit (loss) for the year attributable to:		
owners of Yunnan Yuntou Group	4,136	28,621
Non-controlling interests	(2,870)	(9,821)
	1,266	18,800
Exchange difference arising from translation to presentation currency	(20,102)	31,313

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

21. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of major associates (Continued)

Yunnan Yuntou (Continued)

Yunnan Yuntou and its subsidiaries (collectively “Yunnan Yuntou Group”) (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Yunnan Yuntou Group recognised in the consolidated financial statements:

	2022 HK\$'000	2021 HK\$'000
Equity attributable to owners of Yunnan Yuntou Group	334,585	356,595
Proportion of the Group's ownership interest in Yunnan Yuntou Group at 39%	130,488	139,072
Carrying amount of the Group's interest in Yunnan Yuntou Group	130,488	139,072



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

21. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of major associates (Continued)

Henan Xinao Zhongyu

	2022 HK\$'000	2021 HK\$'000
Current assets	12,894	26,025
Non-current assets	445,821	488,872
Current liabilities	(1,167)	(13,417)
Net assets	457,548	501,480
Equity attributable to owners of Henan Xinao Zhongyu	457,548	501,480
Revenue	79,339	83,156
(Loss) profit for the year	(7,512)	6,036
Exchange difference arising from translation to presentation currency	(36,420)	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

21. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of major associates (Continued)

Henan Xinao Zhongyu (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Henan Xinao Zhongyu recognised in the consolidated financial statements:

	2022 HK\$'000	2021 HK\$'000
Equity attributable to owners of Henan Xinao Zhongyu	457,548	501,480
Proportion of the Group's ownership interest in Henan Xinao Zhongyu at 35% (2021: 25%)	159,363	125,370
Goodwill	70,140	51,064
	229,503	176,434
Carrying amount of the Group's interest in Henan Xinao Zhongyu	229,503	176,434

22. INTERESTS IN JOINT VENTURES

	2022 HK\$'000	2021 HK\$'000
Cost of unlisted investments in joint ventures	20,244	20,244
Share of post-acquisition results	(4,323)	(3,482)
Exchange adjustments	277	1,596
	16,198	18,358

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

22. INTERESTS IN JOINT VENTURES (Continued)

Details of the Group's joint ventures as at 31st December, 2022 and 2021 are as follows:

Name of Company	Place of establishment	Form of business structure	Proportion of nominal value of registered capital held by the Group		Principal activities
			2022	2021	
故城華洋管道設備安裝有限公司	PRC	Limited liability company	50%	50%	Not yet commenced business
河南中豫新創產業投資管理有限公司	PRC	Limited liability company	30%	30%	Not yet commenced business

As all the relevant activities of the above entities require unanimous consent from all joint venture parties, it is accounted for as joint ventures by the Group.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 HK\$'000	2021 HK\$'000
Unlisted equity investments (Note)	77,438	83,537
Other investments	2,720	2,720
	80,158	86,257

Note: The above unlisted equity investments represent the Group's equity interests in certain private entities established in the PRC. The Directors have elected to designate these investments in equity instruments as at FVTOCI as they believe that these investments are not held for trading and not expected to be sold in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

24. INVENTORIES

	2022 HK\$'000	2021 HK\$'000
Construction materials	566,111	597,794
Finished goods	106,926	92,101
	673,037	689,895

25. PROPERTIES UNDER DEVELOPMENT FOR SALE

	HK\$'000
COST	
At 1st January, 2021	166,150
Additions	53,963
Exchange adjustments	5,696
At 31st December, 2021	225,809
Additions	26,302
Exchange adjustments	(17,174)
At 31st December, 2022	234,937
Properties under development for sales of which:	
– expected to be realised within 12 months	–
– expected to be realised over 12 months	234,937
	234,937

The leasehold lands are measured at cost less any accumulated depreciation and any impairment losses. The residual values are determined as the estimated disposal value of the leasehold land component. No depreciation charge is made on the leasehold lands taking into account the estimated residual values as at 31st December, 2022.

The properties under development for sale of the Group are situated in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

26. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Other than certain major customers with good repayment history which the Group allows a large credit period or settlement by installment basis, the Group generally allows an average credit period of 30 to 180 days to its trade customers. The following is an aged analysis of trade receivables from contracts with customers net of allowance for credit losses presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates for sales of gas and the respective construction contracts completion dates, as appropriate:

	2022 HK\$'000	2021 HK\$'000
0 – 30 days	914,916	784,715
31 – 90 days	44,872	161,349
91 – 180 days	91,402	162,539
181 – 360 days	224,093	481,316
Over 360 days	609,623	457,482
Trade receivables	1,884,906	2,047,401

As at 31st December, 2022, total bills received amounting to HK\$137,426,000 (2021: HK\$132,287,000) are held by the Group for future settlement of trade receivables. All bills received by the Group are with a maturity period of less than one year.

The amounts due from certain PRC local governments for the “Coal-to-gas” projects under the “gas pipeline construction” segment is included in the carrying amount of trade receivables.

As at 31st December, 2022, included in the Group’s trade receivables balance are debtors with aggregate carrying amount of HK\$833,716,000 (2021: HK\$938,798,000) which are past due as at the reporting date and is not considered as in default as these are represented by the debtors without bad debt history or the PRC local governments with low credit risks. The Group does not hold any collateral over these balances.

As at 31st December, 2022, deposits, prepayments and other receivables are advances to suppliers of natural gas and construction materials for customers’ gas pipeline construction amounting to HK\$1,129,234,000 (2021: HK\$1,151,435,000).

Details of impairment assessment of trade receivables, deposits and other receivables are set out in note 44.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

27. AMOUNTS DUE FROM/(TO) A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

As at 31st December, 2022, the amount due from a non-controlling shareholder of a subsidiary of the Group of RMB7,500,000 (equivalent to HK\$8,503,000) (2021: RMB7,500,000 (equivalent to HK\$9,173,000)) is secured by its equity interest of that subsidiary, interest bearing at 7.8% (2021: 7.8%) per annum and repayable within one year (2021: one year).

As at 31st December, 2022, the amount due to a non-controlling shareholder of a subsidiary represented dividend payable to a non-controlling shareholder of subsidiary of the Group amounting to RMB2,985,000 (equivalent to HK\$3,384,000) (2021: nil).

28. CONTRACT ASSETS/LIABILITIES

	2022 HK\$'000	2021 HK\$'000
Contract assets – current		
Construction contracts in gas pipeline construction	482,133	515,356
Contract liabilities – current		
Construction contracts in gas pipeline construction	740,124	815,464
Purchase of natural gas	910,965	1,023,076
	1,651,089	1,838,540

At as 1st January, 2021, contract assets and contract liabilities amounting to HK\$609,259,000 and HK\$1,466,311,000, respectively.

Typical payment terms which impact on the amount of contract assets and contract liabilities recognised are as follows:



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

28. CONTRACT ASSETS/LIABILITIES (Continued)

Construction contracts in respect of gas pipeline construction

The contract assets primarily relate to the Group's right to consideration for work completed because the rights are conditioned on the Group's future performance in achieving specified milestones at the reporting date on contract work. The contract assets are transferred to trade receivables when the rights become unconditional.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

The Group's revenue from construction contracts is measured by input method. The Group requires certain customers to provide upfront deposits before the commencement of the construction work as part of its credit risk management policies.

When the Group receives a deposit before the construction activity commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

Purchase of natural gas

The Group would require advance payment before the usage of the natural gas for certain customers, any shortage against the periodically actual charge for the actual usage of natural gas will be billed by the Group accordingly. These customers are required to top up the advance payment for future usage of natural gas to be supplied by the Group. The Group requires advance payment before the usage of the natural gas through the prepaid card for certain household users. The charge of the actual usage of natural gas will be deducted directly to the balance of the prepaid card. These customers can only consume the natural gas up to the balance of the prepaid card. This will give rise to contract liabilities until the revenue recognised on the relevant contract exceeds the amount of advance payment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

28. CONTRACT ASSETS/LIABILITIES (Continued)

Purchase of natural gas (Continued)

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities.

	2022		2021	
	Construction contracts HK\$'000	Purchase of natural gas HK\$'000	Construction contracts HK\$'000	Purchase of natural gas HK\$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	815,464	1,023,076	788,823	677,488

Details of the impairment assessment of contract assets are set out in note 44.

29. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

The bank balances carry interest at market rates which ranged from 0.01% to 0.35% (2021: 0.01% to 0.35%) per annum as at 31st December, 2022. At 31st December, 2022, the bank balances and cash consisted of HK\$1,284,802,000 (2021: HK\$1,573,192,000) are denominated in RMB.

As at 31st December, 2022, the bank balances and cash consisted of HK\$19,068,000 and HK\$33,106,000 (2021: HK\$115,504,000 and HK\$132,168,000) are denominated in US\$ and HK\$ respectively, which are foreign currencies of the respective group entities.

As at 31st December, 2021, pledged bank deposits of RMB40,000,000 (equivalent to HK\$48,924,000) were used to secure the short-term general banking facilities granted to the Group, accordingly, the deposits were classified as current assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

30. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES AND DEFERRED INCOME AND ADVANCE RECEIVED

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

	2022 HK\$'000	2021 HK\$'000
0 – 30 days	759,252	815,426
31 – 90 days	252,733	290,799
91 – 180 days	196,247	189,433
Over 180 days	475,217	434,558
Trade payables	1,683,449	1,730,216

The average credit period on purchase of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

As at 31st December, 2022, deferred income and advance received classified as non-current liabilities are government grants of HK\$5,221,000 (2021: HK\$6,258,000) received by the Group, and will be released to profit or loss when the related costs (for which the grants are intended to compensate) are recognised in profit or loss. Due to redevelopment of Jiaozuo City, Jiaozuo government subsidised the Group for enhancement and relocation of certain pipelines in Jiaozuo City.

As at 31st December, 2022, included in other payables and accrued charges are (i) refundable security deposits received from customers in relation to gas supply of HK\$65,748,000 (2021: HK\$55,048,000); (ii) accrued expenses of HK\$60,741,000 (2021: HK\$55,007,000); (iii) consideration payable for the acquisition of subsidiaries of RMB120,755,000, equivalent to HK\$136,911,000 (2021: RMB58,035,000, equivalent to HK\$70,982,000); and (iv) consideration payable for the acquisition of assets and liabilities through acquisition of a subsidiary of RMB28,350,000, equivalent to HK\$32,143,000 as disclosed in note 38 (2021: nil).

31. AMOUNT DUE TO AN ASSOCIATE

As at 31st December, 2022, the amount due to an associate amounting to RMB894,000 (equivalent to HK\$1,014,000) (2021: RMB894,000 (equivalent to HK\$1,094,000)) is unsecured, non-interest bearing and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

32. BORROWINGS

	2022 HK\$'000	2021 HK\$'000
Secured bank borrowings	215,143	492,228
Unsecured bank borrowings	11,295,299	10,815,542
Unsecured other borrowings	12,018	13,210
	11,522,460	11,320,980
Carrying amounts of the above bank borrowings are repayable*:		
Within one year	6,232,776	3,873,584
More than one year, but not exceeding two years	4,556,969	3,510,096
More than two years but not exceeding five years	648,889	3,844,881
More than five years	–	5,357
	11,438,634	11,233,918
Carrying amounts of above bank borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable:		
Within one year	68,659	56,661
More than one year, but not exceeding two years	3,149	13,794
More than two years but not exceeding five years	–	3,397
	71,808	73,852
Carrying amounts of the above other borrowings are repayable*:		
Within one year	1,361	1,468
More than one year, but not exceeding two years	1,361	1,468
More than two years but not exceeding five years	4,081	4,403
More than five years	5,215	5,871
	12,018	13,210
Less: Amounts due within one year shown under current liabilities	(6,305,945)	(3,948,904)
Amounts shown under non-current liabilities	5,216,515	7,372,076

* the amounts due are based on scheduled repayment dates set out in the loan agreements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

32. BORROWINGS (Continued)

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2022	2021
Effective interest rate:		
Fixed-rate borrowings	3.70% – 5.09%	4.00% – 5.09%
Variable-rate borrowings	1.60% – 7.41%	1.56% – 5.39%

The Group's certain variable-rate borrowings bear interest at a range of People's Bank of China ("PBOC") Prescribed Interest Rate plus 0% to 18% (2021: 0% to 18%) per annum, LIBOR plus a premium ranging from 1.5% to 1.8% (2021: 1.5% to 2.0%) per annum and HIBOR plus a premium of 1.8% to 2.1% (2021: 1.5% to 2.0%) per annum is charged on remaining outstanding variable-rate loan balances.

As at 31 December, 2022, the Group's borrowings of HK\$7,858,544,000 (2021: HK\$7,882,399,000) are subject to compliance with certain financial and/or non-financial covenants within 12 months from the reporting date, of which HK\$4,306,973,000 (2021: Hk\$6,547,785,000) were classified as non-current. The Group has complied with these covenants throughout the reporting period.

As at 31st December, 2022, the bank borrowing balances consisted of HK\$7,059,157,000 (2021: HK\$7,388,807,000) and HK\$799,387,000 (2021: HK\$493,592,000) are denominated in US\$ and HK\$ respectively, which are foreign currencies of the respective group entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

33. LEASE LIABILITIES

	2022 HK\$'000	2021 HK\$'000
Lease liabilities payable:		
Within one year	3,602	4,670
Within a period of more than one year but not more than two years	2,051	3,200
Within a period of more than two years but not more than five years	6,284	4,064
Within a period of more than five years	7,409	9,622
	19,346	21,556
Less: Amount due for settlement with 12 months shown under current liabilities	(3,602)	(4,670)
Amount due for settlement after 12 months shown under non-current liabilities	15,744	16,886

Lease obligations that are denominated in currency other than the functional currencies of the relevant group entities are set out below:

	HK\$'000
As at 31st December, 2022	500
As at 31st December, 2021	500



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

34. SHARE CAPITAL

	Notes	Number of shares		Amount	
		2022 '000	2021 '000	2022 HK\$'000	2021 HK\$'000
Authorised:					
Ordinary shares at HK\$0.01 each		10,000,000	10,000,000	100,000	100,000
Issued and fully paid:					
At the beginning of the year		2,833,833	2,644,833	28,338	26,448
Placement of shares	(i)	–	188,000	–	1,880
Exercise of share options	(ii)	–	1,000	–	10
Repurchase of shares	(iii)	(4,079)	–	(41)	–
At the end of the year		2,829,754	2,833,833	28,297	28,338

Notes:

- (i) Pursuant to a subscription agreement dated 6th October, 2021, Fundway International Investment Limited, an investment holding company incorporated in the British Virgin Islands with limited liability and wholly and beneficially owned by Mr. Yiu Chi Shing, subscribed for 188,000,000 new ordinary shares in the Company at a price of HK\$5.8 per ordinary share. The proceeds were used to reduce borrowings and to provide additional working capital for the Group. These new shares were issued under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 3rd June, 2021 and rank pari passu with other shares in issue in all respects.
- (ii) During the year ended 31st December, 2021, 1,000,000 new shares were issued as a result of exercise of share options in respect of the share options granted on 5th January, 2018. Details are disclosed in note 36.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

34. SHARE CAPITAL (Continued)

Notes: (Continued)

- (iii) During the year ended 31st December, 2022, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares of HK\$0.01 each	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
<i>Year ended 31st December, 2022</i>				
October 2022	2,000,000	5.80	5.30	11,141
November 2022	579,000	5.41	5.38	3,132
December 2022	1,500,000	5.76	5.46	8,378
	4,079,000			

The repurchased shares were cancelled upon repurchase and the issued share capital of the Company was reduced by the nominal value of the repurchased shares. The premium payable on repurchase of the shares of HK\$22,698,000 was charged to the share premium account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

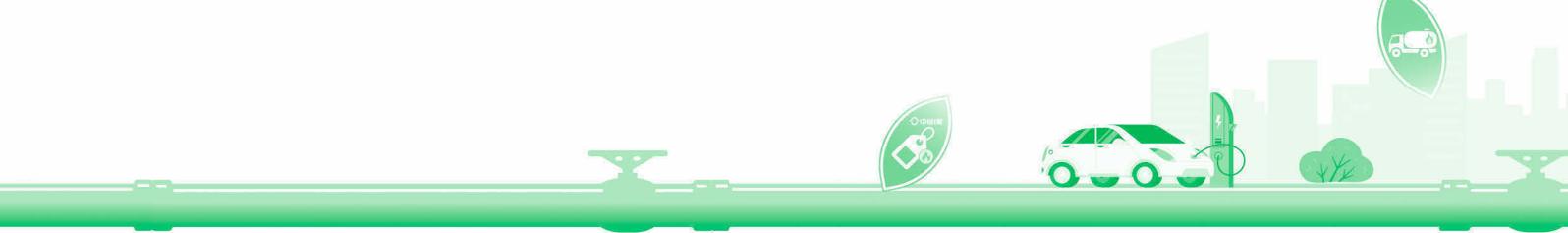
35. DEFERRED TAXATION

The following is the deferred tax liabilities recognised and movements thereon during the current and prior years.

	Revaluation of investment properties and pipelines HK\$'000	Other intangible assets HK\$'000	Undistributed profits of subsidiaries HK\$'000	Accelerated tax depreciation HK\$'000	Total HK\$'000
At 1st January, 2021	434,066	285,888	1,415	379,934	1,101,303
Exchange adjustments	15,028	4,130	42	11,899	31,099
(Credit) charge to profit or loss (note 10)	(16,187)	(16,582)	–	49,519	16,750
Charge to property revaluation reserve	166,959	–	–	–	166,959
Acquisition of business (note 37)	–	16,056	–	–	16,056
At 31st December, 2021	599,866	289,492	1,457	441,352	1,332,167
Exchange adjustments	(47,168)	(21,720)	(106)	(27,492)	(96,486)
(Credit) charge to profit or loss (note 10)	(20,937)	(36,824)	–	45,141	(12,620)
Charge to property revaluation reserve	150,115	–	–	–	150,115
Acquisition of business (note 37)	–	59,171	–	–	59,171
At 31st December, 2022	681,876	290,119	1,351	459,001	1,432,347

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to undistributed profits amounting to HK\$3,770,375,000 (2021: HK\$3,250,663,000) of certain PRC subsidiaries in relation to owners of the Company. The Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At 31st December, 2022, the Group had unused estimated tax losses of HK\$90,761,000 (2021: HK\$176,369,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unrecognised estimated tax losses due to unpredictability of future profit stream. Included in unrecognised tax losses are losses of PRC subsidiaries of HK\$86,771,000 (2021: HK\$172,591,000) that will expire in various dates up to 2027 (2021: 2026), other losses may be carried forward indefinitely.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

36. SHARE-BASED PAYMENT TRANSACTIONS

Share option schemes

Pursuant to an ordinary resolution passed on 24th October, 2003, the Company adopted a share option scheme (“Old Share Option Scheme”) pursuant to which the Directors were authorised to grant share option to its employees (including executive directors and employees of any of its subsidiaries) or any person who has contributed or will contribute to the Group. The Old Share Option Scheme was terminated and replaced by a new share option scheme (“New Share Option Scheme”) on 3rd May, 2013 by an ordinary resolution passed by the shareholders of the Company at the annual general meeting held on 3rd May, 2013.

Outstanding options under the Old Share Option Scheme shall continue to be valid and exercisable in accordance with the Old Share Option after its termination.

Under the New Share Option Scheme, the Directors may offer share options to any directors and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who the board of directors of the Company considers, in its sole discretion, have contributed or will contribute to the Group, to subscribe for shares in the Company in accordance with the terms of the New Share Option Scheme.

The maximum number of shares which may be issued upon exercise of all share options to be granted under the New Share Option Scheme shall not, in the absence of shareholders’ approval, in aggregate exceed 10% in nominal amount of the aggregate of shares in issue on the adoption date (the “Scheme Mandate Limit”). Options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

The Company may renew the Scheme Mandate Limit at any time subject to prior shareholders’ approval but in any event, the total number of shares which may be issued upon exercise of all share options to be granted under the New Share Option Scheme under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of the Shareholders’ approval of the renewed limit. Options previously granted under the New Share Option Scheme (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the limit as renewed.

Further, no options will be granted which would result in the maximum aggregate number of shares which may be issued upon exercise of all outstanding options granted but yet to be exercised under the New Share Option Scheme, the existing options granted under the Old Share Option Scheme, in aggregate, 30% of the issued share capital of the Company from time to time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

36. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

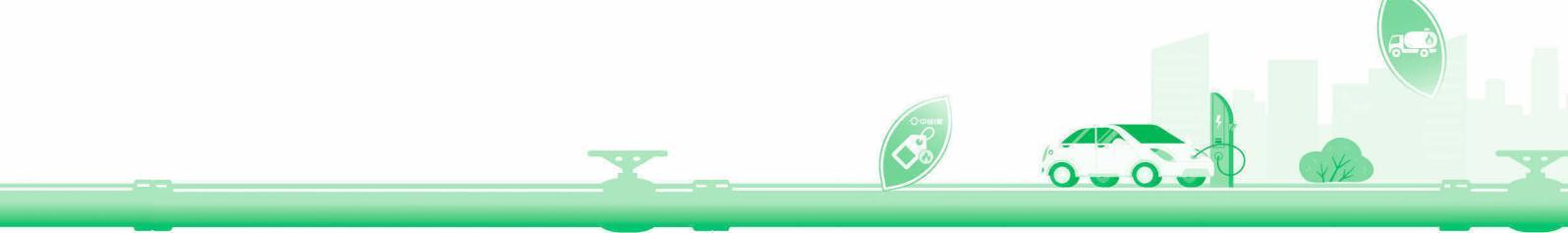
Share option schemes (Continued)

The following table discloses movements of the Company's share options granted under the Old Share Option Scheme and New Share Option Scheme and movements in such holdings:

Category of grantee	Exercise price per share HK\$	Date of grant	Exercisable period	Number of share options			Transfer (Note)	As at 31st December, 2021 and 2022
				Exercised during the year At 1st January, 2021	Forfeited during the year ended 31st December, 2021	Expired during the year ended 31st December, 2021		
Directors	0.4872	11th April, 2011	11th April, 2011 to 10th April, 2021	1,005,800	-	-	(1,005,800)	-
	5.4680	5th January, 2018	5th January, 2018 to 4th January, 2028	12,572,500	-	-	-	(502,900)
				13,578,300	-	-	(1,005,800)	(502,900)
Employees	5.4680	5th January, 2018	5th January, 2018 to 4th January, 2028	3,017,400	(1,000,000)	(5,800)	-	502,900
	5.4680	5th January, 2018	17th December, 2019 to 4th January, 2028	1,508,700	-	-	-	-
				4,526,100	(1,000,000)	(5,800)	-	502,900
				18,104,400	(1,000,000)	(5,800)	(1,005,800)	-
Exercisable at the end of the year				18,104,400				16,092,800
Weighted average exercise price				HK\$5.191	HK\$5.468	HK\$5.468	HK\$0.4872	HK\$5.468

In respect of the share options exercised during the year ended 31st December, 2021, the weighted average share price at the dates of exercise was HK\$6.82.

Note: Transfer represented Mr. Xu Yongxuan retired as a non-executive director of the Company with effect with 29th October, 2021.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

37. ACQUISITION OF BUSINESS

Year ended 31st December, 2022

Pursuant to the purchase agreement dated 23rd March, 2022, the Group acquired 62% of the registered share capital of 南通中裕能源有限公司 (“南通中裕能源”) (formerly known as 南通澳華燃氣有限公司) for a consideration of RMB130,200,000 (equivalent to HK\$151,554,000) from independent third parties. Upon completion of the acquisition on 22nd July, 2022, control in 南通中裕能源 was passed to the Group. 南通中裕能源 is principally engaged in the sales of gas.

Pursuant to the purchase agreement dated 4th August, 2022, the Group acquired 100% of the registered share capital of 揚州瀾盛光伏科技有限公司 (“揚州瀾盛”) for a consideration of RMB1,322,000 (equivalent to HK\$1,506,000) from independent third parties. Upon completion of the acquisition on 31st August, 2022, control in 揚州瀾盛 was passed to the Group. 揚州瀾盛 is principally engaged in the smart energy.

The above acquisitions have been accounted for using the purchase method and acquired so as to continue the expansion of the Group’s operations.

Consideration transferred:

	HK\$'000
Cash	153,060



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

37. ACQUISITION OF BUSINESS (Continued)

Year ended 31st December, 2022 (Continued)

Fair value of assets acquired and liabilities recognised at the dates of acquisition are as follows:

	HK\$'000
Property, plant and equipment	56,470
Other intangible assets – exclusive right of operation in sales of piped gas	236,682
Right-of-use assets	6,945
Inventories	562
Trade receivables	1,019
Deposits, prepayments and other receivables	6,534
Bank balances and cash	3,297
Trade payables	(25,494)
Other payables and accrued charges	(31,443)
Borrowings	(11,640)
Tax recoverables	1,487
Deferred taxation	(59,171)
	185,248
Less: Non-controlling interests (Note)	(69,822)
	115,426

Note: The non-controlling interests recognised at the acquisition date were measured at proportionate share of net assets acquired from 南通中裕能源.

The fair value as well as the gross contractual amounts of the trade and other receivables acquired amounted to HK\$2,056,000 at the date of acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

37. ACQUISITION OF BUSINESS (Continued)

Year ended 31st December, 2022 (Continued)

Goodwill arising on acquisitions:

	HK\$'000
Consideration transferred	153,060
Less: fair value of identifiable net assets acquired	(115,426)
	<hr/>
	37,634

Goodwill arose in the acquisitions because the consideration paid for the acquisition included amounts in relation to the benefits of expected synergies, revenue growth, future market development and the assembled workforce arising from the acquisitions. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The goodwill arising on the acquisitions are not expected to be deductible for tax purposes.

Net cash outflow on acquisitions during the year ended 31st December, 2022:

	HK\$'000
Total cash consideration	153,060
Less: bank balances and cash acquired	(3,297)
Less: consideration payable (included in other payables and accrued charges as at 31st December, 2022) (RMB65,520,000)	(74,286)
	<hr/>
	75,477

Included in the profit for the year ended 31st December, 2022 is loss of HK\$6,407,000 attributable to the above acquisitions. Revenue for the year ended 31st December, 2022 includes HK\$21,872,000 generated from above acquisitions.

Had the acquisitions been completed on 1st January, 2022, total group revenue for the year ended 31st December, 2022 would have been HK\$13,050,036,000 and profit for the year would have been HK\$227,726,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2022, nor is it intended to be a projection of future results.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

37. ACQUISITION OF BUSINESS (Continued)

Year ended 31st December, 2021

Acquisition of a subsidiary – 浙江岱山安通

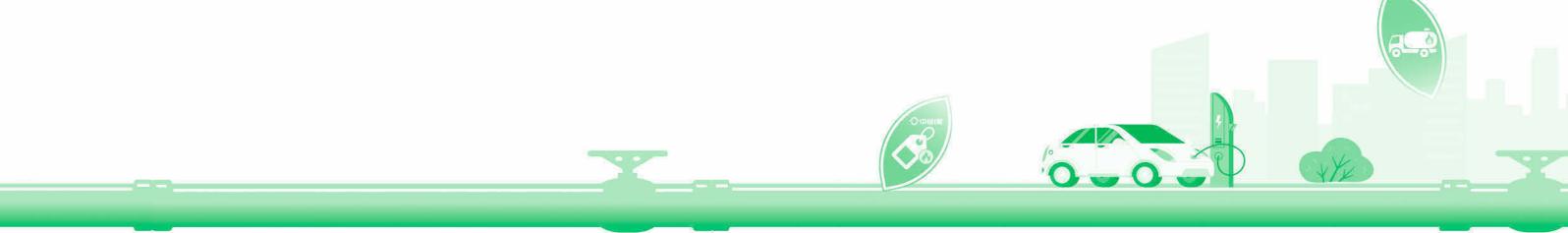
Pursuant to the purchase agreement dated 28th October, 2020 and the acquisition was completed on 31st August, 2021, the Group acquired 100% of the registered share capital of 浙江岱山安通天然氣管道有限公司 (“浙江岱山安通”) for a consideration of RMB55,000,000 (equivalent to HK\$66,209,000) from independent third parties. On the date of completion, control in 浙江岱山安通 was passed to the Group. This acquisition has been accounted for using the purchase method. 浙江岱山安通 is principally engaged in the sales of gas. 浙江岱山安通 was acquired so as to continue the expansion of the Group’s operations.

Consideration transferred:

	HK\$'000
Cash	66,209

Fair value of assets acquired and liabilities of 浙江岱山安通 recognised at the date of acquisition are as follows:

	HK\$'000
Property, plant and equipment	3,185
Other intangible assets – exclusive right of operation in sales of piped gas	64,225
Trade receivables	555
Right-of-use assets	1,316
Inventories	205
Deposits, prepayments and other receivables	1,300
Bank balances and cash	3,025
Trade payables	(370)
Other payables and accrued charges	(7,232)
Borrowings	(2,408)
Tax recoverables	198
Deferred taxation	(16,056)
	47,943



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

37. ACQUISITION OF BUSINESS (Continued)

Year ended 31st December, 2021 (Continued)

Acquisition of a subsidiary – 浙江岱山安通 (Continued)

The fair value as well as the gross contractual amounts of the trade and other receivables acquired amounted to HK\$1,855,000 at the date of acquisition.

Goodwill arising on acquisition:

	HK\$'000
Consideration transferred	66,209
Less: fair value of identifiable net assets acquired	(47,943)
	<hr/> 18,266

Goodwill arose in the acquisition of 浙江岱山安通 because the consideration paid for the acquisition included amounts in relation to the benefits of expected synergies, revenue growth, future market development and the assembled workforce arising from the acquisition of 浙江岱山安通. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The goodwill arising on the acquisition is not expected to be deductible for tax purposes.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

37. ACQUISITION OF BUSINESS (Continued)

Year ended 31st December, 2021 (Continued)

Acquisition of a subsidiary – 浙江岱山安通 (Continued)

Net cash inflow on acquisition of 浙江岱山安通 during the year ended 31st December, 2021:

	HK\$'000
Total cash consideration	66,209
Less: bank balances and cash acquired	(3,025)
Less: consideration payable (included in other payables and accrued charges as at 31st December, 2021) (RMB54,950,000)	(67,209)
	(4,025)

Included in the profit for the year ended 31st December, 2021 is loss of HK\$214,000 attributable to 浙江岱山安通. Revenue for the year ended 31st December, 2021 includes HK\$1,846,000 generated from 浙江岱山安通.

Had the acquisition of 浙江岱山安通 been completed on 1st January, 2021, total group revenue for the year ended 31st December, 2021 would have been HK\$11,350,037,000 and profit for the year would have been HK\$1,262,002,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2021, nor is it intended to be a projection of future results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

38. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF A SUBSIDIARY

On 31st January, 2022, the Group has acquired 70% of the registered share capital of 高安市浩燃能源發展有限公司 (“Gaoan Haoran Energy”) for a cash consideration of RMB40,500,000 (equivalent to HK\$49,499,000) from independent third parties. The principal assets of Gaoan Haoran Energy are the exclusive right of operation in sales of piped gas. Gaoan Haoran Energy has not commenced business at the date of acquisition.

The net identifiable assets acquired in the acquisition are as follows:

	HK\$'000
Property, plant and equipment	550
Right-of-use assets	1,202
Other intangible assets – exclusive right of operation in sales of piped gas	73,141
Other receivables	1,835
Bank balances and cash	918
Other payables and accrued charges	(6,933)
	70,713
Less: non-controlling interests	(21,214)
	49,499
Net cash outflow arising on acquisition:	
Consideration paid	49,499
Less: bank balances and cash acquired	(918)
Less: consideration payable (included in other payables and accrued charges as at 31st December, 2022) (RMB28,350,000)	(32,143)
	16,438

In the opinion of the Directors, the above acquisition did not constitute a business combination in accordance with HKFRS 3 “Business Combinations” as Gaoan Haoran Energy has not commenced business at the date of acquisition and requires additional resources to enable it to start the business. The acquisition has been accounted for as acquisition of assets and liabilities through acquisition of a subsidiary.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

39. OPERATING LEASING ARRANGEMENTS

The Group as lessor

Undiscounted lease payments receivables on leases over non-cancellable period in respect of rented premises and equipment are as follows:

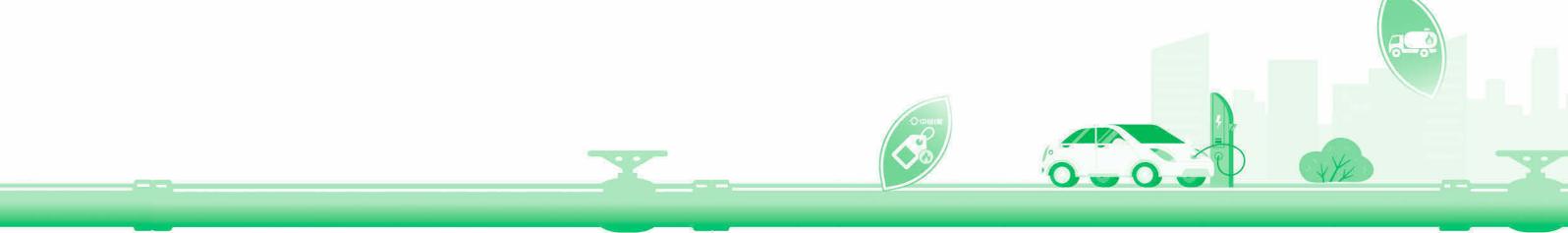
	2022 HK\$'000	2021 HK\$'000
Within one year	1,225	674
In the second year	740	690
In the third year	432	707
In the fourth year	367	495
In the fifth year	306	370
After five years	-	346
	3,070	3,282

The Group's investment properties with a carrying amount of HK\$7,743,000 (2021: HK\$8,942,000) are held for rental purposes. All of the properties held have committed tenants for the next one to five years (2021: one to six years).

40. RETIREMENT BENEFITS PLANS

The Group had joined the Mandatory Provident Fund Scheme under the rules and regulations of the Hong Kong Mandatory Provident Fund Schemes Authority. The Group's employees in Hong Kong are required to join the scheme. The Group and each employee employed in Hong Kong are required to make a contribution of 5% on the employees' monthly relevant income with a maximum monthly contribution of HK\$1,500 per person.

The Company's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in various central pension schemes operated by the relevant municipal and provincial governments. These subsidiaries are required to make defined contributions to these schemes at rates ranging from 15% to 30% of their covered payroll. The Group has no other material obligation for the payment of its staff's retirement and other post-retirement benefits other than the contributions described above.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

41. RELATED PARTY TRANSACTIONS

(a) Other than set out in notes 27 and 31, there were no other significant related party transactions during the years ended 31st December, 2022 and 2021.

(b) **Compensation of key management personnel**

The Directors considered that they are the only key management personnel of the Group. Their emoluments are set out in note 12.

42. CAPITAL AND OTHER COMMITMENTS

As at 31st December, 2022, the capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements is HK\$144,487,000 (2021: HK\$149,021,000).

43. MAJOR NON-CASH TRANSACTION

During the year ended 31st December, 2022, the Group entered into new lease agreements for the use of leased properties for one year to two years. On the lease commencement, the Group recognised HK\$7,438,000 of right-of-use assets and HK\$7,438,000 of lease liabilities (2021: HK\$8,280,000 of right-of-use assets and HK\$8,280,000 of lease liabilities).

Part of the declared dividends amounting to HK\$17,059,000 (2021: HK\$18,124,000) had mutually agreed by employees and the Company to off-set with the loans to employees for the year ended 31st December, 2022.

Part of dividends paid by a subsidiary to non-controlling shareholder of a subsidiary amounting to HK\$757,000 (2021: nil) and HK\$1,229,000 (2021: HK\$13,465,000) had agreed by the subsidiaries and non-controlling shareholder of a subsidiary to off-set with other receivable and the remaining are deemed as capital injection respectively.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

44. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Capital risk management

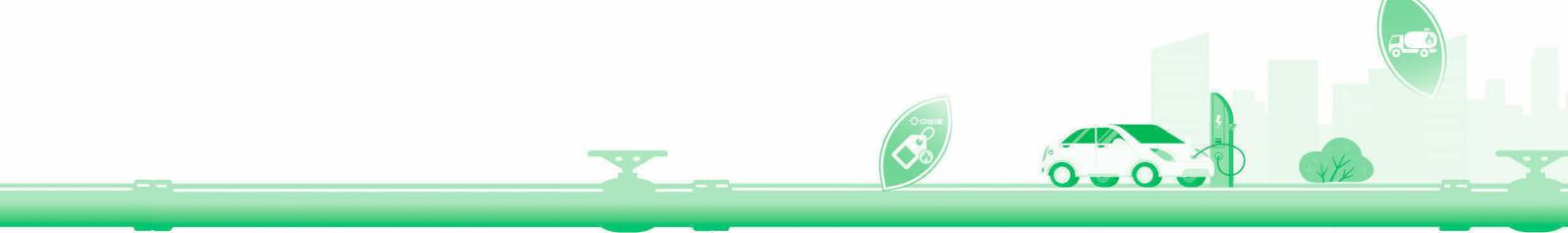
The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes borrowings and lease liabilities disclosed in notes 32 and 33, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, accumulated profits and other reserves.

The management of the Group reviews the capital structure on a continuous basis taking into account the cost of capital and the risks associated with the capital. The Group will balance its overall capital structure through new share issues, payment of dividends, repurchase of shares and the issue of new debt or the redemption of the existing debt.

Categories of financial instruments

	2022 HK\$'000	2021 HK\$'000
Financial assets		
Financial assets at FVTOCI	80,158	86,257
Financial assets at amortised cost (including bank balances and cash)	4,252,971	4,979,265
Financial liabilities		
Amortised cost	13,915,859	13,776,975



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

44. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, refundable deposits, other receivables, amount due from a non-controlling shareholder of a subsidiary, pledged bank deposits, and bank balances and cash, trade payables, other payables, amounts due to a non-controlling shareholder of a subsidiary and an associate, borrowings and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate amounts due from an associate and a related company, fixed-rate loans to employees, fixed-rate bank borrowings and fixed-rate lease liabilities. Currently, the Group has not used any derivative contracts to hedge this exposure to interest rate risk. However, management monitors interest rate exposure and will consider hedging significant fixed rate borrowings should the need arise.

The Group's cash flow interest rate risk primarily relates to variable-rate bank balances and variable-rate bank borrowings. The Group has not used any interest rate swaps to mitigate its exposure to cash flow interest rate risk. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated. The interest rates of variable bank borrowings are based on (1) a range of multiples of PBOC Prescribed Interest Rate; or (2) interest rate at LIBOR plus a premium; or (3) interest rate at HIBOR plus a premium.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

Sensitivity analysis

The sensitivity analysis has been determined based on the exposure to the variable-rate bank borrowings at the end of the reporting period and management's assessment of the reasonably possible change interest rates. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. If interest rates on bank borrowings had been 50 basis points (2021: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by HK\$37,245,000 (2021: HK\$35,486,000).

The Directors considered the Group's exposure of the variable-rate bank balances to interest rate risk is not significant and therefore no sensitivity analysis is presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

44. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Foreign currency risk

The Group collects most of its revenue in RMB and incurs most of the expenditures as well as capital expenditures in RMB. The Directors consider that the Group's exposure to foreign currency exchange risk is insignificant, except for certain bank balances and bank borrowings which are denominated in US\$ or HK\$, as the majority of the Group's transactions are denominated in the functional currency of the respective group entities. The equivalent amount of HK\$ are set out below:

	Assets		Liabilities	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
US\$	19,068	115,504	7,059,157	7,388,807
HK\$	33,106	132,168	799,387	493,592
	52,174	247,672	7,858,544	7,882,399

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

44. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to the foreign currency risk in HK\$ and US\$.

The following table details the Group's sensitivity to a 5% (2021: 5%) increase and decrease in RMB against US\$ or HK\$. 5% (2021: 5%) represents management's assessment of the reasonable possible change in foreign exchange rates. The sensitivity analysis includes respective US\$ and HK\$ bank balances and bank borrowings, and adjusts their translation at the year end for a 5% (2021: 5%) change in foreign currency rates. A positive number below indicates increase in post-tax profit where RMB strengthen 5% (2021: 5%) against the relevant currencies. For a 5% (2021: 5%) weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit.

	2022 HK\$'000	2021 HK\$'000
US\$	264,003	272,749
HK\$	28,736	13,553

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, contract assets, refundable deposits, other receivables, amount due from a non-controlling shareholder of a subsidiary, pledged bank deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and contract assets, except that the credit risks associated with loans to employees included in long term other receivables is mitigated because they are secured by the shares held by the employees.

The Group performed impairment assessment for financial assets and contract assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

44. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

Trade receivables and contract assets arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model according to HKFRS 9 on trade receivables and contract assets based on collective assessment except for the debtors with credit-impaired balances which are assessed individually.

Deposits and other receivables and amount due from a non-controlling shareholder of a subsidiary

The Group has taken into account the economic outlook of the industries in which the debtors operate, and concluded that there has been no significant increase in credit risk since initial recognition. The ECL on deposits and other receivables and amount due from a non-controlling shareholder of a subsidiary are considered to be insignificant except for other receivables of HK\$18,777,000 (2021: HK\$18,798,000) which are considered as credit-impaired and fully provided.

The credit risk on loans to employees included in long term other receivables is insignificant as the loans are secured by the shares held as collateral by the Group.

Pledged bank deposits and bank balances

The credit risk on liquid funds is limited because the counterparties are reputable banks in the PRC or banks with high credit-ratings assigned by international credit-rating agencies and the Group has limited exposure to any single financial institution.

As at 31st December, 2022, the Group performed impairment assessment on bank balances by reference to the average loss rates for respective credit rating grades published by international credit-rating agencies and concluded that the ECL is insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

44. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

As at 31st December, 2022, other than the concentration of credit risk on the amount due from a non-controlling shareholder of a subsidiary and loans to employees (2021: the amount due from a non-controlling shareholder of a subsidiary and loan to employees), the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

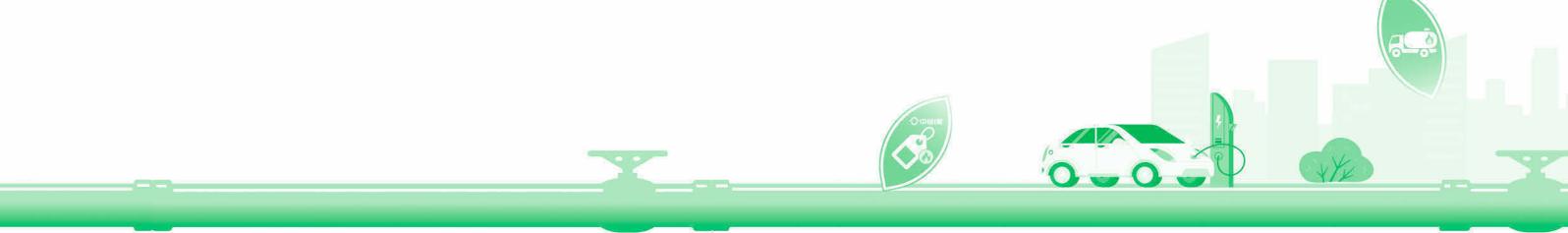
44. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

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

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	
					2022 HK\$'000	2021 HK\$'000
Financial assets at amortised cost						
Other long-term deposits and other receivables	20	N/A	Low risk	12m ECL (not credit-impaired and assessed individually)	632,696	628,864
Trade receivables – contracts with customers	26	N/A	(Note)	Lifetime ECL (not credit-impaired and collective assessment)	1,884,906	2,047,401
				Lifetime ECL (credit-impaired)	41,127	41,127
					1,926,033	2,088,528
Deposits and other receivables	26	N/A	Low risk	12m ECL (not credit-impaired and assessed individually)	389,890	424,039
				Loss	18,777	18,798
					408,667	442,837
Amount due from a non-controlling shareholder of a subsidiary	27	N/A	Low risk	12m ECL (not credit-impaired and assessed individually)	8,503	9,173
Pledged bank deposits	29	A1	Low risk	12m ECL (not credit-impaired and assessed individually)	–	48,924
Bank balances	29	Aa2 to Baa3	Low risk	12m ECL (not credit-impaired and assessed individually)	1,336,075	1,820,357
Other item						
Contract assets	28	N/A	(Note)	Lifetime ECL (not credit-impaired and collective assessment)	482,133	515,356
				Lifetime ECL (credit-impaired)	56,524	58,711
					538,657	574,067



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

44. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Note: For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with credit-impaired balances which are assessed individually, the Group determines the ECL on these items grouped by past due status for trade receivables and the status of the relevant projects of the contract assets. When there are indicators that the relevant trade receivables and contract assets may be credit-impaired, the relevant amounts will be assessed for ECL individually.

The Group uses aging to assess the impairment for its customers in relation to its operation because these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Based on the Group's assessment of historical credit loss experience of the existing debtors and all available forward looking information, including but not limited to the expected economic conditions in the PRC and expected subsequent settlements, the Group does not consider that default occurs for those contractual payments that are more than 90 days past due.

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

During the year ended 31st December, 2022, the Group recognised reversal of HK\$2,187,000 (2021: HK\$1,835,000) on contract assets and recognise reversal of HK\$21,000 (2021: allowance of HK\$657,000) of impairment loss allowance on other receivables, based on the individual assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

44. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

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

	Trade receivables Lifetime ECL (credit-impaired) HK\$'000	Contract assets Lifetime ECL (credit-impaired) HK\$'000	Other receivables Lifetime ECL (credit-impaired) HK\$'000
As at 1st January, 2021	41,127	60,546	18,141
Net remeasurement of impairment losses allowance	–	(1,835)	657
As at 31st December, 2021	41,127	58,711	18,798
Net remeasurement of impairment losses allowance	–	(2,187)	(21)
As at 31st December, 2022	41,127	56,524	18,777

Liquidity risk

As at 31st December, 2022, the Group has net current liabilities of HK\$4,233,143,000. As explained in note 3.1, the Directors have therefore given careful consideration to the future liquidity of the Group when preparing the consolidated financial statements. The Directors believe that the Group will be able to meet in full its financial obligations as and when they fall due for the foreseeable future, taking into accounts total new bank borrowings amounting to appropriately HK\$1.1 billion obtained in January and February 2023, cash flows from the profitable operations and expected new banking facilities.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

44. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity based on the agreed repayment terms for its financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest (estimated based on interest rate at the end of the reporting period) and principal cash flows.

Liquidity tables

	Weighted average effective interest rate %	On demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	More than 5 years HK\$'000	Total undiscounted cash flow HK\$'000	Carrying amount at 31.12.2022 HK\$'000
2022							
Trade payables	-	1,683,449	-	-	-	1,683,449	1,683,449
Other payables and accrued charges	-	705,552	-	-	-	705,552	705,552
Amount due to an associate	-	1,014	-	-	-	1,014	1,014
Amount due to a non-controlling shareholder of a subsidiary	-	3,384	-	-	-	3,384	3,384
Borrowings							
– fixed rate	4.46	620,843	616,087	411,542	6,747	1,655,219	1,590,412
– variable rate	4.82	517,596	4,740,445	5,266,027	-	10,524,068	9,932,048
Lease liabilities	4.45	1,675	2,621	10,554	8,487	23,337	19,346
		3,533,513	5,359,153	5,688,123	15,234	14,596,023	13,935,205

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

44. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity tables (Continued)

	Weighted average effective interest rate %	On demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	More than 5 years HK\$'000	Total undiscounted cash flow HK\$'000	Carrying amount at 31.12.2021 HK\$'000
2021							
Trade payables	-	1,730,216	-	-	-	1,730,216	1,730,216
Other payables and accrued charges	-	724,685	-	-	-	724,685	724,685
Amount due to an associate	-	1,094	-	-	-	1,094	1,094
Borrowings							
- fixed rate	4.47	593,740	903,032	436,425	6,584	1,939,781	1,857,932
- variable rate	2.43	795,097	1,790,788	7,276,683	4,079	9,866,647	9,463,048
Lease liabilities	4.53	2,012	3,525	9,635	11,115	26,287	21,556
		3,846,844	2,697,345	7,722,743	21,778	14,288,710	13,798,531

Note: The amounts included above for variable interest rate instruments for financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

44. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Bank borrowings with a repayment on demand clause are included in the “on demand or less than 3 months” time band in the above maturity analysis. As at 31st December, 2022 the aggregate carrying amounts of these bank loans amounted to HK\$71,808,000 (2021: HK\$73,852,000). Taking into account the Group’s financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The Directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

Maturity Analysis – Bank borrowings with a repayment on demand clause based on scheduled repayments

	Less than 3 months HK\$'000	3 months to 1 year HK\$'000	1-5 years HK\$'000	Total undiscounted cash flow HK\$'000	Carrying amount HK\$'000
31st December, 2022	2,348	67,798	3,335	73,481	71,808
31st December, 2021	441	57,879	18,018	76,338	73,852

Interest rate benchmark reform

As listed in note 32, several of the Group’s LIBOR/HIBOR bank loans may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

LIBOR

The Financial Conduct Authority has confirmed all LIBOR settings will either cease to be provided by any administrator or no longer be representative:

- immediately after 31st December, 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings; and
- immediately after 30th June, 2023, in the case of the remaining US dollar settings.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

44. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Interest rate benchmark reform (Continued)

HIBOR

While the Hong Kong Dollar Overnight Index Average (“HONIA”) has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist.

(i) Risks arising from the interest rate benchmark reform

The following are the key risks for the Group arising from the transition:

Interest rate related risks

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments.

Liquidity risk

The additional uncertainty on various alternative rates which are typically published on overnight basis will require additional liquidity management. The Group’s liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

(ii) Progress towards implementation of alternative benchmark interest rates

As part of the Group’s risk management for transition, new contracts entered into by the Group are linked to the relevant alternative benchmark rates or interest rates which are not subject to reform to the extent feasible. Otherwise, the Group ensured the relevant contracts include detailed fallback clauses clearly referencing the alternative benchmark rate and the specific triggering event on which the clause is activated.

The Group is planning to transition LIBOR-linked contract through introduction of, or amendments to, fallback clauses into the contracts which will change the basis for determining the interest cash flows from LIBOR to Secured Overnight Financing Rate (“SOFR”) at an agreed point in time. For a floating rate loan that is linked to HIBOR, the Group had confirmed with the relevant counterparty HIBOR will continue to maturity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

44. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Interest rate benchmark reform (Continued)

(ii) Progress towards implementation of alternative benchmark interest rates (Continued)

The following table shows the total amounts of outstanding contracts and the progress in completing the transition to alternative benchmark rates as at 31st December, 2022. The amount of financial liabilities are shown at their carrying amounts.

As at 31st December, 2022

Financial instruments prior to transition	Maturity in	Carrying amounts HK\$'000	Hedge accounting	Transition progress for financial instruments
Non-derivative financial liabilities				
Bank loan linked to 3-months USD LIBOR	2024	4,327,597	N/A	Will be transitioned to SOFR
Bank loan linked to 1-months USD LIBOR	2023	2,575,716	N/A	Will be matured before transition to SOFR
Bank loan linked to HKD HIBOR	2025	799,387	N/A	HIBOR will continue till maturity

As at 31st December, 2021

Financial instruments prior to transition	Maturity in	Carrying amounts HK\$'000	Hedge accounting	Transition progress for financial instruments
Non-derivative financial liabilities				
Bank loan linked to 3-months USD LIBOR	2024	3,781,288	N/A	Will be transitioned to SOFR
Bank loan linked to 1-months USD LIBOR	2023	3,452,250	N/A	Will be matured before transition to SOFR
Bank loan linked to HKD HIBOR	2023	493,592	N/A	HIBOR will continue till maturity

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

44. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

Fair value

The fair value of financial assets and financial liabilities carried at amortised cost are determined by in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Fair value measurement recognised in the consolidated statement of financial position

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

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/financial liabilities in the consolidated statement of financial position	Fair value as at 31.12.2022	Fair value as at 31.12.2021	Fair value hierarchy	Valuation techniques and key inputs
Investments in unlisted equity investments classified as financial assets at FVTOCI	Assets – HK\$77,438,000	Assets – HK\$83,537,000	Level 3	Asset-Based approach – reference to fair values of the underlying assets and liabilities held by the investee.

The Directors consider such exposures for fair value changes in financial assets are not significant. Accordingly, no sensitivity analysis is presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

45. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amount due to an associate	Lease liabilities	Dividend payables	Dividend payables to non-controlling interests of subsidiaries	Interest payables	Borrowings	Total
	HK\$'000 (Note 31)	HK\$'000 (Note 33)	HK\$'000	HK\$'000 (Note 27)	HK\$'000	HK\$'000 (Note 32)	HK\$'000
At 1st January, 2021	1,063	27,377	8,110	-	3,095	11,590,146	11,629,791
Financing cash flows	-	(16,092)	(259,992)	(4,342)	(310,453)	(433,762)	(1,024,641)
Loan facilities fees paid	-	-	-	-	-	(130,232)	(130,232)
Non-cash movements (note 43)	-	-	(18,124)	(13,465)	-	-	(31,589)
Dividend declared	-	-	270,174	17,807	-	-	287,981
Recognition of lease liabilities	-	8,280	-	-	-	-	8,280
Exchange adjustments – profit or loss	-	-	-	-	190	(123,345)	(123,155)
Exchange adjustments							
– other comprehensive income	31	691	-	-	-	366,679	367,401
Finance costs	-	1,300	-	-	317,020	51,494	369,814
At 31st December, 2021	1,094	21,556	168	-	9,852	11,320,980	11,353,650
Financing cash flows	-	(9,180)	(436,347)	(29,818)	(377,512)	428,017	(424,840)
Loan facilities fees paid	-	-	-	-	-	(980)	(980)
Non-cash movements (note 43)	-	-	(17,059)	(1,986)	-	-	(19,045)
Dividend declared	-	-	453,413	35,188	-	-	488,601
Recognition of lease liabilities	-	7,438	-	-	-	-	7,438
Exchange adjustments – profit or loss	-	-	-	-	(1,354)	21,065	19,711
Exchange adjustments							
– other comprehensive income	(80)	(1,519)	-	-	-	(303,863)	(305,462)
Finance costs	-	1,051	-	-	396,262	57,241	454,554
At 31st December, 2022	1,014	19,346	175	3,384	27,248	11,522,460	11,573,627

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For the year ended 31st December, 2022

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

As at 31st December, 2022 and 2021

Name of subsidiary	Place/country of incorporation/ registration/ operation	Form of business structure	Paid up issued share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
				2022 %	2021 %	
Zhongyu Gas Investment Limited	Hong Kong	Limited liability company	1 ordinary share of HK\$1 each	100 [#]	100 [#]	Investment holding
Zhongyu Gas Investment Limited ^{###}	British Virgin Islands	Incorporated	1 ordinary share of US\$1 each	100 [#]	100 [#]	Investment holding
Zhongyu Gas Investment (Beijing) Limited ^{###}	British Virgin Islands	Incorporated	1 ordinary share of US\$1 each	100 [#]	100 [#]	Investment holding
China City Gas Construction Holdings Co., Ltd. ^{###}	British Virgin Islands	Incorporated	100 ordinary shares of US\$1 each	100 ^{##}	100 ^{##}	Investment holding
China City Gas Construction Explore Co., Ltd. ^{###}	British Virgin Islands	Incorporated	100 ordinary shares of US\$1 each	100 ^{##}	100 ^{##}	Investment holding
China Gas Construction Expansion Co., Ltd. ^{###}	British Virgin Islands	Incorporated	1,330,000 ordinary shares of US\$1 each	100 ^{##}	100 ^{##}	Investment holding
China City Gas Construction Development Co., Ltd. ^{###}	British Virgin Islands	Incorporated	100 ordinary shares of US\$1 each	100 ^{##}	100 ^{##}	Investment holding
China City Gas Construction Investment Co., Ltd. ^{###}	British Virgin Islands	Incorporated	100 ordinary shares of US\$1 each	100 ^{##}	100 ^{##}	Investment holding
Zhongyu Gas Energy Investment Limited ^{###}	British Virgin Islands	Incorporated	50,000 ordinary shares of US\$1 each	100 [#]	100 [#]	Investment holding
Zhongyu (Hong Kong) Property Services Investment Limited	Hong Kong	Incorporated	1 ordinary share of HK\$1 each	100 [#]	100 [#]	Investment holding
Heli Investment Holding Co., Ltd. ^{###}	British Virgin Island	Incorporated	1 ordinary share of US\$1 each	100 [#]	–	Investment holding

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For the year ended 31st December, 2022

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

As at 31st December, 2022 and 2021 (Continued)

Name of subsidiary	Place/country of incorporation/ registration/ operation	Form of business structure	Paid up issued share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
				2022	2021	
				%	%	
浙江中裕燃氣有限公司	PRC	Wholly-foreign owned enterprise	Registered capital US\$20,000,000	100 [#]	100 [#]	Trading of natural gas, gas pipeline construction and operation of CNG/LNG vehicle filling stations
中裕城市能源投資控股(深圳)有限公司	PRC	Wholly-foreign owned enterprise	Registered capital US\$100,000,000	100 [#]	100 [#]	Investment holding
三門峽中裕燃氣有限公司	PRC	Sino-foreign joint venture	Registered capital HK\$50,000,000	90 [#]	90 [#]	Trading of natural gas and liquefied petroleum gas and gas pipeline construction
新密中裕燃氣有限公司	PRC	Sino-foreign joint venture	Registered capital HK\$15,000,000	97 [#]	97 [#]	Trading of natural gas and gas pipeline construction
新密中裕壓縮氣有限公司	PRC	Limited liability company	Registered capital RMB63,000,000	99.8 [#]	99.8 [#]	Operation of CNG/LNG vehicle filling stations
偃師中裕燃氣有限公司	PRC	Sino-foreign joint venture	Registered capital HK\$25,000,000	95 [#]	95 [#]	Trading of natural gas and liquefied petroleum gas and gas pipeline construction
永城中裕燃氣有限公司	PRC	Sino-foreign joint venture	Registered capital HK\$110,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
永城中裕運輸有限公司	PRC	Limited liability company	Registered capital RMB600,000	100 [#]	100 [#]	Dangerous goods transportation
臨沂中裕能源有限公司	PRC	Wholly-foreign owned enterprise	Registered capital HK\$448,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
臨沂中裕能源智慧科技 有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	100 [#]	100 [#]	Operation of CNG/LNG vehicle filling stations

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

As at 31st December, 2022 and 2021 (Continued)

Name of subsidiary	Place/country of incorporation/ registration/ operation	Form of business structure	Paid up issued share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
				2022	2021	
				%	%	
臨沭中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB15,160,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
東海縣中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB50,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
濟源中裕燃氣有限公司	PRC	Sino-foreign joint venture	Registered capital RMB120,000,000	92.9 [#]	92.9 [#]	Trading of natural gas and gas pipeline construction
漯河中裕燃氣有限公司 ("Luohe Zhongyu")	PRC	Sino-foreign joint venture	Registered capital RMB185,468,511	77.3 [#]	77.3 [#]	Trading of natural gas and gas pipeline construction
漯河中裕燃氣工程安裝有限公司	PRC	Sino-foreign joint venture	Registered capital RMB5,000,000	73.4 [#]	73.4 [#]	Gas pipeline construction
焦作中裕燃氣有限公司	PRC	Sino-foreign joint venture	Registered capital RMB249,800,000	93.2 [#]	93.2 [#]	Trading of natural gas, coal gas and liquefied petroleum gas and gas pipeline construction
河南中裕燃氣建設工程有限公司	PRC	Limited liability company	Registered capital RMB100,000,000	93.2 [#]	93.2 [#]	Gas pipeline construction
修武中裕燃氣發展有限公司	PRC	Limited liability company	Registered capital RMB40,000,000	99.2 [#]	99.2 [#]	Trading of natural gas and gas pipeline construction
臨沂中裕燃氣有限公司 ("Linyi Zhongyu")	PRC	Sino-foreign joint venture	Registered capital RMB50,000,000	51 [#]	51 [#]	Trading of natural gas and gas pipeline construction
中裕(河南)能源控股有限公司	PRC	Wholly-foreign owned enterprise	Registered capital HK\$1,225,000,000	100 [#]	100 [#]	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

As at 31st December, 2022 and 2021 (Continued)

Name of subsidiary	Place/country of incorporation/ registration/ operation	Form of business structure	Paid up issued share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
				2022	2021	
				%	%	
郟武中裕壓縮氣投資有限公司	PRC	Limited liability company	Registered capital RMB6,000,000	100 [#]	100 [#]	Operation of CNG/LNG vehicle filling stations
濟源中裕壓縮氣有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	100 [#]	100 [#]	Operation of CNG/LNG vehicle filling stations
三門峽中裕能源有限公司	PRC	Limited liability company	Registered capital RMB50,000,000	100 [#]	100 [#]	Operation of CNG/LNG vehicle filling stations
南京晶橋中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB20,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
西平中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB5,000,000	100 [#]	100 [#]	Research and development of natural gas technology
鄭州中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB30,000,000	100 [#]	100 [#]	Provision for renewable energy
靈寶中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB35,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
德州中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB25,000,000	100 [#]	100 [#]	Trading of natural gas, gas pipeline construction and operation of CNG/LNG vehicle filling stations
溫縣中裕壓縮氣有限公司	PRC	Limited liability company	Registered capital RMB5,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
深圳市鵬凱吉星貿易有限公司	PRC	Limited liability company	Registered capital RMB100,000	100 [#]	100 [#]	Not yet commenced business
沁陽中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction

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For the year ended 31st December, 2022

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

As at 31st December, 2022 and 2021 (Continued)

Name of subsidiary	Place/country of incorporation/ registration/ operation	Form of business structure	Paid up issued share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
				2022	2021	
				%	%	
武夷山中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB16,300,000	99.8 [#]	99.8 [#]	Trading of natural gas and gas pipeline construction
武陟中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB26,000,000	100 [#]	100 [#]	Trading of natural gas, gas pipeline construction and operation of CNG/LNG vehicle filling stations
鐵力中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB20,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
焦作中裕壓縮氣有限公司	PRC	Limited liability company	Registered capital RMB15,000,000	100 [#]	100 [#]	Operation of CNG/LNG vehicle filling stations
修武縣寧城能源利用有限公司	PRC	Limited liability company	Registered capital RMB5,500,000	100 [#]	100 [#]	Trading of stoves and equipment
漯河中裕壓縮氣有限公司	PRC	Sino-foreign joint venture	Registered capital RMB10,000,000	100 [#]	100 [#]	Operation of CNG/LNG vehicle filling stations
邵武中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB20,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
河南怡誠大有燃氣有限公司	PRC	Limited liability company	Registered capital RMB50,000,000	80 [#]	80 [#]	Trading of natural gas and gas pipeline construction
酒洪沃金燃氣有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
漯河中裕供應鏈管理有限公司 (formally know as "漯河中裕能源有限公司")	PRC	Limited liability company	Registered capital RMB100,000,000	-	88.9 [#]	Not yet commenced business
樂清中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB50,000,000	85 [#]	85 [#]	Trading of natural gas and gas pipeline construction

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For the year ended 31st December, 2022

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

As at 31st December, 2022 and 2021 (Continued)

Name of subsidiary	Place/country of incorporation/ registration/ operation	Form of business structure	Paid up issued share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
				2022	2021	
				%	%	
故城明華燃氣有限公司	PRC	Limited liability company	Registered capital RMB47,600,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
臨江中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB20,000,000	100 [#]	100 [#]	Not yet commenced business
河南中裕燃氣工程設計有限公司	PRC	Limited liability company	Registered capital RMB2,000,000	100 [#]	100 [#]	Design of gas pipeline construction project
中裕(河南) 能源貿易有限公司	PRC	Limited liability company	Registered capital RMB50,000,000	100 [#]	100 [#]	Trading of natural gas
偃師中裕能源有限公司	PRC	Limited liability company	Registered capital RMB20,000,000	100 [#]	100 [#]	Trading of stoves and equipment
原陽縣中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB55,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
輝縣市中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB5,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
濰南中裕燃氣有限公司	PRC	Limited liability company	Registered capital HK\$188,758,363	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
中裕聯合(深圳)供應鏈有限公司	PRC	Limited liability company	Registered capital RMB100,000	100 [#]	100 [#]	Provision of management services to group companies
中裕(深圳)智慧能源有限公司	PRC	Limited liability company	Registered capital RMB90,000,000	100 [#]	100 [#]	Investment holding
中裕智慧科技(深圳)有限公司	PRC	Limited liability company	Registered capital RMB50,000,000	100 [#]	100 [#]	Provision of management services to group companies

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

As at 31st December, 2022 and 2021 (Continued)

Name of subsidiary	Place/country of incorporation/ registration/ operation	Form of business structure	Paid up issued share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
				2022	2021	
				%	%	
恩耐特(沈丘)分布式能源有限公司	PRC	Limited liability company	Registered capital RMB20,000,000	80 [#]	80 [#]	Not yet commenced business
刑台南宮裕聯天然氣管道有限公司	PRC	Limited liability company	Registered capital RMB30,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
北京恩耐特分布能源技術有限公司	PRC	Limited liability company	Registered capital RMB20,000,000	70 [#]	70 [#]	Design and consulting of energy projects
北京恩耐特分布式能源工程技術有限公司	PRC	Limited liability company	Registered capital RMB4,467,500	-	70 [#]	Design and consulting of energy projects
北京恩耐特藍天能源技術服務有限公司	PRC	Limited liability company	Registered capital RMB8,382,546	70 [#]	70 [#]	Design and consulting of energy projects
恩耐特(蘇州)新能源有限公司	PRC	Limited liability company	Registered capital RMB119,000	70 [#]	70 [#]	Design and consulting of energy projects
恩耐特(寧波)新能源有限公司	PRC	Limited liability company	Registered capital RMB44,631	-	63 [#]	Design and consulting of energy projects
漯河中裕政融智慧能源科技有限公司	PRC	Limited liability company	Registered capital RMB14,296,650	75 [#]	58 [#]	Design and consulting of energy projects
鄭州派誠新能源發展有限公司	PRC	Limited liability company	Registered capital RMB20,000,000	100 [#]	100 [#]	Design and consulting of energy projects
山東中裕智慧能源有限公司	PRC	Limited liability company	Registered capital RMB100,000	100 [#]	100 [#]	Provision of renewable energy
焦作中裕智慧能源有限公司	PRC	Limited liability company	Registered capital RMB20,000,000	100 [#]	100 [#]	Design and consulting of energy projects

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For the year ended 31st December, 2022

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

As at 31st December, 2022 and 2021 (Continued)

Name of subsidiary	Place/country of incorporation/ registration/ operation	Form of business structure	Paid up issued share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
				2022	2021	
				%	%	
臨沂恒安化學危險貨物運輸有限公司	PRC	Limited liability company	Registered capital RMB500,000	51 [#]	51 [#]	Dangerous goods transportation
濰縣中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB48,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
孟州中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB56,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
玉田縣盛和燃氣有限公司	PRC	Limited liability company	Registered capital RMB30,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
新河縣綠源天然氣有限公司	PRC	Limited liability company	Registered capital RMB5,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
鄭州益之泉新能源有限公司	PRC	Limited liability company	Registered capital RMB20,000,000	89.5 [#]	89.5 [#]	Investment holding
濮陽中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB30,000,000	93 [#]	93 [#]	Trading of natural gas and gas pipeline construction
濮陽中裕能源有限公司	PRC	Limited liability company	Registered capital RMB20,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
深圳和眾信息科技有限公司	PRC	Limited liability company	Registered capital RMB20,000,000	100 [#]	100 [#]	Digital and information technology development and provision of related consultancy services
靈寶中裕能源有限公司	PRC	Limited liability company	Registered capital RMB100,000,000	70 [#]	70 [#]	Trading of natural gas and gas pipeline construction
宿遷中裕鴻城燃氣有限公司	PRC	Limited Liability company	Registered capital HK\$66,670,000	70 [#]	70 [#]	Trading of natural gas and gas pipeline construction

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

As at 31st December, 2022 and 2021 (Continued)

Name of subsidiary	Place/country of incorporation/ registration/ operation	Form of business structure	Paid up issued share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
				2022	2021	
				%	%	
連雲港裕城能源有限公司	PRC	Limited liability company	Registered capital US\$30,000,000	65 [#]	65 [#]	Trading of natural gas, gas pipeline construction
蚌埠虹裕能源有限公司	PRC	Limited liability company	Registered capital RMB50,000,000	65 [#]	65 [#]	Trading of natural gas, gas pipeline construction
永城市中裕能源發展有限公司	PRC	Limited liability company	Registered capital RMB20,000,000	100 [#]	100 [#]	Design and development for new energy technology
巴林右旗中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB3,300,000	100 [#]	100 [#]	Trading of natural gas
漯河中裕商貿有限公司	PRC	Limited liability company	Registered capital –	100 [#]	100 [#]	Sales of gas equipment and materials
鄭州中裕愛嘉物業服務有限公司	PRC	Limited liability company	Registered capital RMB1,000,000	100 [#]	100 [#]	Not yet commenced business
白山裕聯愛佳物業服務有限公司	PRC	Limited liability company	Registered capital RMB1,000,000	100 [#]	100 [#]	Property management
永城裕聯商貿有限公司	PRC	Limited liability company	Registered capital RMB5,000,000	100 [#]	100 [#]	Trading of stoves and equipment
浙江中裕能源銷售有限公司 (formally know as "舟山中裕能源貿易有限公司")	PRC	Limited liability company	Registered capital USD20,000,000	100 [#]	100 [#]	Trading of natural gas
張家口下花園區裕德能源有限責任公司	PRC	Limited liability company	Registered capital RMB1,000,000	100 [#]	100 [#]	Not yet commenced business
白山政合商貿有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	95 [#]	95 [#]	Not yet commenced business

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

As at 31st December, 2022 and 2021 (Continued)

Name of subsidiary	Place/country of incorporation/ registration/ operation	Form of business structure	Paid up issued share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
				2022	2021	
				%	%	
濟源太行電力有限公司	PRC	Limited liability company	Registered capital RMB100,000,000	60 [#]	60 [#]	Provision of renewable energy
山東中裕鄒慧新能源有限公司	PRC	Limited liability company	Registered capital USD20,000,000	100 [#]	100 [#]	Trading of smart energy product
濮陽中裕智慧能源有限公司	PRC	Limited liability company	Registered capital USD40,000,000	100 [#]	100 [#]	Trading of smart energy product
浙江岱山安通天然氣管道有限公司	PRC	Limited liability company	Registered capital RMB5,000,000	100 [#]	100 [#]	Sales of gas
武陟縣中裕貿易有限公司	PRC	Limited liability company	Registered capital RMB2,000,000	100 [#]	100 [#]	Sales of gas equipment and materials
北京中裕智慧能源有限公司	PRC	Limited liability company	Registered capital USD50,000,000	100 [#]	100 [#]	Trading of smart energy product
泗洪中裕智慧能源有限公司	PRC	Limited Liability Company	Registered capital HKD21,477,000	100 [#]	-	Provision of renewable energy
漯河中裕智慧能源有限公司	PRC	Limited Liability Company	Registered capital RMB15,000,000	100 [#]	-	Provision of renewable energy
濮陽中裕愛家物業服務有限公司	PRC	Limited Liability Company	Registered capital RMB1,000,000	100 [#]	-	Property Management
漯河中裕愛家物業服務有限公司	PRC	Limited Liability Company	Registered capital RMB1,000,000	100 [#]	-	Not yet commenced business
鄒武裕聯物業服務有限公司	PRC	Limited Liability Company	Registered capital RMB500,000	100 [#]	-	Not yet commenced business

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

As at 31st December, 2022 and 2021 (Continued)

Name of subsidiary	Place/country of incorporation/ registration/ operation	Form of business structure	Paid up issued share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
				2022	2021	
				%	%	
修武中裕智慧能源有限公司	PRC	Limited Liability Company	Registered capital RMB20,000,000	100 [#]		- Provision of renewable energy
唐山市中裕智慧能源有限公司	PRC	Limited Liability Company	Registered capital RMB20,000,000	100 [#]		- Provision of renewable energy
高安市浩然能源發展有限公司	PRC	Limited Liability Company	Registered capital RMB40,000,000	70 [#]		- Trading of natural gas
孟州市裕璋能源科技有限公司	PRC	Limited Liability Company	Registered capital RMB8,000,000	100 [#]		- Provision of renewable energy
靈壽縣晶達科技有限公司	PRC	Limited Liability Company	Registered capital RMB5,000,000	100 [#]		- Not yet commenced business
溫縣裕璋能源科技有限公司	PRC	Limited Liability Company	Registered capital RMB9,000,000	100 [#]		- Not yet commenced business
濰博齊威通新能源科技有限公司	PRC	Limited Liability Company	Registered capital RMB2,000,000	100 [#]		- Provision of renewable energy
邯鄲中裕智慧能源有限公司	PRC	Limited Liability Company	Registered capital USD10,000,000	100 [#]		- Not yet commenced business
合肥市陽剛新能源有限公司	PRC	Limited Liability Company	Registered capital RMB2,700,000	100 [#]		- Not yet commenced business
南通中裕能源有限公司	PRC	Limited Liability Company	Registered capital RMB30,000,000	62 [#]		- Trading of natural gas
四海綠能(宿遷)新能源科技有限公司	PRC	Limited Liability Company	Registered capital RMB1,000,000	100 [#]		- Not yet commenced business

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

As at 31st December, 2022 and 2021 (Continued)

Name of subsidiary	Place/country of incorporation/ registration/ operation	Form of business structure	Paid up issued share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
				2022	2021	
				%	%	
揚州瀾盛光伏科技有限公司	PRC	Limited Liability Company	Registered capital RMB15,000,000	100 [#]		- Provision of renewable energy
南通中裕能源銷售有限公司	PRC	Wholly-foreign owned enterprise	Registered capital USD10,000,000	100 [#]		- Operation of LNG trading
白山中裕智慧能源有限公司	PRC	Limited Liability company	Registered capital RMB20,000,000	100 [#]	100 [#]	Not yet commenced business
濮陽裕慧新能源有限公司	PRC	Limited Liability Company	Registered capital RMB20,000,000	100 [#]		- Provision of renewable energy
清豐縣中裕新能源有限公司	PRC	Limited Liability Company	Registered capital RMB20,000,000	100 [#]		- Not yet commenced business
新河縣裕慧能源有限公司	PRC	Limited Liability Company	Registered capital RMB2,000,000	100 [#]		- Provision of renewable energy
濮陽中裕新能源有限公司	PRC	Limited Liability Company	Registered capital RMB10,000,000	100 [#]		- Not yet commenced business
鞏義市中裕新能源有限公司	PRC	Limited Liability Company	Registered capital RMB10,000,000	100 [#]		- Not yet commenced business
漯河中裕新能源有限公司	PRC	Limited Liability Company	Registered capital RMB3,000,000	100 [#]		- Not yet commenced business
Harmony Gas Holdings Limited ^{###}	Cayman Islands	Limited liability company	78,287,805 ordinary shares of US\$0.0001 each	100 [#]	100 [#]	Investment holding
Prosperity Gas Holdings Ltd. ^{###}	Cayman Islands	Limited liability company	201 ordinary shares of US\$1 each	100 [#]	100 [#]	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

As at 31st December, 2022 and 2021 (Continued)

Name of subsidiary	Place/country of incorporation/ registration/ operation	Form of business structure	Paid up issued share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
				2022	2021	
				%	%	
Prosperity Gas 2 Co., Ltd.	Hong Kong	Limited liability company	1 ordinary shares of HK\$1 each	100 [#]	100 [#]	Investment holding
Sino Gas International Holdings, Inc ^{###}	United States of America	Incorporated	1,000 common stock without par value	100 [#]	100 [#]	Investment holding
Gas Investment China Co, Ltd. ^{###}	British Virgin Islands	Incorporated	21,500,001 ordinary shares of US\$1 each	100 [#]	100 [#]	Investment holding
Tong Yuan International Holding Limited	Hong Kong	Limited liability company	10,000 ordinary shares of HK\$1 each	51 [#]	51 [#]	Investment holding
Sino Gas Construction Limited ^{###}	British Virgin Islands	Incorporated	1,909,730 ordinary shares of US\$1 each	97.3 [#]	97.3 [#]	Investment holding
北京中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB426,000,000	100 [#]	100 [#]	Trading of natural gas
泗洪中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB40,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
五河中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
泗縣中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
北京晨光燃氣有限公司	PRC	Limited liability company	Registered capital RMB35,239,600	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

As at 31st December, 2022 and 2021 (Continued)

Name of subsidiary	Place/country of incorporation/ registration/ operation	Form of business structure	Paid up issued share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
				2022	2021	
				%	%	
昌黎中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB20,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
玉田縣中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB30,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
蔚縣中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
張家口下花園中裕燃氣有限責任公司	PRC	Limited liability company	Registered capital RMB5,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
石家莊鹿泉區晨光燃氣有限公司	PRC	Limited liability company	Registered capital RMB6,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
成安中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
白山中裕城市燃氣有限公司	PRC	Limited liability company	Registered capital RMB80,000,000	100 [#]	100 [#]	Trading of natural gas and liquefied petroleum gas and gas pipeline construction
白山中裕車用燃氣有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	100 [#]	100 [#]	Operation of CNG/LNG vehicle filling stations
撫松中裕城鎮燃氣有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
河北中燃偉業燃氣集團有限公司	PRC	Limited liability company	Registered capital RMB14,621,063	100 [#]	100 [#]	Trading of natural gas
吳橋中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

As at 31st December, 2022 and 2021 (Continued)

Name of subsidiary	Place/country of incorporation/ registration/ operation	Form of business structure	Paid up issued share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
				2022	2021	
				%	%	
寧晉縣中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB30,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
臨漳中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
衛水中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
隆堯中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
行唐中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB9,981,775	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
故城中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB45,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
南宮中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
雞澤中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
新河縣中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction
廊坊開發區偉業危險貨物運輸有限公司	PRC	Limited liability company	Registered capital RMB1,000,000	100 [#]	100 [#]	Dangerous goods transportation
徐州中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB30,000,000	100 [#]	100 [#]	Trading of natural gas and gas pipeline construction

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

46. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

As at 31st December, 2022 and 2021 (Continued)

Name of subsidiary	Place/country of incorporation/ registration/ operation	Form of business structure	Paid up issued share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
				2022	2021	
				%	%	
邢臺中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	100##	100##	Trading of natural gas and gas pipeline construction
邢臺裕發天然氣管道有限公司	PRC	Limited liability company	Registered capital RMB50,000,000	100##	100##	Transportation of piped natural gas
平山縣中裕燃氣有限公司	PRC	Limited liability company	Registered capital RMB5,000,000	100##	100##	Trading of natural gas and gas pipeline construction
徐州中裕能源有限公司	PRC	Limited liability company	Registered capital RMB40,000,000	100##	100##	Trading of natural gas and gas pipeline construction
南宮市恒燃天然氣有限公司	PRC	Limited liability company	Registered capital RMB25,090,000	100##	100##	Trading of natural gas and gas pipeline construction
吳橋中裕智慧能源有限公司	PRC	Limited liability company	Registered capital RMB10,000,000	95##	95##	Trading of natural gas and gas pipeline construction

The nominal value of issued share capital/registered capital directly held by the Company.

The nominal value of issued share capital/registered capital indirectly held by the Company.

The place of operation of the company is Hong Kong.

None of the subsidiaries had issued any debt securities at the end of both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

47. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit for the year attributable to non-controlling interests		Accumulated non-controlling interests	
		2022	2021	2022	2021	2022	2021
				HK\$'000	HK\$'000	HK\$'000	HK\$'000
Linyi Zhongyu	PRC – Shandong province	49%	49%	21,360	26,586	339,413	323,242
Luhe Zhongyu	PRC – Henan province	22.71%	22.71%	13,951	12,683	137,620	139,551
Individually immaterial subsidiaries with non-controlling interests, including Harmony Gas' subsidiaries				33,529	34,377	529,986	395,208
				68,840	73,646	1,007,019	858,001

Summarised financial information in respect of each of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

47. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

(i) Linyi Zhongyu

	2022 HK\$'000	2021 HK\$'000
Current assets	204,188	208,801
Non-current assets	764,532	756,177
Current liabilities	(200,275)	(242,921)
Non-current liabilities	(75,766)	(62,380)
Equity attributable to owners of the Company	353,266	336,435
Non-controlling interests	339,413	323,242



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

47. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (Continued)

(i) Linyi Zhongyu (Continued)

	2022 HK\$'000	2021 HK\$'000
Revenue	567,223	568,202
Expenses	(523,630)	(513,944)
Profit for the year	43,593	54,258
Profit for the year attributable to:		
Owners of the Company	22,233	27,672
Non-controlling interests	21,360	26,586
	43,593	54,258
Other comprehensive income attributable to:		
Owners of the Company	19,959	15,221
Non-controlling interests	19,177	14,624
Other comprehensive income for the year	39,136	29,845
Exchange difference arising from translation to presentation currency	(49,727)	14,674
Net cash generated from operating activities	19,417	102,312
Net cash used in investing activities	(46,787)	(36,976)
Net cash (used in) generated from financing activities	(37,143)	12,111
Net cash (outflow) inflow	(64,513)	77,447

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

47. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

(ii) Luohe Zhongyu

	2022 HK\$'000	2021 HK\$'000
Current assets	38,630	379,058
Non-current assets	1,397,483	1,478,499
Current liabilities	(652,120)	(1,062,657)
Non-current liabilities	(163,018)	(165,423)
Equity attributable to owners of the Company	483,355	489,926
Non-controlling interests	137,620	139,551

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

47. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (Continued)

(ii) Luohe Zhongyu (Continued)

	2022 HK\$'000	2021 HK\$'000
Revenue	628,366	612,242
Expenses	(566,936)	(556,393)
Profit for the year	61,430	55,849
Profit for the year attributable to:		
Owners of the Company	47,479	43,166
Non-controlling interests	13,951	12,683
	61,430	55,849
Other comprehensive income attributable to:		
Owners of the Company	35,444	36,840
Non-controlling interests	10,414	10,825
Other comprehensive income for the year	45,858	47,665
Exchange difference arising from translation to presentation currency	(47,384)	15,553
Dividends paid to non-controlling interests	15,951	–
Net cash generated from operating activities	125,329	189,504
Net cash used in investing activities	(67,689)	(161,191)
Net cash used in financing activities	(271,520)	(3,867)
Net cash (outflow) inflow	(213,880)	24,446

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

48. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2022 HK\$'000	2021 HK\$'000
Non-current assets		
Unlisted investments in subsidiaries	1,376,292	1,433,518
Financial asset at FVTOCI	2,720	2,720
Amounts due from group companies	6,856,934	8,083,639
Long term other receivables	620,224	613,964
Right-of-use assets	492	492
	8,856,662	10,134,333
Current assets		
Other receivables	6,443	7,221
Bank balances and cash	133,519	285,470
	139,962	292,691
Current liabilities		
Other payables and accrued charges	25,966	11,068
Amounts due to group companies	18,779	18,807
Borrowings	3,551,572	1,312,264
Lease liabilities	500	500
	3,596,817	1,342,639
Net current liabilities	(3,456,855)	(1,049,948)
Total assets less current liabilities	5,399,807	9,084,385



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

48. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

	2022 HK\$'000	2021 HK\$'000
Capital and reserves		
Share capital (note 34)	28,297	28,338
Reserves (Note)	1,064,537	2,658,262
Total equity	1,092,834	2,686,600
Non-current liability		
Borrowings	4,306,973	6,397,785
	5,399,807	9,084,385

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2022

48. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

Reserves of the Company

	Share premium HK\$'000	Share option reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st January, 2021	1,644,649	13,981	436,722	(491,123)	1,604,229
Profit for the year	-	-	-	123,754	123,754
Other comprehensive income for the year	-	-	116,096	-	116,096
Total comprehensive income for the year	-	-	116,096	123,754	239,850
Dividends paid in cash (note 13)	-	-	-	(270,174)	(270,174)
Placement of shares (note 34)	1,088,520	-	-	-	1,088,520
Transaction costs attributable to placement of shares	(9,621)	-	-	-	(9,621)
Exercise of share options (note 36)	6,248	(790)	-	-	5,458
Forfeit of share options (note 36)	-	(5)	-	5	-
Expired of share options (note 36)	-	(159)	-	159	-
At 31st December, 2021	2,729,796	13,027	552,818	(637,379)	2,658,262
Loss for the year	-	-	-	(800,900)	(800,900)
Other comprehensive expense for the year	-	-	(316,714)	-	(316,714)
Total comprehensive expense for the year	-	-	(316,714)	(800,900)	(1,117,614)
Dividends paid in cash (note 13)	-	-	-	(453,413)	(453,413)
Repurchase of shares (note 34)	(22,698)	-	-	-	(22,698)
At 31st December, 2022	2,707,098	13,027	236,104	(1,891,692)	1,064,537



FINANCIAL SUMMARY

	For the year ended 31st December,				
	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000 (note)	2019 HK\$'000 (note)	2018 HK\$'000 (note)
Turnover	12,997,322	11,344,500	8,543,710	8,143,771	7,627,088
Profit for the year attributable to					
Owners of the Company	174,077	1,188,997	1,056,617	430,121	620,684
Non-controlling interests	68,840	73,646	56,620	53,528	93,671
	242,917	1,262,643	1,113,237	483,649	714,355

	As at 31st December,				
	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000 (note)	2019 HK\$'000 (note)	2018 HK\$'000 (note)
Assets and liabilities					
Total assets	26,310,882	26,672,864	23,634,423	20,289,099	16,281,354
Total liabilities	(17,175,640)	(17,155,866)	(16,903,073)	(14,853,026)	(11,761,185)
	9,135,242	9,516,998	6,731,350	5,436,073	4,520,169
Equity attributable to					
Owners of the Company	8,128,223	8,658,997	6,016,039	4,775,369	3,938,519
Non-controlling interests	1,007,019	858,001	715,311	660,704	581,650
	9,135,242	9,516,998	6,731,350	5,436,073	4,520,169

Note: For the year ended 31st December, 2019, the Group had applied HKFRS 16 and other amendments to HKFRSs. Accordingly, comparative information for the years ended 31st December, 2018 may not be comparable to the years ended 31st December, 2019, 2020, 2021 and 2022 as such comparative information was prepared under HKAS 17. Accounting policies resulting from application of HKFRS 16 are disclosed in the "Significant Accounting Policies" section.

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於開曼群島註冊成立之有限公司
INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY

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