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 2021 INTERIM RESULTS

HALF-YEARLY RESULTS

The Directors are pleased to report that the Group's unaudited profit after taxation (exclusive of the factor of the Group's share of revaluation value from an investment property, the International Finance Centre complex) for the six months ended 30th June 2021 amounted to HK$4,200 million, an increase of HK$1,230 million, up by 41.4 per cent, compared to the same period last year. As the Group's share of the revaluation value of the International Finance Centre complex remained unchanged for the period under review, profit after taxation attributable to shareholders of the Group amounted to HK$4,200 million, an increase of HK$1,533 million, up by 57.5 per cent, compared to the same period last year. Earnings per share for the first half of 2021 amounted to HK22.5 cents. The Group's profit growth in the first half of 2021 was mainly due to the mainland's economic recovery, a significant increase in the volume of city-gas sales, increase in energy product prices, and profit contribution from a hydro-treated vegetable oil ("HVO") project.

Highlights of the unaudited results of the Group for the six months ended 30th June 2021, as compared to the same period in 2020, are shown in the following table:

	Unaudited Six months ended 30th June	
	2021	2020
Revenue before Fuel Cost Adjustment, HK million dollars	**24,405**	17,965
Revenue after Fuel Cost Adjustment, HK million dollars	**24,728**	18,235
Profit after Taxation Attributable to Shareholders, HK million dollars	**4,200**	2,667
Earnings per Share, HK cents	**22.5**	14.3*
Interim Dividend per Share, HK cents	**12**	12
Town Gas Sold in Hong Kong, million MJ	**14,735**	15,165
Gas Sold in mainland China City-gas Business, million cubic metres; natural gas equivalent#	**15,899**	12,453
Number of Customers in Hong Kong as at 30th June	**1,952,813**	1,935,512
Number of City-gas Customers in mainland China as at 30th June#	**33,015,810**	30,583,537

* *Adjusted for the bonus share issue in 2021*

\# *Inclusive of all mainland city-gas projects of the Group*

DEVELOPMENT STRATEGY OF THE GROUP

As a common challenge facing the world, climate change, causing increasingly frequent extreme climate events, 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 development model. All participating countries have now set out their own goals and policies to reduce carbon emissions, forming a global climate governance framework. President Xi Jinping announced 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 placed an emphasis on clean energy in formulating its development policies. Over the years, the Group has developed natural gas markets on the mainland. As natural gas is the cleanest fossil energy source, the use of it to substitute coal and petroleum would effectively help reduce air pollution and carbon emissions. After 20 years of development, the country has built large-scale natural gas infrastructure facilities on the mainland and is accelerating the establishment of systems for natural gas production, supply, storage and marketing to enhance gas supply capabilities. This has allowed the extensive use of natural gas to aid in promoting the transformation of the national energy mix as part of the country's efforts towards achieving carbon neutrality. Broad market prospects for natural gas are thus 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 the huge market and customer resource advantages of city-gas businesses on the mainland and the support of national environmental protection policies, the Group is proactively developing a smart energy business focusing on industrial parks and investing in distributed photovoltaics on rooftops and in zero-carbon industrial parks, charging and swapping power stations, energy storage, multi-energy (cold, heat and electricity) supply and more. The Group is striving to build a smart energy ecology platform and promote the digital transformation of energy in industrial parks, providing industrial and commercial customers with value-added services including energy efficiency management, energy trading and carbon trading, thus injecting new impetus into the Group's business growth.

Energy innovation is another development trend encouraged by national policies. In June 2021, the Group and State Power Investment Corporation Limited jointly launched the TERA-Award smart energy innovation competition to collect innovative technologies, products and solutions in the field of smart energy from around the world to help attain the dual carbon goals set by China. 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 HVO using its self-developed technology and with an annual production capacity of 250,000 tonnes, was commissioned during the third quarter of 2020. Our HVO, achieving a 90 per cent emission reduction, has been accredited under the International Sustainability and Carbon Certification Scheme, qualified as an advanced biofuel and successfully sold to the European markets, attaining positive environmental and economic efficiency with promising prospects. The Group is proceeding with construction work to enhance the annual production capacity of the project to 350,000 tonnes. Applying the achievements of research and development towards commercial use, the Group is planning to put into trial production sustainable aviation fuel (SAF) using biomass fuels as a base within this year in order to foster a new area of growth, as a significant rise is expected in market demand.

In summary, the Group's future development strategy is to harness its city-gas businesses to promote natural gas as a clean energy with different applications as a substitute for high-emission fossil fuels such as coal and petroleum, in line with the country's energy plan. At the same time, the Group will accelerate the development of renewable energy production and utilisation by, on one hand, focusing on photovoltaic power generation in its smart energy development, and, on the other hand, by producing biomass fuels and environmentally friendly chemical products and materials on a commercial scale using agricultural waste through innovative research and development. Combined with the development of sewage, food and urban waste treatment businesses, these initiatives will pave the way towards greater use of renewable energy.

To conclude, the Group's development strategy is to align with both global environmental protection trends and the country's goals and policies for carbon neutrality. Furthermore, the Group has always paid attention to strengthening and optimising its ability to deliver on its environmental, social and governance ("ESG") responsibility, and has formulated guiding policies and goals for implementation of a holistic strategy over the years. The Group's core business development, in particular, is linked to environmental protection, to realise its vision of blue skies, white clouds, green mountains and clear water. In 2021, the Group topped the first Greater China Business Sustainability Index and also the Greater Bay Area Business Sustainability Index and Hong Kong Business Sustainability Index, demonstrating its leading status in ESG performance in the Greater China area. The Group will continue to invest resources in the research and development of more innovative environmentally friendly technologies, in accordance with its existing business development policies, to fulfill its responsibilities in protecting the environment and to create a better future for the next generation.

TOWN GAS BUSINESS IN HONG KONG

The pneumonia-causing coronavirus disease (COVID-19) continued to impact Hong Kong during the first half of 2021. Inbound tourism came to a standstill. With the launch of the coronavirus vaccination programme by the Government of the Hong Kong Special Administrative Region in late February this year alongside increasingly effective epidemic prevention and control measures, the local situation had gradually subsided, contributing towards slight improvement in the business environment. However, as the restaurant sector was still subject to dine-in restrictions, the Company's commercial and industrial gas sales were adversely impacted. Residential gas sales benefited from a rise in both household cooking and use of hot water. Nevertheless, as the average temperature in Hong Kong during the first half of 2021 was higher than the same period last year, residential gas sales were also affected. Overall, total gas sales volume in Hong Kong for the first half of 2021 was approximately 14,735 million MJ, a decrease of 2.8 per cent, in contrast to a 12.8 per cent increase in the number of appliances sold resulting from a rise in new property move-ins due to a slowdown of the epidemic, both compared to the same period last year.

As at 30th June 2021, the number of customers was 1,952,813, an increase of 9,036 since the end of 2020.

The Company continues to proactively assist the restaurant sector, which has been significantly hit by the epidemic, by fully supporting its promotional activities to aid in business recovery. Additionally, the Company has recently offered incentives to encourage citizens to get vaccinated, hoping for the community to emerge from the adverse impact of the epidemic as soon as possible with the collective efforts of various sectors.

BUSINESSES IN MAINLAND CHINA

The Group's mainland businesses continued to progress steadily during the first half of 2021. Overall, inclusive of projects of the Group's subsidiary, Towngas China Company Limited ("Towngas China"; stock code: 1083.HK), the Group had 451 projects (end of June 2020: 411 projects, inclusive of city-gas projects re-invested by the Group's companies) on the mainland, as at the end of June 2021, spread across 27 provincial regions. These projects encompass upstream, midstream and downstream natural gas sectors, environmentally-friendly energy, smart energy, water sectors and urban waste treatment.

UTILITY BUSINESSES

Mainland China's prevention and control measures against the coronavirus epidemic have achieved remarkable results. During the first half of 2021, highly contagious virus variants had been raging in a number of countries worldwide. Although the epidemic in several provinces and cities on the mainland also fluctuated as a result of imported cases, the stringent prevention and control measures adopted and extensive vaccination had successfully contained the situation.

Since the introduction of large-scale coronavirus vaccination programmes in major economies around the world, the pandemic has gradually been brought under control in the first half of this year, leading to gradual economic recovery and a rebound in demand for commodities. Coupled with strong domestic demand in mainland China, the mainland economy recorded a 12.7 per cent increase in gross domestic product in the first half of 2021 compared to the same period last year. Benefiting from the momentum of the mainland's economic recovery, the Group's utility businesses recorded stable growth during the period, with an increase in the volume of commercial and industrial gas sales as well as water sales compared to the same period last year.

As at the end of June 2021, inclusive of Towngas China, the Group had a total of 287 city-gas projects on the mainland (end of June 2020: 276 projects, inclusive of city-gas projects re-invested by the Group's companies). The total volume of gas sales for these projects for the first half of 2021 was approximately 15,900 million cubic metres, an increase of 28 per cent compared to the same period last year. As at the end of June 2021, the Group's mainland gas customers stood at approximately 33.02 million, an increase of 8 per cent over the same period last year.

During the first half of this year, the Group's smart energy business development progressed well with a zero-carbon city project in Hailing district, Taizhou city, Jiangsu province and several photovoltaic, energy storage and energy saving projects added to its portfolio. The Group has also successfully negotiated over 10 zero-carbon smart industrial park projects; related investment platform companies will gradually be formed starting from the third quarter of this year. Zero-carbon park projects comprise the installation of solar photovoltaic power generation systems on the rooftops of large-scale production plants and logistics warehouses inside the parks, and the configuration of energy storage, charging and swapping power stations, multi-energy (cold, heat and electricity) supply and other energy facilities to provide zero-carbon smart energy supply services for industrial parks. Additionally, the smart energy ecology platform that is being built is set to be fully utilised for in-depth exploration of the potential value of industrial and commercial customers in the parks and the development of a series of value-added services such as energy efficiency management, energy trading and carbon trading. Due to the huge and diverse energy demand of industrial parks, prospects for the development of smart energy services in industrial parks are very broad. In the future, the Group will continue to focus on the Beijing-Tianjin-Hebei, Yangtze River Delta region and Guangdong-Hong Kong-Macao Greater Bay Area as key investment areas, strengthen investment in the research and development of the technology on digital management of energy, and comprehensively devise zero-carbon "source-grid-load-storage" solutions with renewable energy, advanced energy storage technology, chips, blockchain and smart energy ecological platform at the core, while expanding its business to provide zero-carbon smart energy services for more industrial parks with positive economic efficiency expected.

Development of the Towngas natural gas storage facility in underground salt caverns in Jintan district, Changzhou city, Jiangsu province is progressing in phases. Construction is planned for a total of 25 wells with a combined storage capacity of 1.1 billion cubic metres. Five of the wells have now been commissioned and successfully interconnected with the West-to-East Gas Pipeline and the Sichuan-to-East Gas Pipeline, two large-scale national-level natural gas transmission pipelines. Located in economically active eastern China with a superior geographical location, this storage facility, the first of its kind built by a city-gas enterprise, enables city-gas projects in the region to supplement gas supply during the peak winter period. In the longer term, the facility is set to 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 mode of commercially operating the Group's gas storage facilities. The National Development and Reform Commission and the National Energy Administration highly praised the efficacy of the facility in supplementing gas supply during peak seasons.

The Group's storage tank project at the liquefied natural gas ("LNG") receiving terminal in Caofeidian district, Tangshan city, Hebei province is progressing well. The project includes 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. This project, which will be gradually commissioned starting from the end of 2022, will significantly enhance the Group's gas storage capacity and alleviate the need to build separate gas storage facilities by different companies under the Group. Through this project, the Group can also purchase gas directly from overseas to reduce the cost of natural gas.

Environmental governance businesses have broad development prospects. Leveraging the rich experience in sewage treatment gained from its Hua Yan Water business, 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 250,000 tonnes of organic waste and produced nearly 9 million cubic metres of bio-natural gas. Following the commissioning of the phase two expansion of this project in the second quarter of 2021, its daily processing capacity has increased from 500 to 800 tonnes.

Furthermore, in order to coordinate the development of its environmental governance businesses, the Group formed an investment platform company, Hua Yan Environmental, in Changzhou city, Jiangsu province in 2020, to develop businesses encompassing waste incineration for power generation, sewage treatment and food waste treatment in the city. A food waste resource utilisation project already operating in Tongling city, Anhui province was acquired in July last year, and has cumulatively processed more than 50,000 tonnes of organic waste since then. In April 2021, the Group also acquired a sewage treatment project already operating in Wujin district, Changzhou city, Jiangsu province.

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 income. The Group will therefore keep on investing in high-quality utility projects of such kinds.

EMERGING ENVIRONMENTALLY-FRIENDLY ENERGY BUSINESSES

With global efforts to reduce carbon emissions in order to achieve carbon neutrality, and the progressive introduction of emission reduction policies by the European Union, the market potential of advanced biofuels is growing fast. 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 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, was commissioned in 2020. Being qualified as an advanced biofuel defined by the European Union, ECO's HVO gained the accreditation under the International Sustainability and Carbon Certification Scheme. The annual production capacity of the project is 250,000 tonnes of HVO, which is entirely exported to European markets. Following the successful implementation of this project, ECO is now proceeding with construction work of enhancing the production capacity by 40 per cent, and to further process some of the HVO into sustainable aviation fuel (SAF), helping to lay a solid foundation for the Group'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 biomass fuels, biochemicals and biomaterials. For this, ECO is now developing two pilot projects in Hebei province - one located in Tangshan city producing furfural and paper pulp as main products is now in its trial production stage, followed by another one located in Cangzhou city producing furfural and cellulosic ethanol planned 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 founded on its self-developed innovative technologies, ECO is now in full swing to develop green and sustainable low-carbon businesses.

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

Towngas China, a subsidiary of the Group, recorded profit after taxation attributable to its shareholders amounting to HK$778 million during the first half of 2021, an increase of approximately 34 per cent compared to the same period last year. As at the end of June 2021, the Group held approximately 2,025 million shares in Towngas China, representing approximately 68.21 per cent of Towngas China's total issued shares.

Towngas China has completed a capital increase of Shanghai Gas Co., Ltd. ("Shanghai Gas"), and cooperation between both parties has made good progress in developing energy and extended businesses in Shanghai city. In April 2021, Towngas China and Shanghai Gas signed a gas source collaborative framework agreement to promote further integration of their respective edge in natural gas resources in the Yangtze River Delta region, and have commenced research on solutions relating to the interconnection of the Jiangsu-Zhejiang region and Shanghai's high-pressure pipeline network. With Shanghai Gas becoming an associated company of Towngas China, it is expected to bring further positive impact to Towngas China's annual results.

In addition, Towngas continues to promote the establishment of the natural gas industry chain and accelerate the development of gas sources and peak shaving capabilities. The Towngas China Emergency Peak Shaving Storage and Distribution Base Project in Weiyuan county, Sichuan province in the southwestern region has been listed as a key project in Sichuan province in 2021. It has received strong support from the local government and established cooperation intent on broad businesses with upstream and downstream companies. The above courses of action will help Towngas China prepare for the peak demand for gas in the southwestern region this winter and spring next year, continue to enhance its gas supply capacity during the Fourteenth Five-Year Plan period and to reduce gas source costs so as to improve its competitive advantage.

Amongst its extended businesses, Towngas China continued to maintain its strategy of "seeking progress while maintaining stability". Towngas China delved into the enhancement of "healthy", "cosy" and "vegetarian" lifestyle offerings together with hip products under the brand of "Towngas Lifestyle", actively preparing for the construction and promotion of the "Towngas Home" community lifestyle centre. Towngas China also developed group mobile apps such as "Moment+" and "Moment+ Assistant" to empower the extended businesses of its gas companies and promote their digital transformation. During the first half of this year, sales of Towngas China Bauhinia safe appliances and gas insurance products resumed considerable growth, with an increase exceeding pre-epidemic levels.

With a good start in its business development in the first half of this year, Towngas China is proactively deploying and implementing various business development plans. Looking forward to the whole year of 2021, Towngas China will fully capitalise on the opportunities presented by the mainland's economic recovery, expansion of clean energy consumption demand and transformation and development of the city-gas business, achieve the main goals of the "Smart Innovation" year as well as expand the scale and enhance the quality of its business development.

Towngas China also added two new city-gas projects, located in Gongzhuling city, Jilin province and Hangzhou city, Zhejiang province respectively, to its portfolio during the first half of 2021.

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$1,019 million, with a tenor of 3 years, have been issued so far in 2021. In line with the Group's long-term business investments, as at 30th June 2021, the total nominal amount of medium term notes issued has reached HK$21.8 billion with tenors ranging from 3 to 40 years, mainly at fixed interest rates with an average of 2.9 per cent per annum and an average tenor of 15 years. The Group updated the programme during the year and increased the issue size from US$3 billion to US$5 billion, introducing more flexibility for future financing.

Furthermore, the Group also made use of perpetual securities for long term funding. As at 30th June 2021, 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 30th June 2021, the number of employees engaged in the town gas business in Hong Kong was 2,104 (30th June 2020: 2,121), the number of customers was 1,952,813, and each employee served the equivalent of 928 customers, an increase of 1.7 per cent compared to the same period last year. Inclusive of employees engaged in local businesses such as telecommunications, LPG vehicular refilling stations and engineering contractual works, the total number of the Group's employees engaged in businesses in Hong Kong was 2,451 as at the end of June 2021 compared to 2,493 as at the end of June 2020. Related manpower costs amounted to HK$608 million for the first half of 2021, an increase of HK$8 million compared to the same period last year. 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 its 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 51,580 as at the end of June 2021, an increase of approximately 1,380 compared to the same period last year.

DIVIDEND

Your Directors have declared an interim dividend of HK12 cents per share payable to shareholders whose names are on the Register of Members of the Company as at 7th September 2021. The Register of Members will be closed from Monday, 6th September 2021 to Tuesday, 7th September 2021, during which period no share transfers will be effected. Dividend warrants will be posted to shareholders on Wednesday, 15th September 2021.

BUSINESS OUTLOOK FOR 2021

Coronavirus vaccination programmes have successively been launched around the world since the end of last year. As the pandemic had at one time eased up, prevention and control measures had been gradually relaxed. However, highly contagious virus variants have gradually spread to many countries and regions since the second quarter of this year, causing the pandemic to become severe again and still beyond control in many regions. In Hong Kong, as the number of people vaccinated against the coronavirus has been steadily increasing, alongside effective prevention and control measures, the epidemic has gradually stabilised. However, uncertainties still remain at this stage, mainly due to the viruses imported from abroad, which have been adversely impacting the full recovery of the economy. In spite of this, the Company predicts steady growth in its number of customers in Hong Kong during 2021. The Group has been 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 continuously developing new town gas applications to increase the volume of gas sales. These initiatives collectively serve to maintain the stable development of its gas business in the city.

In respect of its mainland businesses, Towngas China under the Group completed the transaction to acquire equity interest in Shanghai Gas in July this year, thereby increasing the Group's gas customers to 40 million, making it a more sizeable city-gas enterprise overall. This project also increases channels for the Group to import LNG. Through this project, the Group can also participate in the country's long-term integration development of the Yangtze River Delta region. As the epidemic on the mainland has come under control and the economy is steadily recovering, the Group's utility businesses are resuming stable growth. ECO's self-developed advanced biofuel business is operating well, and is expected to generate stable revenue growth for the Group.

China's Fourteenth Five-Year Plan commenced in 2021. The Central Government has also set a long-term vision for up to 2035, with a view to enhancing the country's economic and technological strengths and fostering a new development paradigm featuring "dual circulations", with domestic circulation as the mainstay and domestic and international circulations reinforcing each other. Under the trends and goals of coping with global climate change and green development, the Group's low-carbon and zero-carbon businesses, including city-gas business with natural gas supply at its core, urban waste treatment and circular economy, smart energy, distributed and renewable energy, biomass fuels and utilisation of agricultural waste, will have vast and long-term development prospects. The Group's development experience of over 20 years in mainland China, with businesses now spread across 27 provincial areas presenting an extensive regional network, will facilitate sizeable growth of its respective businesses. Coupled with innovative research and development as well as favourable operating resources across different businesses, long-term growth of the Group's related businesses is foreseeable. The Group thus anticipates more prosperous development for its various businesses in the future.

Lee Ka-kit
Chairman

Lee Ka-shing
Chairman

Hong Kong, 20th August 2021

FINANCIAL INFORMATION

Highlights of the Group's interim financial statements for the first six months ended 30th June 2021 are shown below. The unaudited interim financial statements have been reviewed by the Company's Board Audit and Risk Committee and external auditor, PricewaterhouseCoopers.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED 30TH JUNE

	Note	**2021 HK$M**	2020 HK$M
Revenue	3	**24,727.6**	18,235.3
Total operating expenses	4	**(19,943.0)**	(14,125.2)
		4,784.6	4,110.1
Other gains/(losses), net	5	**125.9**	(560.4)
Interest expense		**(641.3)**	(610.0)
Share of results of associates		**1,080.3**	443.2
Share of results of joint ventures		**691.0**	511.7
Profit before taxation		**6,040.5**	3,894.6
Taxation	6	**(1,172.0)**	(706.5)
Profit for the period		**4,868.5**	3,188.1
Attributable to:			
Shareholders of the Company		**4,200.0**	2,666.9
Holders of perpetual capital securities		**55.3**	55.1
Non-controlling interests		**613.2**	466.1
		4,868.5	3,188.1
Dividends	7	**2,239.2**	2,132.6
Earnings per share – basic and diluted, HK cents	8	**22.5**	14.3*

*Adjusted for the bonus share issue in 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED 30TH JUNE

	2021 HK$M	2020 HK$M
Profit for the period	**4,868.5**	3,188.1
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	**(243.1)**	(444.2)
Share of other comprehensive loss of an associate	**-**	(19.7)
Exchange differences	**87.4**	(193.7)
Items that may be reclassified subsequently to profit or loss:		
Movement in reserve of debt investments at fair value through other comprehensive income	**(0.7)**	0.4
Change in fair value of cash flow hedges	**8.9**	(83.4)
Share of other comprehensive income of an associate	**5.1**	11.3
Exchange differences	**473.6**	(1,075.7)
Other comprehensive income/(loss) for the period, net of tax	**331.2**	(1,805.0)
Total comprehensive income for the period	**5,199.7**	1,383.1
Total comprehensive income attributable to:		
Shareholders of the Company	**4,508.5**	1,204.1
Holders of perpetual capital securities	**55.3**	55.1
Non-controlling interests	**635.9**	123.9
	5,199.7	1,383.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30TH JUNE 2021

	Note	**At 30th June 2021 HK$M**	At 31st December 2020 HK$M
Assets			
Non-current assets			
Property, plant and equipment		**70,859.4**	68,133.7
Investment property		**827.0**	827.0
Right-of-use assets		**2,898.0**	2,802.4
Intangible assets		**5,617.3**	5,462.9
Associates		**29,431.9**	28,670.3
Joint ventures		**12,569.2**	11,981.2
Financial assets at fair value through other comprehensive income		**2,262.5**	2,492.8
Financial assets at fair value through profit or loss		**4,747.1**	4,687.3
Derivative financial instruments		**310.1**	305.0
Retirement benefit assets		**111.9**	111.9
Other non-current assets		**9,988.7**	4,649.1
		139,623.1	130,123.6
Current assets			
Inventories		**2,615.8**	2,671.0
Trade and other receivables	9	**8,087.0**	8,572.5
Loan and other receivables from associates		**362.9**	401.7
Loan and other receivables from joint ventures		**622.2**	442.9
Loan and other receivables from non-controlling shareholders		**197.0**	206.3
Financial assets at fair value through profit or loss		**-**	205.4
Derivative financial instruments		**42.9**	28.5
Time deposits over three months		**108.1**	173.3
Time deposits up to three months, cash and bank balances		**8,374.1**	7,455.0
		20,410.0	20,156.6
Current liabilities			
Trade payables and other liabilities	10	**(16,668.6)**	(17,031.1)
Amounts due to joint ventures		**(638.0)**	(486.3)
Loan and other payables due to non-controlling shareholders		**(155.4)**	(108.3)
Provision for taxation		**(1,171.5)**	(1,188.1)
Borrowings		**(17,605.2)**	(10,852.3)
Derivative financial instruments		**(575.5)**	(140.2)
		(36,814.2)	(29,806.3)
Total assets less current liabilities		**123,218.9**	120,473.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) (Continued)
AS AT 30TH JUNE 2021

	At 30th June 2021 HK$M	At 31st December 2020 HK$M
Non-current liabilities		
Deferred taxation	**(7,112.4)**	(7,059.1)
Borrowings	**(33,514.4)**	(31,286.3)
Derivative financial instruments	**(120.7)**	(478.6)
Other non-current liabilities	**(2,610.3)**	(2,496.6)
	(43,357.8)	(41,320.6)
Net assets	**79,861.1**	79,153.3
Capital and reserves		
Share capital	**5,474.7**	5,474.7
Reserves	**61,667.3**	61,283.8
Shareholders' funds	**67,142.0**	66,758.5
Perpetual capital securities	**2,384.0**	2,384.0
Non-controlling interests	**10,335.1**	10,010.8
Total equity	**79,861.1**	79,153.3

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements, which do not constitute the Group's statutory consolidated financial statements, have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in compliance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

As at 30th June 2021, the Group was in a net current liability position of approximately HK$16.4 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 (i) the settlement of the US$1 billion guaranteed notes in August 2018, (ii) the acquisition of 25% equity interest in Shanghai Gas Co., Ltd. ("Shanghai Gas") (details about the transaction will be set out in the interim report) and (iii) other working capital and capital expenditure requirements. Taking into consideration the Group's available facilities, history of obtaining external financing and the Group's expected cash flows from operations and investments, management believes that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due. Accordingly, these condensed consolidated interim financial statements have been prepared on a going concern basis.

The financial information relating to the year ended 31st December 2020 that is included in the condensed consolidated interim financial information for the six months ended 30th June 2021 as comparative information does not constitute the Group's statutory annual consolidated financial statements for that year 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 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The Company's auditor has reported on those consolidated financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

Except as described below, the accounting policies used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those set out in the annual report for the year ended 31st December 2020.

The Group has adopted the following amendments to standards which are effective for the Group's financial year beginning 1st January 2021 and relevant to the Group.

Amendments to HKFRS 4, HKFRS 7, HKFRS 9, HKFRS 16 and HKAS 39	Interest Rate Benchmark Reform – Phase 2

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's consolidated financial statements for the year ended 31st December 2020.

2. 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 condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31st December 2020. There have been no changes in the risk management policies since year end.

The Group's financial instruments are measured in the statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- 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 financial assets and financial liabilities that are measured at fair value at 30th June 2021 and 31st December 2020.

	Level 1		**Level 2**		**Level 3**		**Total**	
HK$M	**At 30th June 2021**	At 31st December 2020	**At 30th June 2021**	At 31st December 2020	**At 30th June 2021**	At 31st December 2020	**At 30th June 2021**	At 31st December 2020
Financial assets								
Financial assets at fair value through profit or loss								
- Equity investments	**1,615.7**	1,742.0	**-**	56.3	**3,131.4**	3,094.4	**4,747.1**	4,892.7
Derivative financial instruments	**-**	-	**95.7**	79.1	**257.3**	254.4	**353.0**	333.5
Financial assets at fair value through other comprehensive income								
- Debt securities	**141.2**	158.7	**-**	-	**-**	-	**141.2**	158.7
- Equity investments	**1,596.8**	1,930.7	**-**	-	**524.5**	403.4	**2,121.3**	2,334.1
Total financial assets	**3,353.7**	3,831.4	**95.7**	135.4	**3,913.2**	3,752.2	**7,362.6**	7,719.0
Financial liabilities								
Other payables	**-**	-	**-**	-	**154.0**	154.0	**154.0**	154.0
Derivative financial instruments	**-**	-	**696.2**	618.8	**-**	-	**696.2**	618.8
Total financial liabilities	**-**	-	**696.2**	618.8	**154.0**	154.0	**850.2**	772.8

There are no other changes in valuation techniques during the period.

2. 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 period. 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 the unlisted equity investment, the fair value is determined based on the discounted cash flow model. The significant unobservable inputs include discount rate of 12.0 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 10.5 per cent and stock price expected volatility of the fair value of the underlying equity instrument of 36.1 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$0.5 billion, the fair values of which are determined based on their attributable net assets values, 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 4.0 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.

2. 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 period ended 30th June 2021 and year ended 31st December 2020:

	Financial assets		Financial liabilities	
HK$M	**At 30th June 2021**	At 31st December 2020	**At 30th June 2021**	At 31st December 2020
At beginning of period/year	**3,752.2**	3,519.2	**154.0**	154.0
Additions	**159.1**	40.2	**-**	-
Change in fair value	**(13.1)**	(14.7)	**-**	-
Exchange differences	**15.0**	207.5	**-**	-
At end of period/year	**3,913.2**	3,752.2	**154.0**	154.0

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

3. 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:

	Six months ended 30th June	
	2021 HK$M	2020 HK$M
Gas sales before fuel cost adjustment	**17,819.9**	13,724.3
Fuel cost adjustment	**323.1**	270.4
Gas sales after fuel cost adjustment	**18,143.0**	13,994.7
Connection income	**1,412.6**	1,136.5
Equipment sales and maintenance services	**1,624.1**	1,353.9
Water and related sales	**738.5**	552.5
Oil and coal related sales	**593.9**	362.3
Hydro-treated vegetable oil related sales	**1,222.2**	-
Other sales	**993.3**	835.4
	24,727.6	18,235.3

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 assesses 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 condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

3. Segment information (Continued)

The segment information for the six months ended 30th June 2021 and 2020 provided to the ECM for the reportable segments is as follows:

2021 HK$M	**Gas, water and related businesses Hong Kong**	**Gas, water and related businesses Mainland China**	**New Energy**	**Property**	**Other segments**	**Total**
Revenue recognised at a point in time	**5,080.9**	**15,970.6**	**2,532.3**	**-**	**88.7**	**23,672.5**
Revenue recognised over time	**-**	**402.4**	**-**	**-**	**393.5**	**795.9**
Finance and rental income	**-**	**-**	**231.4**	**27.8**	**-**	**259.2**
	5,080.9	**16,373.0**	**2,763.7**	**27.8**	**482.2**	**24,727.6**
Adjusted EBITDA	**2,569.7**	**3,594.3**	**444.5**	**15.5**	**89.5**	**6,713.5**
Depreciation and amortisation	**(436.2)**	**(866.4)**	**(199.0)**	**-**	**(87.7)**	**(1,589.3)**
Unallocated expenses						**(339.6)**
						4,784.6
Other gains, net						**125.9**
Interest expense						**(641.3)**
Share of results of associates	**-**	**773.3**	**90.5**	**216.8**	**(0.3)**	**1,080.3**
Share of results of joint ventures	**-**	**687.2**	**0.7**	**5.1**	**(2.0)**	**691.0**
Profit before taxation						**6,040.5**
Taxation						**(1,172.0)**
Profit for the period						**4,868.5**

There is no material change in the valuation of the Group's shared investment properties at the International Finance Centre complex for the period (2020: a decrease of HK$303.0 million included in the share of results of associates).

3. Segment information (Continued)

2020 HK$M	Gas, water and related businesses Hong Kong	Gas, water and related businesses Mainland China	New Energy	Property	Other segments	Total
Revenue recognised at a point in time	5,115.5	11,154.1	953.4	-	36.4	17,259.4
Revenue recognised over time	-	372.6	-	-	364.0	736.6
Finance and rental income	-	-	213.7	25.6	-	239.3
	5,115.5	11,526.7	1,167.1	25.6	400.4	18,235.3
Adjusted EBITDA	2,656.3	2,792.0	274.7	12.3	70.4	5,805.7
Depreciation and amortisation	(424.3)	(723.3)	(154.8)	-	(86.6)	(1,389.0)
Unallocated expenses						(306.6)
						4,110.1
Other losses, net						(560.4)
Interest expense						(610.0)
Share of results of associates	-	557.0	(28.2)	(86.9)	1.3	443.2
Share of results of joint ventures	-	508.9	0.4	4.4	(2.0)	511.7
Profit before taxation						3,894.6
Taxation						(706.5)
Profit for the period						3,188.1

3. Segment information (Continued)

The segment assets at 30th June 2021 and 31st December 2020 are as follows:

30th June 2021 **HK$M**	**Gas, water and related businesses** **Hong Kong**	 **Mainland China**	**New Energy**	**Property**	**Other segments**	**Total**
Segment assets	**17,800.9**	**92,371.3**	**19,096.6**	**15,740.4**	**4,660.7**	**149,669.9**
Unallocated assets:						
Financial assets at fair value through other comprehensive income						**2,262.5**
Financial assets at fair value through profit or loss						**4,747.1**
Time deposits, cash and bank balances excluded from segment assets						**1,864.6**
Others (Note)						**1,489.0**
Total assets						**160,033.1**

31st December 2020 HK$M	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

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 six months ended 30th June 2021 is HK$5,875.5 million (2020: HK$5,823.0 million), and the revenue from external customers in mainland China and other geographical locations is HK$18,852.1 million (2020: HK$12,412.3 million).

At 30th June 2021, the total of non-current assets other than financial instruments located in Hong Kong is HK$34,719.3 million (31st December 2020: HK$34,352.3 million), and the total of non-current assets other than financial instruments located in mainland China and other geographical locations is HK$97,584.1 million (31st December 2020: HK$88,286.2 million).

4. Total operating expenses

	Six months ended 30th June 2021 HK$M	2020 HK$M
Stores and materials used	**14,502.5**	9,404.6
Manpower costs	**1,728.9**	1,491.9
Depreciation and amortisation	**1,605.7**	1,408.3
Other operating items	**2,105.9**	1,820.4
	19,943.0	14,125.2

5. Other gains/(losses), net

	Six months ended 30th June 2021 HK$M	2020 HK$M
Net investment gains/(losses)	**263.7**	(216.5)
Provision for assets (Note)	**(116.3)**	(323.2)
Others	**(21.5)**	(20.7)
	125.9	(560.4)

Note

The impairment provision was recognised in relation to assets under New Energy business segment.

6. Taxation

	Six months ended 30th June 2021 HK$M	2020 HK$M
Current taxation	**985.6**	809.2
Deferred taxation relating to the origination and reversal of temporary differences and withholding tax	**186.4**	(102.7)
	1,172.0	706.5

The prevailing income tax rates of Hong Kong, mainland China and Thailand range from 16.5 per cent (2020: 16.5 per cent), 15 per cent to 25 per cent (2020: 15 per cent to 25 per cent) and 50 per cent (2020: 50 per cent) respectively.

7. Dividends

	Six months ended 30th June 2021 HK$M	2020 HK$M
2020 Final, paid, of HK23 cents per ordinary share (2019 Final: HK23 cents per ordinary share)	**4,087.4**	3,892.8
2021 Interim, proposed, of HK12 cents per ordinary share (2020 Interim: HK12 cents per ordinary share)	**2,239.2**	2,132.6
	6,326.6	6,025.4

8. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK$4,200.0 million (2020: HK$2,666.9 million) and the weighted average of 18,659,870,099 shares (2020: 18,659,870,099 shares*) in issue during the period.

* Adjusted for the bonus share issue in 2021

9. Trade and other receivables

	At 30th June 2021 HK$M	At 31st December 2020 HK$M
Trade receivables (Note)	**3,477.7**	3,827.9
Payments in advance	**1,914.4**	2,158.6
Other receivables	**2,694.9**	2,586.0
	8,087.0	8,572.5

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:

	At 30th June 2021 HK$M	At 31st December 2020 HK$M
0 - 30 days	**2,920.5**	3,360.6
31 - 60 days	**111.4**	125.2
61 - 90 days	**59.5**	50.9
Over 90 days	**386.3**	291.2
	3,477.7	3,827.9

10. Trade payables and other liabilities

	At 30th June 2021 HK$M	At 31st December 2020 HK$M
Trade payables (Note a)	**3,237.8**	3,586.4
Other payables and accruals (Note b)	**4,907.3**	4,808.6
Contract liabilities (Note c)	**8,445.7**	8,531.3
Lease liabilities (Notes d and e)	**77.8**	104.8
	16,668.6	17,031.1

Notes

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

	At 30th June 2021 HK$M	At 31st December 2020 HK$M
0 - 30 days	**1,196.2**	1,587.5
31 - 60 days	**411.8**	464.3
61 - 90 days	**426.3**	327.2
Over 90 days	**1,203.5**	1,207.4
	3,237.8	3,586.4

(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) The contractual maturities of the Group's lease liabilities were as follows:

	At 30th June 2021 HK$M	At 31st December 2020 HK$M
Within 1 year	**77.8**	104.8
Over 1 year #	**235.8**	175.0
	313.6	279.8

Non-current lease liabilities are included in other non-current liabilities.

(e) The interest expense on lease liabilities for the period amounting to HK$7.0 million (2020: HK$7.3 million) is included in the profit or loss.

DIVIDEND

The Board of Directors has declared an interim dividend for the six months ended 30th June 2021 of HK12 cents per share payable to shareholders of the Company whose names are on the register of members of the Company as at 7th September 2021. Dividend warrants will be despatched to shareholders on Wednesday, 15th September 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 6th September 2021 to Tuesday, 7th September 2021, both days inclusive, during which period no transfer of shares will be registered. **In order to qualify for this dividend, 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 Friday, 3rd September 2021.**

FINANCIAL RESOURCES REVIEW

Liquidity and capital resources

As at 30th June 2021, the Group had a net current borrowings position of HK$9,123 million (31st December 2020: HK$3,224 million) and long-term borrowings of HK$33,514 million (31st December 2020: HK$31,286 million). In addition, banking facilities available for use amounted to HK$21,500 million (31st December 2020: HK$21,200 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 June 2021, the Programme was updated with the size increased to US$5 billion. In addition, our major listed subsidiary company Towngas China Company Limited ("Towngas China") also established its Medium Term Note Programme of US$2 billion in June 2021, which will add flexibility and capacity to its financing in future. As at 30th June 2021, the Group issued notes in the total nominal amount of HK$21,761 million (31st December 2020: HK$20,742 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 30th June 2021 was HK$21,121 million (31st December 2020: HK$20,165 million).

As at 30th June 2021, the Group's borrowings amounted to HK$51,120 million (31st December 2020: HK$42,139 million). The increase in borrowings was mainly contributed by the drawdown of bridging loans by Towngas China to fund its acquisition of 25% of the enlarged capital of Shanghai Gas Co., Ltd. ("Shanghai Gas") at RMB 4,700 million. While the notes mentioned above together with the bank and other loans of HK$9,993 million (31st December 2020: HK$8,139 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$9,218 million (31st December 2020: HK$6,935 million) were long-term bank loans and HK$10,788 million (31st December 2020: HK$6,900 million) had maturities within one year on revolving credit or term loan facilities. As at 30th June 2021, the maturity profile of the Group's borrowings was 34 per cent within 1 year, 5 per cent within 1 to 2 years, 35 per cent within 2 to 5 years and 26 per cent over 5 years (31st December 2020: 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).

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 at 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 borrowings / (total equity + net borrowings)] for the Group as at 30th June 2021 remained healthy at 35 per cent (31st December 2020: 30 per cent). The increase in gearing was mainly contributed by the drawdown of bridging loans by Towngas China to fund its acquisition of 25% of the enlarged capital of Shanghai Gas as mentioned above.

Contingent liabilities

As at 30th June 2021 and 31st December 2020, 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 30th June 2021, the relevant investments in securities amounted to HK$415 million (31st December 2020: HK$685 million). The performance of the Group's financial investments in securities was satisfactory.

OTHER INFORMATION

Corporate governance

During the six months ended 30th June 2021, 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 "Listing Rules").

Model code for dealing in securities by Directors

The Company has adopted the model code as set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). Following specific enquiries by the Company, all Directors confirmed that they had fully complied with the required standard set out in the Model Code throughout the six months ended 30th June 2021.

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 six months ended 30th June 2021.

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

Hong Kong, 20th August 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