

2016

Interim Report



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)

THE HONG KONG AND CHINA GAS COMPANY LIMITED

2016 INTERIM REPORT

To Shareholders

Dear Sir or Madam,

HALF-YEARLY RESULTS

The Directors are pleased to report that the unaudited profit after taxation attributable to shareholders of the Group for the six months ended 30th June 2016 amounted to HK\$4,331 million, an increase of HK\$134 million compared to the same period last year. Earnings per share for the first half of 2016 amounted to HK34.1 cents, an increase of 3.2 per cent compared to the same period last year.

Highlights of the unaudited results of the Group for the six months ended 30th June 2016, as compared to the same period in 2015, are shown in the following table:

	Unaudited Six months ended 30th June	
	2016	2015
Revenue before Fuel Cost Adjustment, HK million dollars	13,918	14,517
Revenue after Fuel Cost Adjustment, HK million dollars	14,162	15,083
Profit Attributable to Shareholders, HK million dollars	4,331	4,197
Earnings per Share, HK cents	34.1	33.0*
Interim Dividend per Share, HK cents	12.0	12.0
Town Gas Sold in Hong Kong, million MJ	15,774	15,491
Gas Sold in mainland China City-gas Business, million cubic metres; natural gas equivalent [#]	8,634	7,947
Number of Customers in Hong Kong as at 30th June	1,847,390	1,828,333
Number of City-gas Customers in mainland China as at 30th June [#]	21,911,007	19,912,450

* Adjusted for the bonus share issue in 2016

Inclusive of all mainland city-gas projects of the Group

The unaudited condensed consolidated interim financial statements are provided on pages 9 to 32 of this Interim Report. The unaudited interim financial statements have been reviewed by the Company's Board Audit and Risk Committee and external auditor, PricewaterhouseCoopers.

TOWN GAS BUSINESS IN HONG KONG

During the first half of 2016, the global economy still faced severe challenges, and concurrently, the local economy grew slower compared to the same period last year, due to a decrease in the number of inbound tourists and sluggish retail sales, creating a negative impact on commercial and industrial gas sales. Conversely, as the average temperature in the first half of 2016 in Hong Kong was lower than the same period last year, residential gas sales increased. Overall, total volume of gas sales in Hong Kong for the first half of 2016 increased by 1.8 per cent to 15,774 million MJ while appliance sales revenue also achieved good growth, reaching HK\$843 million, an increase of 21.4 per cent, both compared to the same period last year.

As at 30th June 2016, the number of customers was 1,847,390, an increase of 8,129 since the end of December 2015.

BUSINESS DEVELOPMENT IN MAINLAND CHINA

The Group's mainland businesses continued to progress steadily during the first half of 2016 in respect of the number of projects and profit from utility businesses.

Overall, inclusive of projects of the Group's subsidiary, Towngas China Company Limited ("Towngas China"; stock code: 1083.HK), the Group currently has 235 projects on the mainland, 13 more than at the end of 2015, spread across 26 provinces, autonomous regions and municipalities. These projects encompass upstream, midstream and downstream natural gas sectors, water sectors, environmentally-friendly energy applications and exploration and utilisation of new emerging energy sources, as well as telecommunications.

Diversification and an increase in the number of projects has gradually transformed the Group from a locally-based company in Hong Kong centred on a single town gas business into a sizable, nationwide, multi-business corporation focussed on environmentally-friendly energy ventures and utility sectors.

The Group's development of emerging environmentally-friendly energy businesses and related research and development of new technologies, through its wholly-owned subsidiary ECO Environmental Investments Limited and the latter's subsidiaries (collectively known as "ECO"), are progressing steadily. With a number of environmentally-friendly and energy conservation projects under construction or already commissioned, and new projects under development, the foundation for long-term growth of the Group's businesses is being continually reinforced. However, during the first half of 2016, international oil prices continued to fall, at one time to a 2003 low, leading to a drastic drop in prices of energy products which significantly affected ECO's half-yearly profits.

UTILITY BUSINESSES IN MAINLAND CHINA

The Group's city-gas businesses are progressing well. Inclusive of Towngas China, the Group currently has a total of 131 city-gas projects in mainland cities spread across 23 provinces, autonomous regions and municipalities. The total volume of gas sales for these projects for the first half of 2016 was approximately 8,630 million cubic metres, an increase of 9 per cent over the same period last year. As at the end of June 2016, the Group's mainland gas customers stood at 21.91 million, an increase of 10 per cent over the same period last year. The Group continues to have a good reputation as a large-scale city-gas enterprise with outstanding performance on the mainland.

Under the impact of grim geopolitics in a number of regions overseas and an increasing risk of a global economic downturn, demand for commodities worldwide remained weak during the first half of 2016, and, as a result, growth of the mainland economy was slower compared to the same period last year. The country's demand for energy, including electricity, petroleum and natural gas, recorded only slight growth. Nevertheless, long-term and steady growth in the demand for natural gas, a major clean energy resource on the mainland, is still anticipated. The Chinese government has also formulated a natural gas utilisation policy to strengthen preventative measures to combat air pollution and to minimise the formation of smog, indicating an energy development trend inclining towards natural gas and environmentally-friendly energy. This favourable momentum will benefit the Group's city-gas and natural gas businesses.

The global economy is still sluggish, creating an adverse impact on industrial gas demand and, given low international oil prices, declining prices for other petroleum fuels. Following the implementation of price adjustments by the Chinese government in April and November 2015, non-residential natural gas city-gate prices have reduced, thus enhancing the competitiveness of natural gas relative to other energy sources. In the medium to long term, natural gas is still projected to be the clean energy of choice for reducing air pollution and improving smoggy atmospheric conditions on the mainland. With gradual commissioning of the country's large-scale natural gas projects, including transmission pipelines from Sichuan province to eastern and southern China and the West-to-East pipeline, and pipeline projects for importing natural gas from Central Asia and Myanmar, together with a scheduled supply of piped natural gas from Russia, as well as a rise in the quantity of imported liquefied natural gas ("LNG"), supply of natural gas on the mainland is becoming ample, which is beneficial to market development. With a number of mainland cities gradually introducing policies to advocate the use of natural gas to replace coal, natural gas as a fuel for household heating in winter is gradually growing. Thus, with increasing sources of gas supply, expanding pipeline networks and the public's aspiration for greater environmental protection, the Group anticipates its mainland city-gas businesses will continue to thrive in future.

Construction of the Group's natural gas storage facility in underground salt caverns in Jintan district, Changzhou city, Jiangsu province, is in progress. Upon completion, this facility will be the first of its kind developed by a city-gas enterprise on the mainland. Total storage capacity will be approximately 460 million standard cubic metres. Completion of phase one of this project, with a storage capacity of 150 million standard cubic metres, is expected during the first quarter of 2017. This facility, which will help the Group supplement and regulate gas supplies during the peak winter period for several of its city-gas projects in eastern China, is in line with the Chinese government's policy of advocating faster development of gas storage capacity, and will support the Group's business development in downstream city-gas markets.

The Group's development of natural gas vehicular refilling stations in mainland China, under the brand name "Towngas", is progressing well with 103 stations spread across different provinces to date. Apart from continuously developing this business in mainland China, the Group is also actively developing refilling projects for marine vessels and is currently investing in a joint venture project with six refilling sites for barges along the Yangtze River in Jiangsu province. This is the country's first, and largest project in terms of number of refilling sites, along this river. In September 2013, the joint venture constructed and put into service the country's first floating LNG refilling station barge. Classified by the government as a pilot project, this venture represents the start of a new era for the mainland's marine industry in LNG applications. Given that LNG is a form of clean energy that is being actively promoted by the Chinese government, vehicular and marine refilling station businesses have good prospects for the Group.

The Group stepped into the mainland water market under the brand name "Hua Yan Water" over ten years ago and has so far invested in, and operates, six water projects. These include water supply joint venture projects in Wujiang district, Suzhou city, Jiangsu province and in Wuhu city, Anhui province; wholly-owned water supply projects in Zhengpugang Xin Qu, Maanshan city and in Jiangbei Xin Qu, Wuhu city, both in Anhui province; and an integrated water supply and wastewater treatment joint venture project, together with an integrated wastewater treatment joint venture project for a special industry, both in Suzhou Industrial Park, Suzhou city, Jiangsu province. In addition, given food waste processing and utilisation is also a sizable environmentally-friendly industry, the Group is constructing a plant to handle 600 tonnes of food waste, green waste and landfill leachate daily for conversion into natural gas, oil products, solid fuel and fertilizer, under "Hua Yan Water" brand in Suzhou Industrial Park. This will be the Group's first project converting waste into high-value products.

Operation and management of businesses encompassing city-gas, midstream natural gas, city-water and waste processing and utilisation projects create greater synergy and mutual advantages. Furthermore, these businesses generate stable income and provide good environmental benefits, with room for expansion. The Group will therefore keep on looking for opportunities to invest in high-quality utility projects on the mainland.

EMERGING ENVIRONMENTALLY-FRIENDLY ENERGY BUSINESSES

ECO's major businesses in Hong Kong – an aviation fuel facility, dedicated liquefied petroleum gas ("LPG") vehicular refilling stations and landfill gas utilisation projects – are all operating smoothly. Total turnover for ECO's aviation fuel facility for the first half of 2016 was 3.66 million tonnes. The facility contributes to ECO's steady profit growth. The business of five LPG vehicular refilling stations under the brand name "ECO" is progressing steadily, providing a quality and reliable fuel supply to the territory's taxi and minibuss sectors. ECO's landfill gas project in the North East New Territories, after operating for several years, is generating noticeable environmental benefits. On this basis, ECO commenced the development of a South East New Territories landfill gas utilisation project in 2015, with commissioning expected to start in the second half of 2016, which will increase the proportion of landfill gas used by the Group and make a further contribution to energy conservation and emission reduction in Hong Kong.

Facing the continuing fall in international oil prices, output of ECO's oilfield project in Thailand was adjusted to 740,000 barrels during the first half of 2016, a decrease of 29 per cent compared to the same period last year, causing a significant impact on the project's recent profits.

ECO's coalbed methane liquefaction facility, located in Jincheng city, Shanxi province, suffered a downturn in output due to low LNG market prices during the first half of 2016. However, the facility is expected to resume stable and smooth operations as the mainland economy gradually begins to improve. Construction of a project in Xuzhou city, Jiangsu province to produce LNG by methanation of coke oven gas has been largely completed; trial production is expected to commence in the second half of 2016.

As smog and air pollution on the mainland are now a growing concern, the Chinese government is stepping up its efforts to promote the use of LNG as a gradual replacement for diesel for heavy-duty trucks. A network of ECO natural gas refilling stations is gradually taking shape in provinces and autonomous regions including Shaanxi, Inner Mongolia, Ningxia, Shandong, Shanxi, Jiangsu, Henan and Liaoning. All in all, ECO currently has 60 refilling stations in operation, under construction or at the planning stage. As expansion of its network progresses, the ECO brand name will gradually become more well-known in the market.

The Chinese government is encouraging conversion of biomass into clean energy and chemical products and this is now an important part of ECO's business development. To this end, ECO is, at full speed, constructing a plant to upgrade inedible bio-oil, expected to be completed in mid-2017 for trial production. Located in Zhangjiagang city, Jiangsu province, the facility will handle approximately 220,000 tonnes of palm acid oil annually for conversion into high-quality chemical products and low-sulphur fuels.

Mainland China, a sizeable agricultural country, generates a large quantity of agricultural waste every year. Apart from using a small portion of this in fields or for power generation, there are currently no effective measures for utilisation of this waste. However, ECO has successfully developed new technologies to convert agricultural and forestry waste into syngas and chemical raw materials such as furfural and levulinic acid through thermal gasification and hydrolysis – a kind of development which effectively transforms waste of this kind into high-value products using advanced technologies. ECO is planning to start a pilot project within this year using these technologies and to commission a facility next year, which will lay the foundation for future mass commercial application.

ECO's coal-based methanol production plant in Inner Mongolia Autonomous Region operated smoothly during the first half of 2016 with a yield of 138,000 tonnes, a similar level to the same period last year. To overcome the adverse impact of continuous falls in methanol and gasoline prices, ECO has enhanced methanol production to 340,000 tonnes annually, and plans to optimise its facility to convert methanol into natural gasoline, thus laying the foundation for further methanol upgrading business.

ECO is also developing innovative resource conversion technologies for the production of high value-added environmentally-friendly new energy. Related research and development has achieved a breakthrough in results, with noticeable economic and environmental benefits, especially in areas of coal tar oil conversion into carbon materials, upgrading and utilisation of oil-rich powder coal and conversion of agricultural waste into syngas and fuel additives. All of this should help strengthen ECO's competitive edge in the areas of environmentally-friendly energy and petroleum substitutes in future.

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

Towngas China, a subsidiary of the Group, developed steadily during the first half of 2016 with its project companies on the mainland contributing a profit, denominated in renminbi, amounting to RMB678 million, an increase of 11 per cent compared to the same period last year. However, due to the devaluation of the renminbi and an increase in finance costs resulted from the switch to renminbi loan financing during this period, Towngas China's profit after taxation attributable to its shareholders for the first half of 2016 amounted to HK\$564 million, a decrease of 12 per cent compared to the same period last year. As at the end of June 2016, the Group held approximately 1,689 million shares in Towngas China, representing approximately 63.38 per cent of Towngas China's total issued shares.

Project development of Towngas China progressed well during the first half of 2016 with an investment in SCEI Distributed Energy Systems Co., Ltd., the company's first distributed energy project, added to its portfolio.

Towngas China was honoured with the Grand Award presented by The Hong Kong Management Association ("HKMA") at its 2016 HKMA Quality Awards, in recognition of the company's long-time commitment to quality. The award is highly gratifying as it affirms Towngas China's approach to total quality management and the development of quality products, services and performance across all its operations. Towngas China's ongoing efforts to improve its customer services, safe operations, human resources, social responsibility, corporate governance, financial management performance, etc. continue to contribute to the Group's business growth momentum.

Towngas China will continue to actively develop small to medium commercial and industrial gas markets on the mainland and to advocate the use of natural gas to replace coal as a fuel. The company is also planning to actively develop the household gas heating, hot water and clothes drying markets on the mainland in order to boost residential gas demand.

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. Taking advantage of low interest rates, medium term notes totalling HK\$464 million, with maturity ranging from 10 to 12 years, were issued during the first half of 2016. In line with the Group's long-term business investments, as at 30th June 2016, the amount of medium term notes issued was HK\$11.1 billion with tenors ranging from 10 to 40 years, with an average fixed interest rate of 3.63 per cent and an average tenor of 16 years.

EMPLOYEES AND PRODUCTIVITY

As at 30th June 2016, the number of employees engaged in the town gas business in Hong Kong was 1,991 (30th June 2015: 1,971), the number of customers was 1,847,390, and each employee served the equivalent of 928 customers, a similar level to 30th June 2015. 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 2,362 as at the end of June 2016 compared to 2,325 as at the end of June 2015. Related manpower costs amounted to HK\$493 million for the first half of 2016, an increase of HK\$36 million compared with the corresponding period in 2015. 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 45,700 as at the end of June 2016, an increase of approximately 1,100 compared with the corresponding period in 2015.

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 15th September 2016. To enable our Share Registrar to complete the necessary work associated with this payment, the Register of Members will be closed on Wednesday, 14th September 2016 and Thursday, 15th September 2016, during which period no share transfers will be effected. Dividend warrants will be posted to shareholders on Monday, 3rd October 2016.

BUSINESS OUTLOOK FOR 2016

The Company predicts steady growth in its number of customers in Hong Kong during 2016. Under the impact of global economic uncertainties and a slowdown in inbound tourism, the territory's economy is facing downward pressures with weakening internal demand and consumer spending. However, the Government of the Hong Kong Special Administrative Region is striving to increase land and housing supply and this should help maintain stable and good growth in the number of gas customers in the next few years. Expansion in the commercial and industrial energy market is also benefiting from the competitiveness of town gas, an energy resource combining both environmental and economic benefits. As international oil prices continue to remain low following a substantial decline, gas tariff fuel cost adjustment charges in Hong Kong have been reduced which is beneficial to customers and further enhances the competitiveness of town gas, relative to electricity in particular, in the energy market. However, increasing local manpower costs and operating expenses are leading to rising costs for businesses generally in Hong Kong. The Company's increase in its standard gas tariff on 1st August 2015 has helped offset some of this pressure on its own rising operating costs. The Company will, however, continue to enhance operational efficiency so as to maintain stable development of its gas business in the territory.

Mainland China's Thirteenth Five-Year Plan commenced in 2016. Currently, an increasing risk of a global economic downturn is impacting production for export. Given the mainland's economic growth momentum is also notably slowing, and growth in domestic market production declining, growth in gas sales of the Group's mainland city-gas businesses is weakening. Coupled with the exchange risk arising from renminbi devaluation, overall profit growth of the Group's mainland businesses faces challenges in the near term. Nevertheless, in the long term, promotion of utilising natural gas is benefiting from the Chinese government's drive to reduce carbon emissions, to encourage the use of clean energy, and to enforce the Law on the Prevention and Control of Atmospheric Pollution which was revised on 1st January 2016, all further tightening supervision and administration of related measures. These factors, coupled with rapid urbanisation, will lead to a continuing rise in demand for utility facilities and energy. Natural gas price adjustments in late 2015 lowered upstream gas prices, thus enhancing competitiveness. Increasing upstream gas supply, expanding pipeline networks and the government's move to reduce carbon emissions and minimise the formation of smog are creating opportunities for natural gas to replace use of coal in industrial processing, and for boilers, power generation, distributed energy, household heating, gas hot water heaters and clothes dryers. This is favourable to the development of the downstream gas market and the healthy and long-term development of the natural gas business sector in general.

In respect of emerging environmentally-friendly energy businesses, following the Chinese government's move towards greater energy diversification, environmental protection and recycling of materials, the Group is continuing to develop and apply new technologies for conserving energy and reducing pollutant emissions. There is also a growing trend for greater use of low-sulfur, high-quality oil, electricity, natural gas, etc. as fuels for vehicles and vessels to reduce atmospheric pollution. Though currently international oil prices remain low, which will impact profit growth and slow down the pace of investment of the Group's emerging environmentally-friendly energy businesses in the short term, ECO is moving towards production of high-quality chemical products which are less sensitive to international oil prices, taking this as a guide for future project investments. As self-developed research and developments gradually achieve results, emerging environmentally-friendly energy businesses will ignite a new light for the Group, illuminating the way for long-term development and business growth strategy.

With the Group's solid foundation in Hong Kong and its diverse business sectors spread across extensive areas on the mainland, together with its successful technical experience, corporate brand names and sales channels built there over 20 years, and mainland society's growing concern over air quality, it is anticipated that there will be ever-rising demand for clean energy. According to the Thirteenth Five-Year Plan, the share of natural gas in the country's total energy mix is set to increase from below 6 per cent currently to 10 per cent by year 2020, thus creating huge market potential for clean energy businesses. In addition, given that the number of piped-gas customers in Hong Kong and mainland China is increasing, the Group, with its sizeable customer base, foresees better benefits from its expanding new businesses.

Despite the challenges resulted from the slowdown in economic growth on the mainland, the Group has formulated, and is gradually implementing, development plans in accordance with the country's energy and environmental policy. Overall, with demand for natural gas and renewable energy increasing alongside society's growing aspiration for more environmental protection, the Group anticipates its development in the years to come will be even broader and better.

LEE Shau Kee

Chairman

Hong Kong, 22nd August 2016

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30th June

	Note	2016 HK\$M	2015 HK\$M
Revenue	3	14,162.4	15,083.1
Total operating expenses	4	(10,191.8)	(11,283.4)
		3,970.6	3,799.7
Other gains, net	5	54.6	598.3
Interest expense		(576.9)	(490.6)
Share of results of associates		1,273.5	831.4
Share of results of joint ventures		879.6	938.7
		5,601.4	5,677.5
Profit before taxation	6	5,601.4	5,677.5
Taxation	7	(770.7)	(952.9)
		4,830.7	4,724.6
Profit for the period		4,830.7	4,724.6
Attributable to:			
Shareholders of the Company		4,330.7	4,197.1
Holders of perpetual capital securities		55.3	55.2
Non-controlling interests		444.7	472.3
		4,830.7	4,724.6
Dividends	8	1,526.0	1,387.6
Earnings per share – basic and diluted, HK cents	9	34.1	33.0*

* Adjusted for the bonus share issue in 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30th June

	2016 HK\$M	2015 HK\$M
Profit for the period	4,830.7	4,724.6
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Change in value of available-for-sale financial assets	20.2	(97.4)
Change in fair value of cash flow hedges	57.7	(75.4)
Share of other comprehensive income/(loss) of an associate	7.4	(4.7)
Recognition of exchange reserve upon disposal of subsidiaries	–	(83.0)
Exchange differences	(984.5)	(67.6)
Other comprehensive loss for the period, net of tax	(899.2)	(328.1)
Total comprehensive income for the period	3,931.5	4,396.5
Total comprehensive income attributable to:		
Shareholders of the Company	3,579.4	3,867.9
Holders of perpetual capital securities	55.3	55.2
Non-controlling interests	296.8	473.4
	3,931.5	4,396.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30th June 2016

	Note	At 30th June 2016 HK\$M	At 31st December 2015 HK\$M
Assets			
Non-current assets			
Property, plant and equipment	10	48,502.6	47,455.6
Investment property		713.0	713.0
Leasehold land		2,035.6	1,961.9
Intangible assets		5,708.5	5,819.5
Associates		20,384.8	19,591.9
Joint ventures		9,613.8	9,288.2
Available-for-sale financial assets		4,577.0	4,567.0
Derivative financial instruments		246.5	161.5
Other non-current assets		2,843.9	2,371.8
		<u>94,625.7</u>	<u>91,930.4</u>
Current assets			
Inventories		2,109.7	2,291.3
Trade and other receivables	11	6,253.3	6,896.8
Loan and other receivables from associates		232.5	90.9
Loan and other receivables from joint ventures		1,064.2	966.4
Loan and other receivables from non-controlling shareholders		119.9	122.6
Financial assets at fair value through profit or loss		41.6	12.1
Time deposits over three months		5,456.2	1,326.9
Time deposits up to three months, cash and bank balances		7,118.2	11,925.9
		<u>22,395.6</u>	<u>23,632.9</u>
Current liabilities			
Trade and other payables	12	(11,416.1)	(11,936.7)
Amounts due to associates		(44.5)	–
Amounts due to joint ventures		(687.0)	(572.3)
Loan and other payables to non-controlling shareholders		(134.4)	(181.4)
Provision for taxation		(845.6)	(736.2)
Borrowings		(6,471.0)	(9,712.3)
Derivative financial instruments		(3.6)	(41.7)
		<u>(19,602.2)</u>	<u>(23,180.6)</u>
Total assets less current liabilities		<u>97,419.1</u>	<u>92,382.7</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) (continued)

As at 30th June 2016

	Note	At 30th June 2016 HK\$M	At 31st December 2015 HK\$M
Non-current liabilities			
Customers' deposits		(1,291.1)	(1,282.9)
Deferred taxation		(4,961.2)	(4,874.7)
Borrowings		(27,615.6)	(23,363.4)
Loan payables to non-controlling shareholders		(22.8)	(21.9)
Asset retirement obligations		(32.1)	(30.2)
Derivative financial instruments		(487.5)	(654.4)
Retirement benefit liabilities		(42.3)	(42.3)
		<u>(34,452.6)</u>	<u>(30,269.8)</u>
Net assets		<u><u>62,966.5</u></u>	<u><u>62,112.9</u></u>
Capital and reserves			
Share capital	13	5,474.7	5,474.7
Reserves	15	<u>48,281.7</u>	<u>47,366.7</u>
Shareholders' funds		53,756.4	52,841.4
Perpetual capital securities	14	2,353.8	2,353.8
Non-controlling interests		<u>6,856.3</u>	<u>6,917.7</u>
Total equity		<u><u>62,966.5</u></u>	<u><u>62,112.9</u></u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30th June

	2016 HK\$M	2015 HK\$M
Net cash from operating activities	4,377.1	4,117.2
Investing activities		
Purchase of property, plant and equipment	(2,637.3)	(2,735.2)
Consideration paid for acquisition of businesses in prior periods	(3.5)	(112.7)
Acquisition of business	(98.7)	(18.2)
Interest received	85.8	221.5
(Increase)/decrease in time deposits over three months	(4,133.3)	146.1
Dividends received from investments in securities	88.2	104.0
Dividends received from associates	308.1	332.3
Dividends received from joint ventures	95.6	358.4
Other cash flows (used in)/from investing activities	(83.1)	288.0
Net cash used in investing activities	(6,378.2)	(1,415.8)
Financing activities		
Dividends paid to shareholders of the Company	(2,659.0)	(2,417.8)
Interest paid	(668.4)	(619.4)
Interest paid to holders of perpetual capital securities	(55.3)	(55.2)
Net borrowings and others	624.9	1,515.3
Net cash used in financing activities	(2,757.8)	(1,577.1)
(Decrease)/increase in cash and cash equivalents	(4,758.9)	1,124.3
Cash and cash equivalents at 1st January	11,925.9	12,605.5
Effect of foreign exchange rate changes	(48.8)	21.8
Cash and cash equivalents at 30th June	7,118.2	13,751.6
Analysis of balances of cash and cash equivalents		
Cash and bank balances	5,378.2	6,814.2
Time deposits up to three months	1,740.0	6,937.4
	7,118.2	13,751.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30th June

	Attributable to shareholders of the Company		Holders of perpetual capital securities HK\$M	Non-controlling interests HK\$M	Total HK\$M
	Share capital HK\$M	Reserves HK\$M			
Total equity as at 1st January 2016	5,474.7	47,366.7	2,353.8	6,917.7	62,112.9
Profit for the period	–	4,330.7	55.3	444.7	4,830.7
Other comprehensive income:					
Change in value of available-for-sale financial assets	–	18.8	–	1.4	20.2
Change in fair value of cash flow hedges	–	56.4	–	1.3	57.7
Share of other comprehensive income of an associate	–	7.4	–	–	7.4
Exchange differences	–	(833.9)	–	(150.6)	(984.5)
Total comprehensive income for the period	–	3,579.4	55.3	296.8	3,931.5
Capital injection	–	–	–	3.6	3.6
Further acquisition of a subsidiary	–	(5.4)	–	(86.6)	(92.0)
Interest paid on perpetual capital securities	–	–	(55.3)	–	(55.3)
Dividends paid to shareholders of the Company	–	(2,659.0)	–	–	(2,659.0)
Dividends paid to non-controlling shareholders	–	–	–	(275.2)	(275.2)
Total equity as at 30th June 2016	5,474.7	48,281.7	2,353.8	6,856.3	62,966.5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (continued)

For the six months ended 30th June

	Attributable to shareholders of the Company		Holders of perpetual capital securities HK\$M	Non-controlling interests HK\$M	Total HK\$M
	Share capital HK\$M	Reserves HK\$M			
Total equity as at 1st January 2015	5,474.7	47,153.5	2,353.8	7,241.7	62,223.7
Profit for the period	–	4,197.1	55.2	472.3	4,724.6
Other comprehensive income:					
Change in value of available-for-sale financial assets	–	(97.4)	–	–	(97.4)
Change in fair value of cash flow hedges	–	(75.7)	–	0.3	(75.4)
Share of other comprehensive loss of an associate	–	(4.7)	–	–	(4.7)
Recognition of exchange reserve upon disposal of subsidiaries	–	(83.0)	–	–	(83.0)
Exchange differences	–	(68.4)	–	0.8	(67.6)
Total comprehensive income for the period	–	3,867.9	55.2	473.4	4,396.5
Capital injection	–	–	–	26.2	26.2
Acquisition of businesses	–	–	–	16.5	16.5
Further acquisition of subsidiaries	–	–	–	(9.4)	(9.4)
Disposal of subsidiaries	–	–	–	(389.2)	(389.2)
Interest paid on perpetual capital securities	–	–	(55.2)	–	(55.2)
Dividends paid to shareholders of the Company	–	(2,417.8)	–	–	(2,417.8)
Dividends paid to non-controlling shareholders	–	–	–	(228.0)	(228.0)
Others	–	14.4	–	38.4	52.8
Total equity as at 30th June 2015	<u>5,474.7</u>	<u>48,618.0</u>	<u>2,353.8</u>	<u>7,169.6</u>	<u>63,616.1</u>

NOTES TO THE CONDENSED 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 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").

The financial information relating to the year ended 31st December 2015 that is included in the condensed consolidated interim financial information for the six months ended 30th June 2016 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 2015 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 reports 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 2015.

The Group has adopted the following amendments to standards and annual improvements which are effective for the Group's financial year beginning 1st January 2016 and relevant to the Group.

Amendments to HKAS 1	Disclosure initiative
Amendment to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendment to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendment to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Annual improvements 2014	Annual Improvements to HKFRSs 2012-2014 Cycle

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

The HKICPA has issued a number of new or revised standards, interpretations and amendments to standards which are not effective for accounting period beginning 1st January 2016 and the Group has not early adopted the rules.

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

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 30th June 2016 and 31st December 2015.

HK\$M	Level 1		Level 2		Level 3		Total	
	At 30th	At 31st	At 30th	At 31st	At 30th	At 31st	At 30th	At 31st
	June	December	June	December	June	December	June	December
	2016	2015	2016	2015	2016	2015	2016	2015
Assets								
Financial assets at fair value through profit or loss								
– Equity securities	41.6	12.1	–	–	–	–	41.6	12.1
Derivative financial instruments	–	–	246.5	161.5	–	–	246.5	161.5
Available-for-sale financial assets								
– Debt securities	441.4	420.2	–	–	–	–	441.4	420.2
– Equity investment	1,049.4	994.1	215.0	219.5	2,361.2	2,416.2	3,625.6	3,629.8
Total assets	<u>1,532.4</u>	<u>1,426.4</u>	<u>461.5</u>	<u>381.0</u>	<u>2,361.2</u>	<u>2,416.2</u>	<u>4,355.1</u>	<u>4,223.6</u>
Liabilities								
Other payables	–	–	–	–	154.0	176.7	154.0	176.7
Derivative financial instruments	–	–	491.1	696.1	–	–	491.1	696.1
Total liabilities	<u>–</u>	<u>–</u>	<u>491.1</u>	<u>696.1</u>	<u>154.0</u>	<u>176.7</u>	<u>645.1</u>	<u>872.8</u>

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.

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

- Available-for-sale financial assets in level 3 is an unlisted equity investment. The fair value is determined based on discounted cash flow model. The significant unobservable inputs include discount rate of 10.8 per cent, sales price, sales volume and expected free cash flows of the investee. The higher the discount rate, the lower the fair value. The higher the sales price, sales volume or expected free cash flows of the investee, the higher the fair value.
- Other payables in level 3 represents contingent consideration generated from the further acquisition of a subsidiary on 1st August 2015. 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 higher the discount rate, the lower the fair value. The higher the rate of probability, the higher the fair value.

The following table presents the changes in level 3 instruments of the Group at 30th June 2016 and 31st December 2015.

HK\$M	Contingent consideration		Equity investment	
	At 30th June 2016	At 31st December 2015	At 30th June 2016	At 31st December 2015
At beginning of period/year	176.7	–	2,416.2	–
Acquisition	–	176.7	–	3,151.7
Change in fair value	(18.7)	–	–	(598.2)
Exchange differences	(4.0)	–	(55.0)	(137.3)
At end of period/year	<u>154.0</u>	<u>176.7</u>	<u>2,361.2</u>	<u>2,416.2</u>

2. Financial risk management and fair value estimation of financial instruments (continued)

Specific valuation techniques used to value financial instruments includes:

- 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 determined using forward exchange rates at the end of the reporting period, with the resulting value discounted back to present value.

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the 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	
	2016	2015
	HK\$M	HK\$M
Gas sales before fuel cost adjustment	9,943.3	10,869.8
Fuel cost adjustment	244.7	566.5
Gas sales after fuel cost adjustment	10,188.0	11,436.3
Gas connection income	1,265.7	1,260.9
Equipment sales and maintenance services	1,248.2	1,073.8
Water and related sales	586.3	562.0
Oil and coal related sales	340.9	313.1
Other sales	533.3	437.0
	14,162.4	15,083.1

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 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).

3. Segment information (continued)

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 financial statements.

The segment information for the six months ended 30th June 2016 and 2015 provided to the ECM for the reportable segments is as follows:

2016 HK\$M	<u>Gas, water and related businesses</u>		<u>New Energy</u>	<u>Property</u>	<u>Other segments</u>	<u>Total</u>
	<u>Hong Kong</u>	<u>Mainland China</u>				
Revenue	<u>4,893.3</u>	<u>8,002.2</u>	<u>922.4</u>	<u>31.4</u>	<u>313.1</u>	<u>14,162.4</u>
Adjusted EBITDA	<u>2,582.0</u>	<u>2,379.8</u>	<u>288.4</u>	<u>19.7</u>	<u>42.6</u>	<u>5,312.5</u>
Depreciation and amortisation	<u>(350.5)</u>	<u>(519.4)</u>	<u>(186.0)</u>	<u>-</u>	<u>(32.5)</u>	<u>(1,088.4)</u>
Unallocated expenses						<u>(253.5)</u>
						<u>3,970.6</u>
Other gains, net						<u>54.6</u>
Interest expense						<u>(576.9)</u>
Share of results of associates	-	<u>424.8</u>	<u>(0.4)</u>	<u>849.1</u>	-	<u>1,273.5</u>
Share of results of joint ventures	-	<u>875.0</u>	<u>0.7</u>	<u>4.0</u>	<u>(0.1)</u>	<u>879.6</u>
Profit before taxation						<u>5,601.4</u>
Taxation						<u>(770.7)</u>
Profit for the period						<u>4,830.7</u>

Share of results of associates includes HK\$592.5 million (2015: HK\$178.0 million) being the Group’s share of change in valuation of investment properties at the International Finance Centre (the “IFC”) complex for the period.

3. Segment information (continued)

2015 HK\$M	<u>Gas, water and related businesses</u>		<u>New Energy</u>	<u>Property</u>	<u>Other segments</u>	<u>Total</u>
	<u>Hong Kong</u>	<u>Mainland China</u>				
Revenue	<u>4,826.6</u>	<u>8,948.2</u>	<u>1,054.3</u>	<u>29.5</u>	<u>224.5</u>	<u>15,083.1</u>
Adjusted EBITDA	2,371.4	2,245.4	407.8	17.8	35.1	5,077.5
Depreciation and amortisation	(336.7)	(482.8)	(165.7)	–	(30.7)	(1,015.9)
Unallocated expenses						<u>(261.9)</u>
						3,799.7
Other gains, net						598.3
Interest expense						(490.6)
Share of results of associates	–	404.6	(0.3)	427.6	(0.5)	831.4
Share of results of joint ventures	–	934.8	1.0	2.9	–	<u>938.7</u>
Profit before taxation						5,677.5
Taxation						<u>(952.9)</u>
Profit for the period						<u>4,724.6</u>

The segment assets at 30th June 2016 and 31st December 2015 are as follows:

30th June 2016 HK\$M	<u>Gas, water and related businesses</u>		<u>New Energy</u>	<u>Property</u>	<u>Other segments</u>	<u>Total</u>
	<u>Hong Kong</u>	<u>Mainland China</u>				
Segment assets	<u>15,979.4</u>	<u>58,334.6</u>	<u>16,463.6</u>	<u>12,190.0</u>	<u>2,795.9</u>	<u>105,763.5</u>
Unallocated assets:						
Available-for-sale financial assets						<u>4,577.0</u>
Financial assets at fair value through profit or loss						<u>41.6</u>
Time deposits, cash and bank balances excluded from segment assets						<u>5,632.5</u>
Others (Note)						<u>1,006.7</u>
Total assets	<u>15,979.4</u>	<u>58,334.6</u>	<u>16,463.6</u>	<u>12,190.0</u>	<u>2,795.9</u>	<u>117,021.3</u>

Note

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

3. Segment information (continued)

31st December 2015 HK\$M	<u>Gas, water and related businesses</u>		<u>New Energy</u>	<u>Property</u>	<u>Other segments</u>	<u>Total</u>
	<u>Hong Kong</u>	<u>Mainland China</u>				
Segment assets	16,055.6	57,487.8	15,431.1	11,526.0	2,575.7	103,076.2
Unallocated assets:						
Available-for-sale financial assets						4,567.0
Financial assets at fair value through profit or loss						12.1
Time deposits, cash and bank balances excluded from segment assets						6,541.8
Others (Note)						1,366.2
Total assets	<u>16,055.6</u>	<u>57,487.8</u>	<u>15,431.1</u>	<u>11,526.0</u>	<u>2,575.7</u>	<u>115,563.3</u>

The Company is domiciled in Hong Kong. The Group's revenue from external customers in Hong Kong for the six months ended 30th June 2016 is HK\$5,518.6 million (2015: HK\$5,393.8 million), and the revenue from external customers in other geographical locations is HK\$8,643.8 million (2015: HK\$9,689.3 million).

At 30th June 2016, the total of non-current assets other than financial instruments located in Hong Kong and other geographical locations are HK\$24,766.5 million and HK\$62,191.8 million (31st December 2015: HK\$23,828.1 million and HK\$61,002.0 million) respectively.

4. Total operating expenses

	Six months ended 30th June	
	2016 HK\$M	2015 HK\$M
Stores and materials used	6,204.2	7,396.9
Manpower costs	1,367.5	1,318.2
Depreciation and amortisation	1,098.8	1,023.0
Other operating items	1,521.3	1,545.3
	<u>10,191.8</u>	<u>11,283.4</u>

5. Other gains, net

	Six months ended 30th June	
	2016 HK\$M	2015 HK\$M
Net investment gains	59.3	618.7
Project research and development costs	(11.3)	(19.6)
Ineffective portion on cash flow hedges	6.4	–
Others	0.2	(0.8)
	<u>54.6</u>	<u>598.3</u>

6. Profit before taxation

Profit before taxation is stated after charging cost of inventories sold of HK\$7,215.6 million (2015: HK\$8,364.3 million).

7. Taxation

	Six months ended 30th June	
	2016 HK\$M	2015 HK\$M
Current taxation	753.8	814.7
Current taxation – over provision in prior years	(90.0)	–
Deferred taxation relating to the origination and reversal of temporary differences and withholding tax	106.9	138.2
	<u>770.7</u>	<u>952.9</u>

The prevailing tax rates of Hong Kong, the mainland China and Thailand range from 16.5 per cent (2015: 16.5 per cent), 15 per cent to 25 per cent (2015: 15 per cent to 25 per cent) and 50 per cent (2015: 50 per cent) respectively.

8. Dividends

	Six months ended 30th June	
	2016 HK\$M	2015 HK\$M
2015 Final, paid, of HK23 cents per ordinary share (2014 Final: HK23 cents per ordinary share)	2,659.0	2,417.8
2016 Interim, proposed, of HK12 cents per ordinary share (2015 Interim: HK12 cents per ordinary share)	1,526.0	1,387.6
	<u>4,185.0</u>	<u>3,805.4</u>

9. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$4,330.7 million (2015: HK\$4,197.1 million) and the weighted average of 12,717,042,258 shares (2015: 12,719,393,258 shares*) in issue during the period.

* Adjusted for the bonus share issue in 2016

10. Property, plant and equipment

	Buildings, plant, mains, mining and oil properties and other equipment HK\$M
Cost	
At 1st January 2016	63,482.7
Additions	2,746.3
Acquisition of business (Note 19)	43.6
Disposals/write off	(96.8)
Exchange differences	(784.6)
	<hr/>
At 30th June 2016	65,391.2
Accumulated depreciation	
At 1st January 2016	16,027.1
Charge for the period	1,068.2
Disposals/write off	(71.5)
Exchange differences	(135.2)
	<hr/>
At 30th June 2016	16,888.6
Net book value	
At 30th June 2016	48,502.6
	<hr/> <hr/>
At 31st December 2015	47,455.6
	<hr/> <hr/>

10. Property, plant and equipment (continued)

	Buildings, plant, mains, mining and oil properties and other equipment HK\$M
Cost	
At 1st January 2015	64,562.5
Additions	2,940.7
Acquisition of businesses	34.0
Disposals of subsidiaries	(4,715.4)
Disposals/write off	(116.0)
Exchange differences	(125.1)
	<u>62,580.7</u>
At 30th June 2015	
Accumulated depreciation	
At 1st January 2015	14,867.5
Charge for the period	1,050.9
Disposals of subsidiaries	(139.8)
Disposals/write off	(82.2)
Exchange differences	(1.8)
	<u>15,694.6</u>
At 30th June 2015	
Net book value	
At 30th June 2015	<u><u>46,886.1</u></u>
At 31st December 2014	<u><u>49,695.0</u></u>

11. Trade and other receivables

	At 30th June 2016 HK\$M	At 31st December 2015 HK\$M
Trade receivables (Note)	3,256.7	3,513.9
Payments in advance	1,285.9	1,242.3
Other receivables	1,710.7	2,140.6
	<u>6,253.3</u>	<u>6,896.8</u>

The Group recognised a loss of HK\$2.7 million (2015: HK\$3.2 million) for the impairment of its trade and other receivables during the period. The impairment has been included in other operating items (Note 4).

11. Trade and other receivables (continued)

Note

The Group has established credit policies for different types of customers. The credit period offered for trade receivables, which subject to periodic review by management, ranges from 30 to 60 days except for gas receivables of the Company which are due by 8 working days after billing date. As at 30th June 2016, the aging analysis of the trade receivables, net of impairment provision, is as follows:

	At 30th June 2016 HK\$M	At 31st December 2015 HK\$M
0 – 30 days	2,689.4	2,979.5
31 – 60 days	80.4	129.5
61 – 90 days	124.6	104.5
Over 90 days	362.3	300.4
	<u>3,256.7</u>	<u>3,513.9</u>

12. Trade and other payables

	At 30th June 2016 HK\$M	At 31st December 2015 HK\$M
Trade payables (Note a)	2,608.8	2,573.1
Other payables and accruals (Note b)	8,807.3	9,363.6
	<u>11,416.1</u>	<u>11,936.7</u>

Notes

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

	At 30th June 2016 HK\$M	At 31st December 2015 HK\$M
0 – 30 days	1,251.1	1,179.3
31 – 60 days	222.4	352.0
61 – 90 days	284.9	314.1
Over 90 days	850.4	727.7
	<u>2,608.8</u>	<u>2,573.1</u>

12. Trade and other payables (continued)

- (b) The balances mainly represent advance received from customers for construction works and accrual for services or goods received from suppliers. The balances at 31st December 2015 included an outstanding amount of approximately HK\$45.7 million payable to Henderson Land Development Company Limited and the balance was fully settled during the period.

13. Share capital

	Number of Shares		Share Capital	
	At 30th June 2016	At 31st December 2015	At 30th June 2016 HK\$M	At 31st December 2015 HK\$M
Issued and fully paid:				
At beginning of period/year	11,560,947,508	10,512,089,553	5,474.7	5,474.7
Bonus shares	1,156,094,750	1,051,208,955	–	–
Share bought back	–	(2,351,000)	–	–
At end of period/year	<u>12,717,042,258</u>	<u>11,560,947,508</u>	<u>5,474.7</u>	<u>5,474.7</u>

14. Perpetual capital securities

In January 2014, the Group issued its first perpetual subordinated guaranteed capital securities (the “perpetual capital securities”), amounting to US\$300 million through, Towngas (Finance) Limited, a wholly-owned subsidiary for cash.

The perpetual capital securities are guaranteed by the Company, bear distribution at a rate of 4.75 per cent per annum for the first five years and thereafter will have a floating distribution rate. The perpetual capital securities are perpetual and are redeemable, at the option of the Group, in January 2019 or thereafter every six months on the distribution payment date. The distribution payment can be deferred at the discretion of the Group. Therefore, they are classified as equity instruments, and recorded in equity in the consolidated statement of financial position.

15. Reserves

	Investment revaluation reserve HK\$M	Hedging reserve HK\$M	Exchange reserve HK\$M	Retained profits HK\$M	Total HK\$M
At 1st January 2016	(471.9)	166.5	1,307.3	43,705.8	44,707.7
Profit attributable to shareholders	-	-	-	4,330.7	4,330.7
Other comprehensive income:					
Change in value of available-for-sale financial assets	18.8	-	-	-	18.8
Change in fair value of cash flow hedges	-	56.4	-	-	56.4
Share of other comprehensive income of an associate	-	7.4	-	-	7.4
Exchange differences	-	-	(833.9)	-	(833.9)
Total comprehensive income for the period	18.8	63.8	(833.9)	4,330.7	3,579.4
Further acquisition of a subsidiary	-	-	-	(5.4)	(5.4)
2015 final dividend proposed	-	-	-	2,659.0	2,659.0
2015 final dividend paid	-	-	-	(2,659.0)	(2,659.0)
At 30th June 2016	<u>(453.1)</u>	<u>230.3</u>	<u>473.4</u>	<u>48,031.1</u>	<u>48,281.7</u>
Balance after 2016 interim dividend proposed	(453.1)	230.3	473.4	46,505.1	46,755.7
2016 interim dividend proposed	-	-	-	1,526.0	1,526.0
	<u>(453.1)</u>	<u>230.3</u>	<u>473.4</u>	<u>48,031.1</u>	<u>48,281.7</u>

15. Reserves (continued)

	Investment revaluation reserve HK\$M	Hedging reserve HK\$M	Other reserve HK\$M	Exchange reserve HK\$M	Retained profits HK\$M	Total HK\$M
At 1st January 2015	431.8	290.1	(14.4)	3,113.3	40,914.9	44,735.7
Profit attributable to shareholders	-	-	-	-	4,197.1	4,197.1
Other comprehensive income:						
Change in value of available-for-sale financial assets	(97.4)	-	-	-	-	(97.4)
Change in fair value of cash flow hedges	-	(75.7)	-	-	-	(75.7)
Share of other comprehensive loss of an associate	-	(4.7)	-	-	-	(4.7)
Disposal of subsidiaries	-	-	-	(83.0)	-	(83.0)
Exchange differences	-	-	-	(68.4)	-	(68.4)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total comprehensive income for the period	(97.4)	(80.4)	-	(151.4)	4,197.1	3,867.9
2014 final dividend proposed	-	-	-	-	2,417.8	2,417.8
2014 final dividend paid	-	-	-	-	(2,417.8)	(2,417.8)
Others	-	-	14.4	-	-	14.4
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30th June 2015	<u>334.4</u>	<u>209.7</u>	<u>-</u>	<u>2,961.9</u>	<u>45,112.0</u>	<u>48,618.0</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance after 2015 interim dividend proposed	334.4	209.7	-	2,961.9	43,724.4	47,230.4
2015 interim dividend proposed	-	-	-	-	1,387.6	1,387.6
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>334.4</u>	<u>209.7</u>	<u>-</u>	<u>2,961.9</u>	<u>45,112.0</u>	<u>48,618.0</u>

16. Contingent liabilities

The Group did not have any material contingent liabilities as at 30th June 2016 and 31st December 2015.

17. Commitments

- (a) Capital expenditures for property, plant and equipment

	At 30th June 2016 HK\$M	At 31st December 2015 HK\$M
Contracts had been entered into but not brought into the consolidated financial statements	<u><u>3,603.3</u></u>	<u><u>3,580.1</u></u>

- (b) Share of capital expenditures for property, plant and equipment of joint ventures

	At 30th June 2016 HK\$M	At 31st December 2015 HK\$M
Contracts had been entered into but not brought into the consolidated financial statements	<u><u>1,281.8</u></u>	<u><u>2,086.9</u></u>

- (c) The Group has committed to provide sufficient funds in the forms of capital and loan contributions to finance or to invest in certain gas and New Energy projects under various contracts in mainland China. The directors of the Company estimate that as at 30th June 2016, the Group's commitments to these projects were approximately HK\$2,343.1 million (At 31st December 2015: HK\$1,620.7 million).

- (d) Lease commitments

Lessee

At 30th June 2016, future aggregate minimum lease payments of land, buildings, plant and equipment under non-cancellable operating leases are as follows:

	At 30th June 2016 HK\$M	At 31st December 2015 HK\$M
Not later than 1 year	<u>112.9</u>	122.2
Later than 1 year and not later than 5 years	<u>155.3</u>	181.9
Later than 5 years	<u>213.2</u>	<u>213.6</u>
	<u><u>481.4</u></u>	<u><u>517.7</u></u>

17. Commitments (continued)

(d) Lease commitments (continued)

Lessor

The Group leases out the building facilities of the commercial complex and car parks of Grand Waterfront and rental of data centre facilities under operating leases. Except for certain car parks are rented out on an hourly or a monthly basis, these leases typically run for a period of 2 to 10 years. Future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	At 30th June 2016 HK\$M	At 31st December 2015 HK\$M
Not later than 1 year	99.7	95.8
Later than 1 year and not later than 5 years	260.0	242.2
Later than 5 years	173.5	200.0
	<hr/> 533.2 <hr/>	<hr/> 200.0 <hr/> <hr/> 538.0 <hr/>

18. Related party transactions

Save as disclosed elsewhere in the financial statements, no significant related party transactions were undertaken by the Group at any time during the period.

19. Business combination under Towngas China

For the period ended 30th June 2016, Towngas China acquired the following business:

	Percentage of registered capital acquired	Purchase consideration HK\$M
Business combination in: Qiqihar Xingqixiang Gas Company Limited	100%	110.2

The inclusion of the acquired business does not have a significant impact of the Group's turnover and profit for the period.

19. Business combination under Towngas China (continued)

The details of provisional fair value of net identifiable assets acquired and provisional goodwill are as follows:

	Acquiree's provisional fair value at acquisition date HK\$M
Property, plant and equipment (Note 10)	43.6
Leasehold land	39.1
Trade and other receivables	2.7
Investment in a joint venture	2.1
Cash and bank balances	0.7
Trade and other payables	(17.2)
Deferred taxation	(0.9)
	<hr/>
Net identifiable assets acquired	70.1
Provisional goodwill	40.1
	<hr/>
Purchase consideration	<u>110.2</u>

The goodwill is attributable to the future profitability of the acquired business and the synergies expected to arise after the Group's acquisition.

Net cash flow arising on acquisition:

	HK\$M
Purchase consideration for acquisition of business, settle in cash	110.2
Cash and cash equivalents in business acquired	(0.7)
	<hr/>
Cash outflow on acquisition of business	<u>109.5</u>

As at 30th June 2016, purchase consideration of HK\$10.8 million remained unpaid and included in trade and other payables.

FINANCIAL RESOURCES REVIEW

Liquidity and capital resources

As at 30th June 2016, the Group had a net current deposits position of HK\$6,103 million (31st December 2015: HK\$3,541 million) and long-term borrowings of HK\$27,616 million (31st December 2015: HK\$23,363 million). In addition, banking facilities available for use amounted to HK\$10,000 million (31st December 2015: HK\$13,000 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 under the Programme. In May 2012, the Programme was updated with the size increased to US\$2 billion. Up to 30th June 2016 after the repayment of Renminbi notes during the period, the Group issued notes in the total amount of HK\$11,070 million (31st December 2015: HK\$11,818 million) with maturity terms of 10 years, 12 years, 15 years, 30 years and 40 years in Australian dollar, Japanese yen and Hong Kong dollar under the Programme (the “MTNs”). The carrying value of the issued MTNs as at 30th June 2016 was HK\$10,452 million (31st December 2015: HK\$11,055 million).

As at 30th June 2016, the outstanding principal amount of the 10-year US dollar Guaranteed Notes (the “Guaranteed Notes”) issued in August 2008 at a fixed coupon rate of 6.25 per cent per annum was US\$995 million (31st December 2015: US\$995 million) and the carrying value was HK\$7,696 million (31st December 2015: HK\$7,682 million).

As at 30th June 2016, the Group’s borrowings amounted to HK\$34,087 million (31st December 2015: HK\$33,076 million). While the Notes mentioned above together with the bank and other loans of HK\$4,653 million (31st December 2015: HK\$1,684 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\$7,247 million (31st December 2015: HK\$5,582 million) were long-term bank loans and HK\$4,039 million (31st December 2015: HK\$7,073 million) had maturities within one year on revolving credit or term loan facilities. As at 30th June 2016, the maturity profile of the Group’s borrowings was 19 per cent within 1 year, 4 per cent within 1 to 2 years, 48 per cent within 2 to 5 years and 29 per cent over 5 years (31st December 2015: 29 per cent within 1 year, 5 per cent within 1 to 2 years, 37 per cent within 2 to 5 years and 29 per cent over 5 years).

The US dollar Guaranteed Notes, the AUD Note and JPY Note 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 January 2014, the Group issued its first Perpetual Subordinated Guaranteed Capital Securities (the “Perpetual Capital Securities”) amounting to US\$300 million with distribution rate of 4.75 per cent per annum for the first five years and thereafter at floating distribution rate. With no fixed maturity and the distribution payment can be deferred at the discretion of the Group, the Perpetual Capital Securities are redeemable at the Group’s option on or after 28th January 2019 and 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 / (shareholders' funds + perpetual capital securities + net borrowing) for the Group as at 30th June 2016 remained healthy at 28 per cent (31st December 2015: 26 per cent).

Contingent liabilities

As at 30th June 2016 and 31st December 2015, 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 2016, the investments in securities amounted to HK\$1,647 million (31st December 2015: HK\$1,646 million). The performance of the Group's financial investments in securities was satisfactory.

OTHER INFORMATION

Corporate governance

During the six months ended 30th June 2016, the Company had 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 have confirmed that they have fully complied with the required standard set out in the Model Code throughout the six months ended 30th June 2016.

Board Audit and Risk Committee

The Board Audit and Risk Committee (formerly known as Board Audit Committee) was formed in May 1996 to review and supervise the financial reporting process and internal controls of the Group. A Board Audit and Risk Committee meeting was held in August 2016 to review the unaudited interim financial statements for the six months ended 30th June 2016. PricewaterhouseCoopers, the Group's external auditor, carried out a review of the unaudited interim financial statements for the six months ended 30th June 2016 in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. An unmodified review report was issued subsequent to the review.

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 2016.

Disclosure of interests

A. Directors

As at 30th June 2016, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Shares and underlying shares (Long positions)

Name of company	Name of director	Interest in shares			Aggregate interests	%*
		Personal interests	Corporate interests	Other interests		
The Hong Kong and China Gas Company Limited	Dr. the Hon. Lee Chau Kee		5,280,460,351 (Note 3)		5,280,460,351	41.52
	Dr. the Hon. David Li Kwok Po	35,466,650			35,466,650	0.28
	Dr. Lee Ka Kit			5,280,460,351 (Note 2)	5,280,460,351	41.52
	Mr. Alfred Chan Wing Kin	242,448 (Note 5)			242,448	0.00
	Mr. Lee Ka Shing			5,280,460,351 (Note 2)	5,280,460,351	41.52
	Professor Poon Chung Kwong	165,655 (Note 4)			165,655	0.00
Lane Success Development Limited	Dr. the Hon. Lee Chau Kee		9,500 (Note 6)		9,500	95
	Dr. Lee Ka Kit			9,500 (Note 6)	9,500	95
	Mr. Lee Ka Shing			9,500 (Note 6)	9,500	95
Yieldway International Limited	Dr. the Hon. Lee Chau Kee		2 (Note 7)		2	100
	Dr. Lee Ka Kit			2 (Note 7)	2	100
	Mr. Lee Ka Shing			2 (Note 7)	2	100
Towngas China Company Limited ("Towngas China")	Dr. the Hon. Lee Chau Kee		1,689,023,813 (Note 8)		1,689,023,813	63.38
	Dr. Lee Ka Kit			1,689,023,813 (Note 8)	1,689,023,813	63.38
	Mr. Lee Ka Shing			1,689,023,813 (Note 8)	1,689,023,813	63.38
	Mr. Alfred Chan Wing Kin	3,618,000			3,618,000	0.14
	Mr. Peter Wong Wai Yee	3,015,000			3,015,000	0.11

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

Save as mentioned above, as at 30th June 2016, there were no other interests or short positions of the Directors of the Company in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

B. Substantial shareholders and others (Long positions)

As at 30th June 2016, the interests and short positions of every person, other than the Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

	Name of company	No. of shares in which interested	%*
Substantial shareholders (a person who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting)	Disralei Investment Limited (Note 1)	2,939,646,295	23.12
	Timpani Investments Limited (Note 1)	4,081,423,508	32.09
	Faxson Investment Limited (Note 1)	5,280,460,351	41.52
	Henderson Land Development Company Limited (Note 1)	5,280,460,351	41.52
	Henderson Development Limited (Note 1)	5,280,460,351	41.52
	Hopkins (Cayman) Limited (Note 2)	5,280,460,351	41.52
	Riddick (Cayman) Limited (Note 2)	5,280,460,351	41.52
	Rimmer (Cayman) Limited (Note 2)	5,280,460,351	41.52
Persons other than substantial shareholders	Macrostar Investment Limited (Note 1)	1,199,036,843	9.43
	Chelco Investment Limited (Note 1)	1,199,036,843	9.43
	Medley Investment Limited (Note 1)	1,141,777,213	8.98

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

Save as mentioned above, as at 30th June 2016, the register maintained by the Company pursuant to section 336 of the SFO recorded no other interests or short positions in shares and underlying shares of the Company.

Notes:

- These 5,280,460,351 shares were beneficially owned by Macrostar Investment Limited ("Macrostar"), Medley Investment Limited ("Medley") and Disralei Investment Limited ("Disralei"). Macrostar was a wholly-owned subsidiary of Chelco Investment Limited, which was in turn, a wholly-owned subsidiary of Faxson Investment Limited ("FIL"). Medley and Disralei were wholly-owned subsidiaries of Timpani Investments Limited, which was in turn, a wholly-owned subsidiary of FIL. FIL was a wholly-owned subsidiary of Henderson Land Development Company Limited ("HLD"). Henderson Development Limited ("HD") was entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of HLD.
- These 5,280,460,351 shares are duplicated in the interests described in Note 1. Hopkins (Cayman) Limited ("Hopkins") owned all the issued ordinary shares which carry the voting rights in the share capital of HD as trustee of a unit trust ("Unit Trust"). Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"), as trustees of the respective discretionary trusts, held units in the Unit Trust. Dr. Lee Ka Kit and Mr. Lee Ka Shing, as discretionary beneficiaries of the discretionary trusts, were taken to have duties of disclosure in relation to these shares by virtue of Part XV of the SFO.
- These 5,280,460,351 shares are duplicated in the interests described in Notes 1 and 2. Dr. the Hon. Lee Shau Kee beneficially owned all the issued shares in Rimmer, Riddick and Hopkins and was taken to be interested in these shares by virtue of Part XV of the SFO.

4. These 165,655 shares were jointly held by Professor Poon Chung Kwong and his spouse.
5. These 242,448 shares were jointly held by Mr. Alfred Chan Wing Kin and his spouse.
6. These 9,500 shares in Lane Success Development Limited were beneficially owned by a wholly-owned subsidiary of the Company (as to 4,500 shares) and a wholly-owned subsidiary of HLD (as to 5,000 shares). Dr. the Hon. Lee Shau Kee, Dr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in HLD and the Company as set out in Notes 1 to 3 by virtue of Part XV of the SFO.
7. These 2 shares in Yieldway International Limited were beneficially owned by a wholly-owned subsidiary of the Company (as to 1 share) and a wholly-owned subsidiary of HLD (as to 1 share). Dr. the Hon. Lee Shau Kee, Dr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in HLD and the Company as set out in Notes 1 to 3 by virtue of Part XV of the SFO.
8. These 1,689,023,813 shares in Towngas China representing 63.38% of the total issued shares in Towngas China were beneficially owned by Hong Kong & China Gas (China) Limited (“HK&CG (China)”) (as to 1,619,638,376 shares), Planwise Properties Limited (“Planwise”) (as to 66,831,131 shares) and Superfun Enterprises Limited (“Superfun”) (as to 2,554,306 shares), wholly-owned subsidiaries of the Company. Subsequent to the allotment of a total of 38,597,433 new shares by Towngas China pursuant to its scrip dividend scheme on 18th July 2016, the Company was taken to be interested in a total of 1,727,621,246 shares in Towngas China representing 63.71% of the total issued shares in Towngas China which were beneficially owned by HK&CG (China) (as to 1,656,650,221 shares), Planwise (as to 68,358,349 shares) and Superfun (as to 2,612,676 shares). Dr. the Hon. Lee Shau Kee, Dr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in the Company as set out in Notes 1 to 3 by virtue of Part XV of the SFO.

Arrangements to purchase shares or debentures

At no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Changes in the information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of Directors of the Company required to be disclosed are shown as follows:

- 1) **Dr. the Hon. David Li Kwok Po** GBM, GBS, OBE, JP, MA Cantab. (Economics & Law), Hon. LLD (Cantab), Hon. DSc. (Imperial), Hon. LLD (Warwick), Hon. DBA (Edinburgh Napier), Hon. D.Hum.Litt. (Trinity, USA), Hon. LLD (Hong Kong), Hon. DSocSc (Lingnan), Hon. DLitt (Macquarie), Hon. DSocSc (CUHK), FCA, FCPA, FCPA (Aust.), FCIB, FHKIB, FBCS, CITP, FCIArb, Officier de l’Ordre de la Couronne, Grand Officer of the Order of the Star of Italian Solidarity, The Order of the Rising Sun, Gold Rays with Neck Ribbon, Commandeur dans l’Ordre National de la Légion d’Honneur, *Independent Non-executive Director*

Dr. Li resigned as an Independent Non-executive Director of Armada Holdings Limited (formerly known as SCMP Group Limited) on 6th June 2016.

- 2) **Mr. Alfred CHAN Wing Kin** B.B.S., Hon.F.E.I., Hon.F.I.I.U.S., C.Eng., F.H.K.I.E., F.I.Mech.E., F.I.G.E.M., M.Sc. (Eng), B.Sc. (Eng), *Managing Director*
 - (i) Mr. Chan stepped down from the position of the Chairman of The Hong Kong Management Association (the “Association”) and was admitted as Honorary President of the Association on 7th July 2016.
 - (ii) Mr. Chan was awarded an Honorary Fellowship by the Energy Institute of the United Kingdom on 14th July 2016.

CORPORATE INFORMATION

Board of directors

As at the date of this report, the board of directors of the Company comprises Dr. the Hon. Lee Shau Kee (Chairman), Mr. Leung Hay Man*, Dr. Colin Lam Ko Yin, Dr. the Hon. David Li Kwok Po*, Dr. Lee Ka Kit, Mr. Alfred Chan Wing Kin, Mr. Lee Ka Shing, Professor Poon Chung Kwong* and Mr. Peter Wong Wai Yee.

* *Independent Non-executive Director*

Registered office

23rd Floor, 363 Java Road, North Point,
Hong Kong

Company's website

www.towngas.com

Share registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong
Telephone number: 2862 8555
Fax number: 2865 0990

Investor relations

Corporate Investment and Investor Relations Department
Telephone number: 2963 3189
Fax number: 2911 9005
E-mail address: invrelation@towngas.com

Corporate Affairs Department

Telephone number: 2963 3493
Fax number: 2516 7368
E-mail address: ccd@towngas.com

Company Secretarial Department

Telephone number: 2963 3292
Fax number: 2562 6682
E-mail address: compsec@towngas.com

A printed version of this Interim Report is available on request from the Company and the Company's Share Registrar free of charge. The website version of this Interim Report is also available on the Company's website.