香 港 中 華 煤 氣 有 限 公 司

THE HONG KONG AND CHINA GAS COMPANY LIMITED

(Incorporated in Hong Kong under the Companies Ordinance with limited liability)
(Stock Code: 3)

PRELIMINARY ANNOUNCEMENT OF 2020 ANNUAL RESULTS

CHAIRMEN'S STATEMENT

THE YEAR'S RESULTS

The coronavirus disease causing pneumonia (COVID-19) spread globally and severely hit the world economy in 2020. Following the implementation of effective measures to prevent and control the epidemic, mainland China has gradually resumed steady economic growth since the second quarter of last year. Despite the epidemic affecting the Group's businesses in mainland China and Hong Kong, the Group's active response, by increasing revenue and reducing expenditure, has been effective, thus mitigating the impact of the epidemic on its businesses. Furthermore, benefiting from the commissioning of new projects during the year, the Group's businesses maintained sustainable development.

The Group's operating profit of principal businesses after taxation for the year amounted to HK$7,256 million, an increase of HK$243 million, up by approximately 3 per cent, compared to 2019. The Group's profit after taxation (exclusive of the Group's share of a decrease in revaluation from an investment property, the International Finance Centre complex) amounted to HK$6,484 million, a decrease of HK$282 million, down by approximately 4 per cent, compared to 2019. Inclusive of the decrease in revaluation of the investment property, profit after taxation attributable to shareholders of the Group for the year amounted to HK$6,007 million, a decrease of HK$958 million, down by approximately 14 per cent, compared to 2019. Earnings per share for the year amounted to HK33.8 cents.

During the year under review, the Group invested HK$7,295 million in production facilities, pipelines, plants and other fixed assets for the sustainable development of its various existing and new businesses in Hong Kong and mainland China.

DEVELOPMENT STRATEGY OF THE GROUP

As a common challenge facing the world, climate change is receiving unanimous attention from governments around the world. By setting a clear goal to limit the increase in global average temperature, the Paris Agreement signed in 2016 advocates reducing greenhouse gas emissions and accelerating transition to a green and sustainable growth model. All participating countries have now set out their own goals and policies to reduce carbon emissions, forming a global climate governance framework.

At a critical moment when the world was facing the dual challenges of the coronavirus pandemic and climate change, President Xi Jinping announced at the United Nations General Assembly in September 2020 that China's goal, in response to climate change, would be to strive to have carbon dioxide emissions peak before 2030 and achieve carbon neutrality before 2060.

The Group has always taken clean energy as a focus in formulating its development policy. Over the years, the Group has developed natural gas markets on the mainland, effectively helping to reduce air pollution and carbon emissions, and thus promote transformation of the national energy mix. As natural gas is the cleanest fossil energy source, mainland China has developed large-scale natural gas infrastructure facilities and accelerated the establishment of natural gas production, supply, storage and marketing systems to enhance gas supply capabilities. Therefore, in the process of striving to achieve carbon neutrality, high-quality development and broad market prospects for city-gas are foreseeable.

Meanwhile, renewable energy sources such as photovoltaics, wind energy, hydrogen energy and biomass energy, which are in line with the country's long-term goal of carbon neutrality, are poised to enter a state of rapid development.

Leveraging on the huge market and customer resource advantages of city-gas businesses, alongside the support of national policies, the Group has actively developed a distributed energy system business over the past few years, creating energy-efficient applications and enhancing customer benefits. More recently, the Group has broadened its revenue sources by launching a smart energy business, using photovoltaic power generation on the rooftops of large factory buildings, and combining this with power storage functions, the Internet and big data analytics and dispatch management platforms, to effectively reduce demand for purchasing electricity from the grid. Besides, energy innovation is a development trend encouraged by national policies. The Group has set up research and development bases in Shanghai city and Suzhou city, focusing on the conversion and utilisation of biomass to produce advanced biofuels using agricultural waste and inedible bio-grease feedstock. The Group's project, located in Jiangsu province, which converts bio-grease feedstock into hydro-treated vegetable oil ("HVO") using its self-developed technology, with an annual production capacity of 250,000 tonnes, was fully commissioned during the third quarter of 2020. Our HVO has been accredited under the "International Sustainability and Carbon Certification Scheme" of achieving a 90 per cent emission reduction. It is qualified as an advanced biofuel for the European markets, generating good environmental and economic benefits with promising prospects. As the next step to realise research and development achievement, the Group is planning to put into trial production sustainable aviation fuel (SAF) using biofuels as a base within this year in order to foster new market growth area.

In summary, the Group's future development strategy is to harness its city-gas businesses to, corresponding to the country's energy plan, promote natural gas as a clean energy for different applications as a substitute for high-emission fossil fuels such as coal and petroleum. Concurrently, the Group will accelerate the development of renewable energy production and utilisation by, on one side, taking photovoltaic power generation as a focus to develop smart energy, and, on the other side, by producing biofuels, environmentally-friendly chemical products and materials on a commercial scale using agricultural waste through innovative research and development, thereby paving the way towards greater use of renewable energy.

To conclude, the Group's development strategy is to be in line with both global environmental protection trends and mainland China's goals and policies for carbon neutrality. The Group's development experience of over 20 years in mainland China, with businesses now spread across 27 provincial areas, will facilitate sizeable growth of other new businesses. Coupled with innovative research and development and favourable operating resources across different areas, the Group foresees long-term and broad development prospects. Furthermore, the Group has always paid attention to strengthening and improving its ability to perform well in the three aspects of environmental, social and governance ("ESG") sustainability and has formulated guiding policies and goals for implementation of an holistic strategy over the years. The Group's core business development, in particular, is linked to environmental protection focused on clean energy, sewage treatment and coal-to-gas conversion, amongst others, to realise its vision of blue skies, white clouds, green mountains and clear water. In 2020, the Group was presented with the "Gold Award in the Public and Community Service sector" in the "Hong Kong Awards for Environmental Excellence", and was also ranked in the "Exemplar tier of the Greater Bay Area Business Sustainability Index", demonstrating the Group's leading position in ESG performance. The Group will continue to invest resources in the research and development of more environmentally-friendly innovative technologies to fulfill its responsibilities for protecting the environment, and to create a better future for the next generation.

TOWN GAS BUSINESS IN HONG KONG

The Hong Kong economy was severely impacted by the coronavirus pandemic in 2020. With inbound tourism coming to a standstill and restaurant, retail and hotel sectors strongly hit, the local economy contracted sharply by 6.1 per cent in 2020 compared to 2019. As a result, during 2020, volume of commercial and industrial gas sales decreased notably, whilst volume of residential gas sales increased owing to a rise in both household cooking and use of hot water, both compared to 2019. Overall, total volume of gas sales in Hong Kong for 2020 was approximately 27,947 million MJ, a slight decrease of 2.7 per cent, whilst the number of appliances sold also decreased by 12.7 per cent due to a drop in people moving into new properties and lower consumer sentiment impacted by the epidemic, both compared to 2019. Despite this, with an effective market strategy, appliance sales decreased only slightly by 8.3 per cent compared to 2019.

The Company proactively supported the catering sector, which was significantly hit by the epidemic, by extensively assisting eateries to implement infection control and by launching a "Supporting F&B and the Economy" campaign in May 2020, aiming to help recovery of this sector when the epidemic eased.

Given the slowdown in people moving into new properties due to the epidemic, the number of customers was 1,943,777 as at the end of 2020, a slight increase of 10,050 compared to 2019.

BUSINESSES IN MAINLAND CHINA

The Group's mainland businesses continued to progress steadily during 2020. Overall, inclusive of projects of the Group's subsidiary, Towngas China Company Limited ("Towngas China"; stock code: 1083.HK), the Group had 436 projects (2019 year end: 406 projects, inclusive of city-gas projects re-invested by the Group's companies) on the mainland, as at the end of 2020, spread across 27 provincial regions. These projects encompass upstream, midstream and downstream natural gas sectors, environmentally-friendly energy, smart energy, water sectors and city-waste treatment, as well as telecommunications.

UTILITY BUSINESSES

During the first quarter of 2020, the coronavirus epidemic led to city lockdowns and suspension of work, production and transportation in most regions on the mainland, all negatively impacting economic activity. By March 2020, mainland China was gradually bringing the epidemic under control with work and production resuming in an orderly manner throughout the country. The mainland economy has since gradually recovered, with gross domestic product turning from contraction in the first quarter of 2020 to positive growth in the three consecutive quarters thereafter, recording a 2.3 per cent increase for the year 2020 compared to 2019.

During the coronavirus epidemic on the mainland, enterprises under the Group actively responded to full deployment. This was particularly important for the Group's public utility businesses which had to ensure a safe supply of both city-gas and water alongside provision of services, whilst also making sterling efforts to ensure epidemic prevention and control measures were properly implemented within its enterprises. The Group's various businesses on the mainland have gradually resumed normal operations since the second quarter of last year. However, the epidemic worldwide reached "pandemic" status by mid-March 2020 and continues to fluctuate in a number of countries, leading to periodic city lockdowns to prevent its spread. The pandemic has, therefore, severely hit the global economy, leading to a fall in demand for commodities. Coupled with an adverse business environment arising from various factors, including trade disputes between mainland China and the United States, gas and water demand in commercial and industrial sectors on the mainland were adversely affected. In addition, as local governments on the mainland have launched measures to support small and medium-sized enterprises, public utility enterprises have been required to reduce fees, defer fee payments, etc. and these temporary measures have impacted the results of the Group for the year 2020.

As at the end of 2020, inclusive of Towngas China, the Group had a total of 282 city-gas projects on the mainland (2019 year end: 273 projects, inclusive of city-gas projects re-invested by the Group's companies). The total volume of gas sales for these projects in 2020 was approximately 26,900 million cubic metres, an increase of 5 per cent compared to 2019. As at the end of 2020, the Group's mainland gas customers stood at approximately 31.81 million, an increase of 7 per cent over 2019.

The Group added several smart energy projects to its portfolio in 2020, including installation of solar photovoltaic power generation systems on rooftops of large production plants and logistics warehouses, and establishing energy storage facilities. With substantial demand for these renewable energy facilities, business prospects are promising. Coupled with application of big data, artificial intelligence and the Internet to enhance energy utilisation and dispatch efficiency, the Group is endeavouring to achieve energy conservation and emission reduction, whilst also generating economic benefits.

Construction of the Group's natural gas storage facility in underground salt caverns in Jintan district, Changzhou city, Jiangsu province, is progressing in phases. This project, the first of its kind built by a city-gas enterprise, will eventually comprise a total of 25 wells with a total storage capacity of 1.1 billion cubic metres, to be built in two phases, four wells of which have now been commissioned and successfully interconnected with the West-to-East Gas Pipeline and the Sichuan-to-East Gas Pipeline, being two large-scale national-level natural gas transmission pipelines. Located in economically active eastern China with a superior geographical location, the Group's storage facility enables city-gas projects to supplement gas supplies in this region during the peak winter period. In the longer term, it is planned that the facility will supply gas to other regions through interconnected pipeline networks. As the mainland's national pipeline network has already been officially commissioned, this is also an opportunity to explore a new means of commercially operating the Group's gas storage facilities.

During the year, the Group also acquired a storage tank project at the liquefied natural gas ("LNG") receiving terminal in Tangshan city, Hebei province. The Group has been granted the right to use two storage tanks of 400,000 cubic metres in total alongside a jetty for importing 1 million tonnes of LNG per annum for a contract term of 50 years. Use of the storage tanks will start before the end of 2023 but use of the jetty will be exercised earlier - by the end of 2022. This project will significantly enhance the Group's gas storage capacity and reduce the need to build separate gas storage facilities by different companies under the Group. The Group can also purchase gas directly from overseas to reduce costs.

Environmental governance businesses have broad development prospects. Leveraging on the rich experience in sewage treatment gained from the Group's water sector "Hua Yan Water", the Group successfully developed an urban organic waste resource utilisation project in Suzhou Industrial Park, Jiangsu province in 2019. This project has cumulatively processed more than 170,000 tonnes of organic wastes and produced nearly 5 million cubic metres of bio-natural gas. Construction of phase two of this project, to increase daily processing capacity from 500 to 800 tonnes, is in progress, expecting to commence operation in the second quarter of 2021. Furthermore, in order to coordinate the development of its environmental governance businesses, the Group has formed an investment platform company, "Hua Yan Environmental", in Changzhou city, Jiangsu province, to develop a waste incineration business in the city. A food waste resource utilisation project already operating in Tongling city, Anhui province has also been successfully acquired. The Group is also developing food waste treatment, waste incineration power generation, industrial wastewater and sewage treatment projects in other cities so as to further bolster the Group's environmental protection businesses.

Operation and management of businesses encompassing midstream natural gas, city-gas, water and municipal environmental protection businesses are creating ever-greater synergy. Furthermore, these businesses generate stable incomes. The Group will therefore keep on investing in high-quality utility projects of these kinds.

EMERGING ENVIRONMENTALLY-FRIENDLY ENERGY BUSINESSES

The research and development team of ECO Environmental Investments Limited ("ECO") under the Group has long been striving hard for breakthroughs in the field of biomass utilisation. Several patented technologies which target on the utilisation of inedible bio-grease and agricultural waste as two different feedstocks, are now gradually being implemented in a number of projects.

The first project, located in Jiangsu province, which converts inedible bio-grease feedstock into HVO using ECO's self-developed technology, with an annual production capacity of 250,000 tonnes, was fully commissioned during the third quarter of 2020. Having gained the accreditation under the "International Sustainability and Carbon Certification Scheme" and thus qualified as an advanced biofuel defined by the European Union, ECO's HVO is entirely exported to European markets. With European countries paying keen attention to climate change and setting specific emission reduction policies, the market potential for advanced biofuel is substantial. Successful implementation of our project in Jiangsu province has laid a solid foundation for ECO's further development of its biomass utilisation business.

ECO's another set of patented technologies is to refine agricultural waste through pyrolysis and hydrolysis into a product scope encompassing biofuels, biochemicals and biomaterials. For this, ECO is now developing two pilot projects in Hebei province - one producing furfural and paper pulp as main products expected to commence trial production in the second quarter of 2021, followed by another one producing furfural and cellulosic ethanol expected to commence trial production in the fourth quarter of 2021. Cellulosic ethanol is yet another highly demanded advanced biofuel as defined by the European Union.

Following its formulated new energy business strategy, ECO is now in full swing to develop green and sustainable low-carbon businesses founded on its self-developed innovative technologies.

TOWNGAS CHINA COMPANY LIMITED (STOCK CODE: 1083.HK)

Towngas China, a subsidiary of the Group, recorded profit after taxation attributable to its shareholders for the year amounting to HK$1,447 million, an increase of approximately 11 per cent compared to 2019. As at the end of December 2020, the Group held approximately 2,025 million shares in Towngas China, representing approximately 68.21 per cent of Towngas China's total issued shares.

Facing the sudden outbreak of the coronavirus epidemic in 2020, staff at all levels in Towngas China actively responded to and performed their duties diligently to ensure a safe supply of gas, aiming to fight the epidemic alongside their customers. Despite great challenges, the business as a whole continued to record steady growth for the year.

Following the execution of a capital increase agreement among Towngas China, Shanghai Gas Co., Ltd. ("Shanghai Gas") and Shenergy (Group) Company Limited in October 2020, all parties are now liaising on various business aspects to proceed further as scheduled. With a population of over 24 million, Shanghai city is a huge gas market. Shanghai Gas has a customer base of 6.3 million with natural gas sales reaching over 9,000 million cubic metres per annum. Through this cooperation, Towngas China will not only extend its city-gas business to Shanghai city, the most economically developed city on the mainland, but will also create extensive synergy for its businesses in Shanghai city with those in eastern China and the entire Yangtze River Delta region, helping to expand the company's business scale and enhance the quality of its business development. In addition, Towngas China will be able to expand its channels for purchasing natural gas directly from overseas through the LNG receiving terminal at Yangshan Port operated by Shanghai Gas.

Apart from continuing to pursue in-depth development of city-gas markets and to explore distributed energy and smart energy sectors, Towngas China will also proactively advocate development of its extended businesses to achieve economies of scale with the Internet platform as a backbone to enhance value-added service capabilities, thus fostering new horizons.

Towngas China added five new projects to its portfolio during 2020, of which three are centralised heating projects located in Eastern Park of Tongling Economic and Technological Development Zone, Anhui province, and in Fuxin Industrial Park and Xiliu Textile Industrial Park, Haicheng city, both in Liaoning province. The other two comprise a shale gas project and an extended business project, both in Sichuan province.

FINANCING PROGRAMMES

In order to tap funding in a timely and flexible manner, the Group established a medium term note programme in 2009 under HKCG (Finance) Limited, a wholly-owned subsidiary of the Group. Medium term notes totalling HK$5,986 million, with a tenor of 3 to 30 years, were issued in 2020. In line with the Group's long-term business investments, as at 31st December 2020, the total nominal amount of medium term notes issued has reached HK$20.7 billion with tenors ranging from 3 to 40 years, mainly at fixed interest rates with an average of 3.0 per cent per annum and an average tenor of 15 years.

Furthermore, the Group also made use of perpetual securities for long term funding. As at 31st December 2020, the Group had Perpetual Subordinated Capital Securities (the "Perpetual Securities") of US$300 million, issued in February 2019, with a coupon rate at 4.75 per cent per annum. The Perpetual Securities are redeemable at the option of the Group in February 2024 or thereafter every six months on the coupon payment date.

EMPLOYEES AND PRODUCTIVITY

As at the end of 2020, the number of employees engaged in the town gas business in Hong Kong was 2,130 (2019 year end: 2,096), the number of customers was 1,943,777, and each employee served the equivalent of 913 customers. Inclusive of employees engaged in local businesses such as telecommunications, liquefied petroleum gas vehicular refilling stations and engineering contractual works, the total number of the Group's employees engaged in businesses in Hong Kong was 2,495 as at the end of 2020 compared to 2,474 as at the end of 2019. Related manpower costs amounted to HK$1,233 million for 2020. In 2020, there was an approximately 2 per cent average increase in remuneration over 2019. The Group will continue to offer employees rewarding careers based on their capabilities and performance and arrange a variety of training programmes in order to constantly enhance the quality of the Group's customer services.

Exclusive of businesses in Hong Kong, the total number of the Group's employees in mainland China and other places outside Hong Kong was approximately 51,270 as at the end of 2020, an increase of approximately 860 compared to 2019.

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

BONUS ISSUE OF SHARES

The Directors propose to make a bonus issue of one new share for every twenty existing shares held by shareholders whose names are on the Register of Members of the Company as at 10th June 2021. The necessary resolution will be proposed at the forthcoming Annual General Meeting on 2nd June 2021, and if passed, share certificates will be posted on 21st June 2021.

FINAL DIVIDEND

The Directors are pleased to recommend a final dividend of HK23 cents per share payable to shareholders whose names are on the Register of Members of the Company as at 10th June 2021. Including the interim dividend of HK12 cents per share paid on 14th September 2020, the total dividend payout for the whole year shall be HK35 cents per share.

Barring unforeseen circumstances, the forecast dividends per share for 2021 after bonus share issue shall not be less than the interim and final dividends for 2020.

BUSINESS OUTLOOK FOR 2021

A number of countries worldwide have successively launched coronavirus vaccination programmes since the end of last year. The Government of the Hong Kong Special Administrative Region began to arrange vaccinations for its citizens in late February this year. Although the pandemic is expected to stabilise, to a certain extent, uncertainties still remain at this stage. Despite this, the Company predicts steady growth in its number of customers in Hong Kong during 2021. The Group is adopting measures to broaden sources of revenue, cut expenditure and costs appropriately and optimise work flow, and is also endeavouring to promote smart innovation to enhance customer services and operational efficiency whilst also continuously developing new town gas applications to increase volume of gas sales. All these aim at maintaining a stable development for its gas business in the territory.

In respect of mainland businesses, Towngas China under the Group will acquire a 25 per cent equity interest in Shanghai Gas after the latter's increase of registered capital in 2021 as planned, thereby increasing the Group's gas customers to 40 million, making the Group a more sizeable city-gas enterprise overall. This project will also increase channels for the Group to import LNG. Through this project, the Group can also participate in the long-term integration development of the Yangtze River Delta. With public utilities forming its core business, the Group has a relatively strong resilience to the impact of economic downturns. It is expected that when the epidemic is over, the Group's businesses will return to better growth within a relatively short period of time. ECO's self-developed advanced biofuel business is operating well, expecting to generate stable revenue growth for the Group. With its HVO project located in Jiangsu province successfully commissioned in August 2020 and seeing the ever-increasing demand in European countries for low carbon emission fuels, ECO is taking steps to enhance its HVO production capacity within the year 2021. The agricultural waste utilisation projects located in Hebei province will construct a sophisticated feedstock supply chain to implement the comprehensive and efficient use of agricultural waste by transforming it into biomass products that help reduce carbon emissions and alleviate pollution problems caused by incineration, thus contributing to the improvement of the local environment.

Mainland China's Fourteenth Five-Year Plan commenced in 2021. The central government has also set a long-term vision for up to 2035, aiming at enhancing the country's economic and technological strength and fostering a new development paradigm featuring "dual circulations", with domestic circulation as the mainstay and domestic and international circulations reinforcing each other. Under a national policy of green development, support for natural gas, smart energy, renewable energy and biofuels sectors, etc. is expected through corresponding environmental protection policies, which in turn are predicted to bring long-term growth for the Group's related businesses. The Group thus anticipates a more prosperous development for its various businesses in the future.

Lee Ka-kit	**Lee Ka-shing**
Chairman	Chairman

Hong Kong, 19th March 2021

The Board of Directors has pleasure in presenting a summary of results of the Group for the year ended 31st December 2020 with comparative figures for the previous corresponding year as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31st December 2020

	Note	**2020 HK$ Million**	2019 HK$ Million
Revenue	4	**40,927.0**	40,628.1
Total operating expenses	5	**(32,527.1)**	(32,604.4)
		8,399.9	8,023.7
Other (losses)/gains, net	6	**(481.9)**	1,048.7
Interest expense		**(1,268.6)**	(1,230.4)
Share of results of associates		**1,187.0**	1,820.4
Share of results of joint ventures		**1,089.2**	741.5
Profit before taxation		**8,925.6**	10,403.9
Taxation	7	**(1,713.2)**	(2,289.6)
Profit for the year		**7,212.4**	8,114.3
Attributable to:			
Shareholders of the Company		**6,007.3**	6,965.7
Holders of perpetual capital securities		**110.3**	98.6
Non-controlling interests		**1,094.8**	1,050.0
		7,212.4	8,114.3
Dividends	8	**6,220.0**	5,923.8
Earnings per share – basic and diluted, HK cents	9	**33.8**	39.2*

* *Adjusted for the bonus share issue in 2020*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31st December 2020

	2020 HK$ Million	2019 HK$ Million
Profit for the year	**7,212.4**	8,114.3
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Movement in reserve of equity investments at fair value through other comprehensive income	**(597.6)**	1,490.7
Remeasurements of retirement benefit	**55.2**	102.1
Share of other comprehensive (loss)/income of an associate	**(19.7)**	71.0
Exchange differences	**891.6**	(74.8)
Items that may be reclassified subsequently to profit or loss:		
Movement in reserve of debt investments at fair value through other comprehensive income	**4.5**	14.7
Change in fair value of cash flow hedges	**(87.1)**	(15.2)
Share of other comprehensive income of an associate	**4.1**	10.8
Exchange differences	**2,975.9**	(777.0)
Other comprehensive income for the year, net of tax	**3,226.9**	822.3
Total comprehensive income for the year	**10,439.3**	8,936.6
Total comprehensive income attributable to:		
Shareholders of the Company	**8,534.0**	7,388.1
Holders of perpetual capital securities	**110.3**	98.6
Non-controlling interests	**1,795.0**	1,449.9
	10,439.3	8,936.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31st December 2020

	Note	**2020 HK$ Million**	2019 HK$ Million
Assets			
Non-current assets			
Property, plant and equipment		**68,133.7**	61,082.7
Investment property		**827.0**	830.0
Right-of-use assets		**2,802.4**	2,725.2
Intangible assets		**5,462.9**	5,291.1
Associates		**28,670.3**	27,475.5
Joint ventures		**11,981.2**	10,613.5
Financial assets at fair value through other comprehensive income		**2,492.8**	3,141.9
Financial assets at fair value through profit or loss		**4,687.3**	5,030.6
Derivative financial instruments		**305.0**	354.1
Retirement benefit assets		**111.9**	66.3
Other non-current assets		**4,649.1**	3,729.8
		130,123.6	120,340.7
Current assets			
Inventories		**2,671.0**	2,363.7
Trade and other receivables	10	**8,572.5**	8,001.2
Loan and other receivables from associates		**401.7**	526.7
Loan and other receivables from joint ventures		**442.9**	800.4
Loan and other receivables from non-controlling shareholders		**206.3**	240.0
Financial assets at fair value through profit or loss		**205.4**	188.5
Derivative financial instruments		**28.5**	1.4
Time deposits over three months		**173.3**	158.6
Time deposits up to three months, cash and bank balances		**7,455.0**	7,848.9
		20,156.6	20,129.4
Current liabilities			
Trade payables and other liabilities	11	**(17,031.1)**	(14,718.0)
Amounts due to joint ventures		**(486.3)**	(943.2)
Loan and other payables due to non-controlling shareholders		**(108.3)**	(100.4)
Provision for taxation		**(1,188.1)**	(1,165.3)
Borrowings		**(10,852.3)**	(9,240.6)
Derivative financial instruments		**(140.2)**	-
		(29,806.3)	(26,167.5)
Total assets less current liabilities		**120,473.9**	114,302.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
As at 31st December 2020

	2020 HK$ Million	2019 HK$ Million
Non-current liabilities		
Deferred taxation	**(7,059.1)**	(7,180.5)
Borrowings	**(31,286.3)**	(28,695.6)
Derivative financial instruments	**(478.6)**	(571.0)
Other non-current liabilities	**(2,496.6)**	(2,458.8)
	(41,320.6)	(38,905.9)
Net assets	**79,153.3**	75,396.7
Capital and reserves		
Share capital	**5,474.7**	5,474.7
Reserves	**61,283.8**	58,734.7
Shareholders' funds	**66,758.5**	64,209.4
Perpetual capital securities	**2,384.0**	2,384.2
Non-controlling interests	**10,010.8**	8,803.1
Total equity	**79,153.3**	75,396.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

The Hong Kong and China Gas Company Limited (the "Company") and its subsidiaries (collectively, the "Group") have been diversified into different fields of businesses and principally engage in the production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses in Hong Kong and the People's Republic of China (the "PRC"). The Group is also engaged in property development and investment activities in Hong Kong.

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31st December 2020 have been agreed by the Company's auditor, PricewaterhouseCoopers Hong Kong ("PwC"), to the amount set out in the Group's audited consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and consequently no assurance has been expressed by PwC on this announcement.

As at 31st December 2020, the Group was in a net current liabilities position of approximately HK$9.6 billion. This is mainly because of management utilisation of the relatively favourable short term borrowings under the low interest rate environment in recent years to finance working capital and capital expenditure requirements as well as the settlement of the US$1 billion guaranteed notes in August 2018. Taking into consideration the Group's available facilities, history of obtaining external financing and the Group's expected cash flows from operations, management believes that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

The financial information relating to the years ended 31st December 2020 and 2019 included in this preliminary announcement of 2020 annual results does not constitute the Group's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) (the "Companies Ordinance") is as follows:

The Company has delivered the consolidated financial statements for the year ended 31st December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the consolidated financial statements for the year ended 31st December 2020 in due course.

The Company's auditor has reported on the consolidated financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. Changes in accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements have been consistently applied to both years presented, unless otherwise stated.

The Group has adopted the following amendments to standards which are effective for the Group's financial year beginning 1st January 2020 and relevant to the Group.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest Rate Benchmark Reform – Phase 1
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

In addition, the Group has early adopted amendments to HKFRS 16 "COVID-19-related Rent Concessions" ahead of the effective date and applied the amendments from 1st January 2020.

The adoption of the amendments to standards and framework has no significant impact on the Group's results and financial position or any substantial changes in Group's accounting policies.

3. Financial risk management and fair value estimation of financial instruments

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31st December 2020 and 2019.

	Level 1		**Level 2**		**Level 3**		**Total**	
HK$ Million	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Assets								
Financial assets at fair value through profit or loss								
- Equity investments	**1,742.0**	2,236.3	**56.3**	50.5	**3,094.4**	2,932.3	**4,892.7**	5,219.1
Derivative financial instruments	**-**	-	**79.1**	90.4	**254.4**	265.1	**333.5**	355.5
Financial assets at fair value through other comprehensive income								
- Debt securities	**158.7**	213.9	**-**	-	**-**	-	**158.7**	213.9
- Equity investments	**1,930.7**	2.606.2	**-**	-	**403.4**	321.8	**2,334.1**	2,928.0
Total assets	**3,831.4**	5,056.4	**135.4**	140.9	**3,752.2**	3,519.2	**7,719.0**	8,716.5
Liabilities								
Other payables	**-**	-	**-**	-	**154.0**	154.0	**154.0**	154.0
Derivative financial instruments	**-**	-	**618.8**	571.0	**-**	-	**618.8**	571.0
Total liabilities	**-**	-	**618.8**	571.0	**154.0**	154.0	**772.8**	725.0

There are no changes in valuation techniques during the year.

3. Financial risk management and fair value estimation of financial instruments (Continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting year. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of cross currency swaps is calculated as the present value of the estimated future cash flows based on observable foreign exchange rates and yield curves.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is calculated as the present value of future cash flows based on the forward exchange rates at the end of the reporting period.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

- Financial assets include a total of approximately HK$3.1 billion of an unlisted equity investment and its related derivative, which are considered entirely as financial assets at fair value through profit or loss. In respect of this unlisted equity investment, the fair value is determined based on the discounted cash flow model. The significant unobservable inputs include discount rate of 13.0 per cent, sales price, sales volume and expected free cash flows of the investee. The fair value decreases with the increase in the discount rate, and increases with the increase in the sales price, sales volume or expected free cash flows of the investee. In respect of the related derivative, the fair value is determined based on the binomial and black scholes models. The significant unobservable inputs, except for those included in the fair value of the unlisted equity investment, mainly include expected volatility of the fair value of the unlisted equity investment. The fair value increases with the increase in the volatility.

- Financial assets also include derivative financial instrument of approximately HK$0.3 billion, the fair value is determined based on the binomial model. The significant unobservable inputs include discount rate of 10.2 per cent and stock price expected volatility of the fair value of the underlying equity instrument of 35.5 per cent. The fair value increases with the decrease in discount rate and increase in stock price volatility or decrease with the increase in the discount rate and decrease in stock price volatility.

- Financial assets also include unlisted equity investments of approximately HK$0.4 billion, the fair values of which are determined based on the attributable net assets value, being significant unobservable input. The fair value increases with the increase in the attributable net assets value.

- Financial liability represents contingent consideration which is generated from the further acquisition of a subsidiary in 2015 under other payables in level 3. The fair value is determined based on discounted cash flow model. The significant unobservable inputs include discount rate of 3.1 per cent and the rate of probability on the outflow of resources will be required to settle the obligation. The fair value decreases with the increase in the discount rate, and increases with the increase in the rate of probability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Financial risk management and fair value estimation of financial instruments (Continued)

The following table presents the changes in level 3 instruments of the Group for the year ended 31st December 2020 and 2019.

	Financial assets		Financial liabilities	
HK$ Million	**2020**	2019	**2020**	2019
At 1st January	**3,519.2**	4,080.8	**154.0**	154.0
Additions	**40.2**	349.0	**-**	-
Change in fair value	**(14.7)**	(35.8)	**-**	-
Exchange differences	**207.5**	(82.8)	**-**	-
Reclassification to level 1 instruments	**-**	(792.0)	**-**	-
At 31st December	**3,752.2**	3,519.2	**154.0**	154.0

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

4. Segment information

The Group's principal activities are the production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses ("New Energy") in Hong Kong and mainland China. The revenue comprises the following:

	2020 HK$ Million	2019 HK$ Million
Gas sales before fuel cost adjustment	**29,547.2**	29,632.9
Fuel cost adjustment	**447.2**	771.9
Gas sales after fuel cost adjustment	**29,994.4**	30,404.8
Connection income	**3,161.0**	3,253.2
Equipment sales and maintenance services	**2,867.5**	2,950.2
Water and related sales	**1,360.4**	1,314.3
Oil and coal related sales	**785.5**	961.8
Hydro-treated vegetable oil related sales	**964.3**	-
Other sales	**1,793.9**	1,743.8
	40,927.0	40,628.1

The chief operating decision-maker has been identified as the executive committee members (the "ECM") of the Company. The ECM reviews the Group's internal reporting in order to assess performance and allocate resources. The ECM considers the business from both a product and geographical perspectives. From a product perspective, management assessses the performance of (a) gas, water and related businesses; (b) New Energy and (c) property business. Gas, water and related businesses are further evaluated on a geographic basis (Hong Kong and mainland China).

The ECM assesses the performance of the operating segments based on a measure of adjusted profit before interest, tax, depreciation and amortisation (the "adjusted EBITDA"). Other information provided, except as noted below, to the ECM is measured in a manner consistent with that in the consolidated financial statements.

4. Segment information (Continued)

The segment information provided to the ECM for the reportable segments is as follows:

2020 HK$ Million	Gas, water and related businesses Hong Kong	 Mainland China	New Energy	Property	Other segments	Total
Revenue recognised at a point in time	**9,516.7**	**25,914.0**	**3,041.8**	**-**	**189.8**	**38,662.3**
Revenue recognised over time	**-**	**994.4**	**-**	**-**	**783.7**	**1,778.1**
Finance and rental income	**-**	**-**	**434.6**	**52.0**	**-**	**486.6**
	9,516.7	**26,908.4**	**3,476.4**	**52.0**	**973.5**	**40,927.0**
Adjusted EBITDA	**4,865.7**	**6,067.2**	**793.0**	**25.4**	**197.6**	**11,948.9**
Depreciation and amortisation	**(857.0)**	**(1,535.0)**	**(319.6)**	**-**	**(177.1)**	**(2,888.7)**
Unallocated expenses						**(660.3)**
						8,399.9
Other losses, net						**(481.9)**
Interest expense						**(1,268.6)**
Share of results of associates	**-**	**1,186.9**	**32.6**	**(39.0)**	**6.5**	**1,187.0**
Share of results of joint ventures	**-**	**1,082.3**	**1.3**	**10.2**	**(4.6)**	**1,089.2**
Profit before taxation						**8,925.6**
Taxation						**(1,713.2)**
Profit for the year						**7,212.4**

Share of results of associates includes a decrease of HK$477.0 million (2019: an increase of HK$199.7 million) being the Group's share of change in valuation of investment properties at the International Finance Centre (the "IFC") complex for the year.

4. Segment information (Continued)

2019 HK$ Million	Gas, water and related businesses Hong Kong	 Mainland China	New Energy	Property	Other segments	Total
Revenue recognised at a point in time	9,798.5	26,114.9	2,298.1	-	228.0	38,439.5
Revenue recognised over time	-	1,001.4	-	-	716.4	1,717.8
Finance and rental income	-	-	413.0	57.8	-	470.8
	9,798.5	27,116.3	2,711.1	57.8	944.4	40,628.1
Adjusted EBITDA	4,764.5	5,919.2	614.5	30.2	165.3	11,493.7
Depreciation and amortisation	(828.2)	(1,410.5)	(337.8)	-	(149.4)	(2,725.9)
Unallocated expenses						(744.1)
						8,023.7
Other gains, net						1,048.7
Interest expense						(1,230.4)
Share of results of associates	-	1,135.8	(72.7)	753.3	4.0	1,820.4
Share of results of joint ventures	-	730.5	1.1	9.3	0.6	741.5
Profit before taxation						10,403.9
Taxation						(2,289.6)
Profit for the year						8,114.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Segment information (Continued)

The segment assets at 31st December 2020 and 2019 are as follows:

2020 **HK$ Million**	**Gas, water and related businesses** **Hong Kong**	 **Mainland China**	**New Energy**	**Property**	**Other segments**	**Total**
Segment assets	**17,756.5**	**82,048.7**	**18,587.0**	**15,707.0**	**4,702.0**	**138,801.2**
Unallocated assets:						
Financial assets at fair value through other comprehensive income						**2,492.8**
Financial assets at fair value through profit or loss						**4,892.7**
Time deposits, cash and bank balances excluded from segment assets						**2,808.3**
Others (note)						**1,285.2**
Total assets						**150,280.2**

2019 HK$ Million	Gas, water and related businesses Hong Kong	 Mainland China	New Energy	Property	Other segments	Total
Segment assets	17,358.7	71,570.4	17,756.7	16,165.4	4,588.2	127,439.4
Unallocated assets:						
Financial assets at fair value through other comprehensive income						3,141.9
Financial assets at fair value through profit or loss						5,219.1
Time deposits, cash and bank balances excluded from segment assets						3,423.9
Others (note)						1,245.8
Total assets						140,470.1

Note
Other unallocated assets mainly include other receivables other than those included under segment assets, retirement benefit assets, derivative financial instruments and loan and other receivables from non-controlling shareholders.

The Company is domiciled in Hong Kong. The Group's revenue from external customers in Hong Kong for the year ended 31st December 2020 is HK$11,029.7 million (2019: HK$11,333.5 million), and the revenue from external customers in mainland China and other geographical locations is HK$29,897.3 million (2019: HK$29,294.6 million).

At 31st December 2020, the total of non-current assets other than financial instruments located in Hong Kong is HK$34,352.3 million (2019: HK$33,845.2 million), and the total of non-current assets other than financial instruments located in mainland China and other geographical locations is HK$88,286.2 million (2019: HK$77,968.9 million).

5. Total operating expenses

	2020 **HK$ Million**	2019 HK$ Million
Stores and materials used	**21,986.5**	21,803.8
Manpower costs	**3,284.2**	3,485.2
Depreciation and amortisation	**2,940.6**	2,753.5
Other operating items	**4,315.8**	4,561.9
	32,527.1	32,604.4

6. Other (losses)/gains, net

	2020 **HK$ Million**	2019 HK$ Million
Net investment (losses)/gains	**(162.3)**	2,228.0
Fair value (loss)/gain on investment property	**(3.0)**	16.0
Provision for assets (note)	**(446.8)**	(1,184.9)
Ineffective portion on cash flow hedges	**6.9**	0.2
Others	**123.3**	(10.6)
	(481.9)	1,048.7

Note

The amount included an impairment provision of HK$385.0 million in relation to oil properties under New Energy segment (2019: the amount included an impairment provision of HK$560.0 million in relation to mining and oil properties under New Energy segment and HK$380.0 million in relation to goodwill and property, plant and equipment in relation to individual city-gas projects in mainland China).

7. Taxation

The amount of taxation charged to the profit or loss represents:

	2020 **HK$ Million**	2019 HK$ Million
Current taxation - provision for Hong Kong Profits Tax at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the year	**738.6**	703.0
Current taxation - provision for other jurisdictions income tax at the prevailing rates on the estimated assessable profits for the year	**979.2**	867.2
Current taxation - (over)/under provision in prior years	**(0.5)**	1.1
Deferred taxation - origination and reversal of temporary differences	**(114.9)**	603.7
Withholding tax	**110.8**	114.6
	1,713.2	2,289.6

The prevailing income tax rates of mainland China and Thailand range from 15 per cent to 25 per cent (2019: 15 per cent to 25 per cent) and 50 per cent (2019: 50 per cent) respectively.

8. Dividends

	2020 **HK$ Million**	2019 HK$ Million
Interim, paid of HK12 cents per ordinary share (2019: HK12 cents per ordinary share)	**2,132.6**	2,031.0
Final, proposed of HK23 cents per ordinary share (2019: HK23 cents per ordinary share)	**4,087.4**	3,892.8
	6,220.0	5,923.8

9. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK$6,007.3 million (2019: HK$6,965.7 million) and the weighted average of 17,771,304,856 shares (2019: 17,771,304,856 shares*) in issue during the year.

As there were no diluted potential ordinary shares outstanding during the year (2019: nil), the diluted earnings per share for the year ended 31st December 2020 is the same as the basic earnings per share.

* Adjusted for the bonus share issue in 2020

10. Trade and other receivables

	2020 **HK$ Million**	2019 HK$ Million
Trade receivables (note)	**3,827.9**	3,819.8
Payments in advance	**2,158.6**	1,735.9
Other receivables	**2,586.0**	2,445.5
	8,572.5	8,001.2

Note

The Group has established credit policies for different types of customers. The credit periods offered for trade receivables, which are subject to periodic review by management, range from 30 to 60 days except for gas receivables of the Company which are due by 8 working days after billing date. The aging analysis of the trade receivables, net of impairment provision, is as follows:

	2020 **HK$ Million**	2019 HK$ Million
0 - 30 days	**3,360.6**	3,408.5
31 - 60 days	**125.2**	90.4
61 - 90 days	**50.9**	100.4
Over 90 days	**291.2**	220.5
	3,827.9	3,819.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Trade payables and other liabilities

	2020 **HK$ Million**	2019 HK$ Million
Trade payables (note a)	**3,586.4**	3,006.5
Other payables and accruals (note b)	**4,808.6**	4,289.7
Contract liabilities (note c)	**8,531.3**	7,310.3
Lease liabilities (notes d and e)	**104.8**	111.5
	17,031.1	14,718.0

Notes

(a) The aging analysis of the trade payables is as follows:

	2020 **HK$ Million**	2019 HK$ Million
0 - 30 days	**1,587.5**	1,292.7
31 - 60 days	**464.3**	499.2
61 - 90 days	**327.2**	304.5
Over 90 days	**1,207.4**	910.1
	3,586.4	3,006.5

(b) The balances mainly represent accrual for services or goods received from suppliers.

(c) The balances mainly represent non-refundable advance received from customers for utility connection services, provision of gas and provision of maintenance services.

(d) As at 31st December 2020, the contractual maturities of the Group's lease liabilities were as follows:

	HK$ Million
Within 1 year	**104.8**
Over 1 year[#]	**175.0**
	279.8

[#] Lease liabilities over 1 year are included in other non-current liabilities.

(e) The interest expense on lease liabilities for the year amounting to HK$13.2 million (2019: HK$16.3 million) is included in the profit or loss.

DIVIDEND

The Board now recommends a final dividend of HK23 cents per share payable to shareholders of the Company whose names are on the register of members of the Company on 10th June 2021. The necessary resolutions will be proposed at the forthcoming Annual General Meeting on 2nd June 2021, and if passed, dividend warrants and share certificates will be posted on 21st June 2021.

CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlement of shareholders to the right to attend and vote at the forthcoming Annual General Meeting (or any adjournment thereof), the register of members of the Company will be closed from Friday, 28th May 2021 to Wednesday, 2nd June 2021, both days inclusive, during which period no share transfer will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 27th May 2021.

In order to determine shareholders who qualify for the proposed issue of bonus shares and final dividend, the register of members of the Company will be closed from Tuesday, 8th June 2021 to Thursday, 10th June 2021, both days inclusive, during which period no share transfer will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, for registration no later than 4:30 p.m. on Monday, 7th June 2021.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Wednesday, 2nd June 2021. For details of the Annual General Meeting, please refer to the Notice of Annual General Meeting which is expected to be published on or about Thursday, 22nd April 2021.

FINANCIAL RESOURCES REVIEW

Liquidity and capital resources

As at 31st December 2020, the Group had a net current borrowings position of HK$3,224 million (31st December 2019: HK$1,233 million) and long-term borrowings of HK$31,286 million (31st December 2019: HK$28,696 million). In addition, banking facilities available for use amounted to HK$21,200 million (31st December 2019: HK$15,700 million).

The operating and capital expenditures of the Group are funded by cash flow from operations, internal liquidity, banking facilities, debt and equity financing. The Group has adequate and stable sources of funds and unutilised banking facilities to meet its future capital expenditures and working capital requirements.

Financing structure

In May 2009, the Group established a US$1 billion Medium Term Note Programme (the "Programme") which gives the Group the flexibility to issue notes at favourable terms and timing. In July 2019, the Programme was updated with the size increased to US$3 billion. Up to 31st December 2020, the Group issued notes in the total nominal amount of HK$20,742 million (31st December 2019: HK$14,756 million) with maturity terms of 3 years, 10 years, 12 years, 15 years, 30 years and 40 years in Renminbi, Australian dollar, Japanese yen and Hong Kong dollar under the Programme (the "MTNs"). The carrying value of the issued MTNs as at 31st December 2020 was HK$20,165 million (31st December 2019: HK$14,049 million).

As at 31st December 2020, the Group's borrowings amounted to HK$42,139 million (31st December 2019: HK$37,936 million). While the notes mentioned above together with the bank and other loans of HK$8,139 million (31st December 2019: HK$6,862 million) had fixed interest rate and were unsecured, the remaining bank and other loans were unsecured and had a floating interest rate, of which HK$6,935 million (31st December 2019: HK$9,759 million) were long-term bank loans and HK$6,900 million (31st December 2019: HK$7,266 million) had maturities within one year on revolving credit or term loan facilities. As at 31st December 2020, the maturity profile of the Group's borrowings was 26 per cent within 1 year, 20 per cent within 1 to 2 years, 22 per cent within 2 to 5 years and 32 per cent over 5 years (31st December 2019: 24 per cent within 1 year, 15 per cent within 1 to 2 years, 36 per cent within 2 to 5 years and 25 per cent over 5 years).

The RMB, AUD and JPY notes issued are hedged to Hong Kong dollars by currency swaps. Except for some borrowings of certain subsidiaries are arranged in or hedged to their functional currency in Renminbi, the Group's borrowings are primarily denominated in Hong Kong dollars and local currency of subsidiaries in mainland China. The Group therefore has no significant exposure to foreign exchange risk.

In February 2019, the Group re-issued Perpetual Subordinated Guaranteed Capital Securities (the "Perpetual Capital Securities") of US$300 million and the proceeds were mainly used to refinance the 2014 first-issued perpetual capital securities redeemed in January 2019. The Perpetual Capital Securities are able to keep a distribution rate of 4.75 per cent per annum for the first five years and thereafter at fixed distribution rate. With no fixed maturity and the distribution payment can be deferred at the discretion of the Group, and the Perpetual Capital Securities are redeemable at the Group's option on or after 12th February 2024, they are accounted for as equity in the financial statements. The Perpetual Capital Securities are guaranteed by the Company. The issuance helps strengthen the Group's financial position, improve its financing maturity profile and diversify its funding sources.

The gearing ratio [net borrowing /(total equity + net borrowing)] for the Group as at 31st December 2020 remained healthy at 30 per cent (31st December 2019: 28 per cent).

Contingent liabilities

As at 31st December 2020 and 2019, the Group did not provide any guarantee in respect of bank borrowing facilities made available to any associates, joint ventures or third parties.

Currency profile

The Group's operations and activities are predominantly based in Hong Kong and mainland China. As such, its cash, cash equivalents or borrowings are mainly denominated in Hong Kong dollars, Renminbi or United States dollars, whereas borrowings for the Group's subsidiaries, associates and joint ventures in mainland China are predominantly denominated in the local currency, Renminbi, in order to provide natural hedging for the investment there.

Group's financial investments in securities

Under the guidance of the Group's Treasury Committee, financial investments have been made in equity and debt securities. As at 31st December 2020, the relevant investments in securities amounted to HK$685 million (31st December 2019: HK$705 million). The performance of the Group's financial investments in securities was satisfactory.

CORPORATE GOVERNANCE

During the year ended 31st December 2020, the Company complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Board Audit and Risk Committee has reviewed the Group's consolidated financial statements for the year ended 31st December 2020, including the accounting principles and practices adopted by the Group, in conjunction with the Group's internal auditor and PricewaterhouseCoopers, the Group's external auditor.

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

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

By Order of the Board
John Ho Hon-ming
Executive Director, Chief Financial Officer and
Company Secretary

Hong Kong, 19th March 2021

As at the date of this announcement, the Board of the Company comprises:

Non-executive Directors:	Dr. Lee Ka-kit (Chairman), Mr. Lee Ka-shing (Chairman) and Dr. Colin Lam Ko-yin
Independent Non-executive Directors:	Dr. the Hon. Sir David Li Kwok-po, Prof. Poon Chung-kwong and Dr. Moses Cheng Mo-chi
Executive Directors:	Mr. Alfred Chan Wing-kin, Mr. Peter Wong Wai-yee and Mr. John Ho Hon-ming