

2024

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)

CORPORATE INFORMATION

Directors

Lee Ka-kit (Chairman)
Lee Ka-shing (Chairman)
Colin Lam Ko-yin
Andrew Fung Hau-chung
David Li Kwok-po*
Poon Chung-kwong*
Moses Cheng Mo-chi*
Anna Wong Wai-kwan*
Peter Wong Wai-yee
Yeung Lui-ming
Chan Ying-lung

* Independent Non-executive Director

Managing Director

Peter Wong Wai-yee

Executive Director and Chief Financial Officer

Yeung Lui-ming

Executive Director and Chief Investment Officer

Chan Ying-lung

Company Secretary

Elsa Wong Lai-kin

Board Audit and Risk Committee

David Li Kwok-po (Chairman)
Poon Chung-kwong
Moses Cheng Mo-chi
Anna Wong Wai-kwan

Remuneration Committee

David Li Kwok-po (Chairman)
Lee Ka-kit
Lee Ka-shing
Poon Chung-kwong
Moses Cheng Mo-chi
Anna Wong Wai-kwan

Nomination Committee

Lee Ka-kit (Chairman)
Lee Ka-shing (Chairman)
David Li Kwok-po
Poon Chung-kwong
Moses Cheng Mo-chi
Anna Wong Wai-kwan

Board Environmental, Social and Governance Committee

Peter Wong Wai-yee (Chairman)
Moses Cheng Mo-chi
Yeung Lui-ming
Anna Wong Wai-kwan

Registered Office

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Company's Website

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Share Registrar

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Auditor

PricewaterhouseCoopers
Certified Public Accountants and
Registered Public Interest Entity Auditor
22nd Floor, Prince's Building,
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Investor Relations

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CONTENTS

	Page
Chairmen's Statement	2
Consolidated Income Statement (Unaudited)	7
Consolidated Statement of Comprehensive Income (Unaudited)	8
Consolidated Statement of Financial Position (Unaudited)	9
Condensed Consolidated Cash Flow Statement (Unaudited)	11
Consolidated Statement of Changes in Equity (Unaudited)	12
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)	14
Financial Resources Review	43
Employees and Productivity	45
Other Information	45

CHAIRMEN'S STATEMENT

The first half of 2024 saw geopolitical tensions affecting the recovery pace of both the Chinese mainland and Hong Kong, which fell short of expectations. The strong Hong Kong dollar exchange rate and the trend of Hong Kong residents travelling to the mainland for consumption, coupled with an increased number of high-temperature days during the period, all posed challenges to the Group's business. However, benefiting from the country's active promotion of high-quality development and comprehensive green, low-carbon transformation, the Group continued to maintain steady growth.

Facing an uncertain economic environment, the Group responded proactively by optimising and restructuring its business. While ensuring safe gas supply and quality service as a foundation, we focused on our core businesses and strived to reduce costs and increase efficiency. In other green energy sectors, the Group actively introduced strategic investors and partners to develop diversified businesses with an asset-light model, developing smart energy to contribute to the sustainable development of the country and Hong Kong.

FINANCIAL HIGHLIGHTS

The Directors reported that the Group's core operating profit for the six months ended 30th June 2024 amounted to HK\$3,186 million, an increase of HK\$69 million, up by 2 per cent, compared to the same period last year. Taking into account the non-operating gains and losses, the Group's unaudited profit after taxation attributable to shareholders for the six months ended 30th June 2024 amounted to HK\$3,040 million, a decrease of HK\$574 million, down by 16 per cent, compared to the same period last year. Basic earnings per share for the first half of 2024 amounted to HK16.3 cents.

Highlights of the unaudited results of the Group's business for the first half of the year and the comparative figures for the corresponding period last year are as follows:

	Unaudited Six months ended 30th June	
	2024	2023
Revenue, HK million dollars	27,496	29,178
Core operating profit, HK million dollars	3,186	3,117
Non-operating gains and losses, net, HK million dollars	(146)	497
Profit attributable to shareholders, HK million dollars	3,040	3,614
Basic earnings per share, HK cents	16.3	19.4
Town Gas Sold in Hong Kong, million MJ	14,932	14,966
Gas Sold by City-gas Business on the Chinese mainland, million cubic metres, natural gas equivalent*	18,625	17,454
Number of Customers in Hong Kong as at 30th June, thousand	2,027	2,005
Number of City-gas Customers on the Chinese mainland as at 30th June, thousand*	41,394	38,564

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

The unaudited condensed consolidated interim financial statements are provided on pages 7 to 42 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.

DIVIDEND

The 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 3rd September 2024. The Register of Members will be closed from Monday, 2nd September 2024 to Tuesday, 3rd September 2024, during which period no share transfers will be effected. Dividend warrants will be posted to shareholders on Wednesday, 11th September 2024.

HONG KONG GAS BUSINESS

The public utility business in Hong Kong remained stable. In the first half of 2024, gas sales volume in Hong Kong reached 14,932 million MJ (equivalent to approximately 430 million cubic metres of natural gas), which was essentially on par with the same period last year. Gas appliances sales volume increased by 1.4 per cent compared to the same period last year. As at 30th June 2024, the number of customers was approximately 2.03 million, an increase of 7,678 from the end of 2023.

After consultations with the HKSAR Government and the Legislative Council this year, the gas tariff was increased by 4.8 per cent on 1st August 2024. The fixed monthly maintenance charge, which had been frozen for 26 years, was also increased by HK\$0.5.

The HKSAR Government has released the “Strategy of Hydrogen Development” in Hong Kong, recognising hydrogen as a low-carbon energy source with development potential. As approximately half of the town gas composition is hydrogen, and given the low production cost and comprehensive network coverage across Hong Kong, the development and application of hydrogen energy has become one of the Group’s key business focuses. During the period, Towngas developed Hong Kong’s first green hydrogen pilot project at a landfill in Tseung Kwan O, utilising biogas. The project is expected to commence production in 2025, with a daily production capacity of about 330 kg of hydrogen, sufficient to power seven to eight hydrogen buses for a day’s mileage. This project will help position Hong Kong as one of the few cities in the world capable of self-producing green hydrogen.

MAINLAND BUSINESSES

In the first half of 2024, the demand for natural gas consumption on the Chinese mainland recovered significantly. The Group successfully seized development opportunities in the “new trio” industries (namely electric vehicles, lithium batteries, and photovoltaic products). Combined with the Group’s efforts to develop “Gas+” services, focusing on developing high-quality industrial customers and energy trusteeships for public institutions, industrial gas consumption grew by 3 per cent in the first half of the year. As the mainland economy warmed up, commercial gas consumption also saw a robust growth of 9 per cent. During the period, the Group’s total gas sales volume for the city-gas business was approximately 18.6 billion cubic metres, an increase of 7 per cent compared to the same period last year. The number of gas customers increased to over 41.39 million, a growth of 7.3 per cent compared to the same period last year. Including the subsidiary Towngas Smart Energy Company Limited (“Towngas Smart Energy”; stock code: 1083.HK), as at the end of June 2024, the Group had a total of 321 city-gas projects on the Chinese mainland.

Since the formal establishment of the Group’s gas source business segment last year, cooperation with the three major oil companies, PipeChina, and large regional energy companies has progressed steadily, with strategic cooperation agreements being signed. In the first half of this year, the total coordinated gas volume reached 1.9 billion cubic metres, which not only enhanced natural gas supply capacity but also helped city-gas enterprises reduce costs and increase efficiency. At the same time, benefiting from the decline in upstream natural gas prices, the average city-gas dollar margin in the first half of 2024 steadily climbed to RMB0.5 per cubic metre, an increase of RMB0.05 per cubic metre compared to the same period in 2023.

The Group utilised the gas storage facility in Jintan District, Changzhou City, Jiangsu Province, to implement interchangeable and interconnected delivery forms of pipeline gas and liquefied natural gas, further enhancing the resilience of the gas supply chain and improving infrastructure efficiency. In May this year, the Group's contingency peak-shaving storage and distribution base (Phase I) project in Weiyuan County, Sichuan Province, officially commenced operations. It can export to areas such as Hubei and Jiangxi, achieving cross-regional sales. During the period, a "Strategic Cooperation Agreement on Deepening New Energy Projects" was signed with the Weiyuan County Government in Sichuan Province. Both parties will further cooperate in areas such as shale gas-based hydrogen production, helium extraction, and distributed energy.

The Group's water and environmental sanitation business saw steady profit growth during the period, with water sales volume and sewage treatment volume increasing by 1.4 per cent and 5.9 per cent respectively compared to the same period last year, while waste treatment volume increased by 13.7 per cent.

RENEWABLE ENERGY BUSINESS

Under the country's unwavering commitment to achieving the "30-60" dual carbon goals and actively promoting the comprehensive green transformation of economic and social development, more customers have shown an urgent demand for renewable energy and energy-saving carbon reduction services. This has also brought opportunities for the Group in the renewable energy sector.

Building on the advantage of having over 400,000 industrial customers on the Chinese mainland, the Group actively promotes the widespread application of renewable energy in line with national policies. In particular, the Group is vigorously deploying energy storage business development. Through storing surplus photovoltaic electricity and providing integrated energy services encompassing "photovoltaics, storage, sales, and operation and maintenance", the Group fully unlocks the value of photovoltaic assets, bringing profit potential. As the Group continues to promote "Energy as a Service" (EaaS), facilitating energy management for industrial customers and generating stable income, these services are gradually demonstrating competitive advantages.

Under these strategies, the Group's renewable energy business recorded a profit last year, and saw a substantial profit increase in the first half of this year. The Group now has the capacity to invest in, construct, and operate gigawatt-scale photovoltaic power stations, forming a high-growth, one-stop smart carbon reduction ecosystem platform. Since late 2023, the Group has been operating its renewable energy business with an asset-light model, and by the first half of 2024, it had successfully introduced multiple strategic investors to its photovoltaic projects.

As at 30th June 2024, Towngas Smart Energy had signed contracts in an aggregate amount of 3.3 GW photovoltaic capacity and connected 2.1 GW to the grid. Overall revenue increased by 6.3 per cent to HK\$10,501 million compared to the same period last year. Core operating profit saw a substantial increase of 57.5 per cent to HK\$707 million (an increase of 63.3 per cent in RMB terms).

EXTENDED BUSINESSES

To date, the Group has over 41 million and 2 million household users on the Chinese mainland and in Hong Kong respectively. Building on the foundation of providing high-quality city-gas services, the Group also sells high-quality gas appliances and kitchen cabinets, and promotes the home insurance business. Under the country's strong push for policies to replace old consumer goods with new ones, these 43 million users, plus over 2 million new customers each year, will undoubtedly bring greater business opportunities for the Group.

To this end, the Group has integrated its mainland brand Towngas Lifestyle and Hong Kong retail business, and extended three core businesses – smart kitchens, insurance, and home safety – based on its gas business foundation, creating synergies and forming a growth engine. The Group has launched the Towngas Lifestyle Smart Alarm Platform, leveraging the advantages of advanced digital platforms to provide “product + platform + service” solutions. During the period, Towngas Lifestyle signed a cooperation framework agreement with FSE Nova (China) Company Limited to provide more diversified insurance services to customers.

GREEN ENERGY BUSINESS

As the world intensifies its efforts and measures to address climate change, particularly in advancing the replacement of fossil fuels with green fuels, there is a global focus on sustainable aviation fuel (“SAF”) and green methanol, making them rapidly growing markets. Meanwhile, the HKSAR Government has proposed to vigorously promote the use of SAF to airlines in Hong Kong, as well as provide green methanol bunkering services for local and ocean-going vessels. The Group is involved in both of these green industries and expects them to become important growth drivers.

EcoCeres, Inc., in which the Group holds shares, converts biomass waste into a wide range of biofuels, biochemicals, and biomaterials. EcoCeres has commercial production capabilities for hydrogenated vegetable oil (HVO) and SAF. Through enhanced technological research and development and capacity improvement, it has successfully increased the production capacity and output proportion of SAF in the first half of this year. EcoCeres’ new plant in Malaysia is expected to be completed by the end of 2025.

Currently, the Group’s green methanol production plant in the Inner Mongolia Autonomous Region is expected to increase its production capacity to 120,000 tonnes per year in the coming years. The project has successfully obtained the ISCC EU and ISCC PLUS certifications for three consecutive years. Building on the delivery of the first batch of green methanol to overseas customers last year, it will supply green methanol to more customers this year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group’s Board Environmental, Social and Governance (“ESG”) Committee is responsible for assisting the Board in overseeing the management and implementation of relevant matters, regularly reporting and discussing relevant policies, measures, project progress, objectives and effectiveness. It is supported by a Steering Committee, working together to enhance the Group’s overall performance in ESG areas. There is also a Working Committee under it, dedicated to integrating ESG measures into the Group’s business operations and corporate culture.

In terms of corporate governance structure, the Group values board diversity. In June 2024, Professor Anna Wong Wai-kwan was appointed as an Independent Non-executive Director of the Company, as well as a member of the Board Audit and Risk Committee, Remuneration Committee, Nomination Committee, and Board Environmental, Social and Governance Committee. This appointment will benefit the enhancement of corporate governance and performance.

The Group has repeatedly received high acclaim from international rating agencies. Both the Company and Towngas Smart Energy have again been ranked among the “Top 1%” of Chinese companies in their respective global ESG scores and have been included in the “Sustainability Yearbook (China Edition) 2024” again.

As a public utility firmly fulfilling its social responsibilities, the Towngas Volunteer Service Team, established by the Group in 1999, celebrates its 25th anniversary this year. To date, the team has contributed over 1 million service hours, benefiting more than 8.5 million people. Additionally, the

Towngas Green Flame Energy Scientist Programme (2023-2024 school year), which promotes ESG in the community and energy education, has been successfully completed. Over 20 primary schools and 3,000 students participated in the programme, learning about future energy development and climate change. We hope to inspire children's interest in energy science and encourage the practice of green, low-carbon living from a young age.

BUSINESS OUTLOOK FOR 2024

The HKSAR Government's vigorous promotion of "mega event economy" and its encouragement of local tourism and consumption, coupled with the country's favourable policies for Hong Kong, are all having a stimulating effect on the market, benefiting the catering and hotel industries. However, changes in Hong Kong people's consumption patterns and the volatile external environment pose challenges to operations. The Group will strive to reduce costs and increase efficiency, promote green energy, and develop diversified businesses to ensure sustainable and steady development.

We expect gas sales in Hong Kong to remain stable in 2024. The increase in standard gas tariff and monthly maintenance charge in August will help offset some cost increases and be used for investments. As always, the Group will continue to invest in infrastructure, environmental protection, safety services, and care for communities in need in society, providing high-quality and excellent services to our customers.

The Group will make good use of the project that converts landfill biogas into sustainable green hydrogen fuel, achieving waste-to-energy conversion. We hope to use this as a development opportunity to replicate the relevant experience and technology to other landfills and application scenarios, increase green hydrogen production facilities, and expand supply capacity in the long term, thereby accelerating Hong Kong's low-carbon transformation and the development of new quality productive forces.

On the Chinese mainland, we expect the Group's city-gas and natural gas businesses to continue growing in the second half of the year. The renewable energy business will also continue to expand as the country advances towards its dual carbon goals. We anticipate more new projects to be completed in the second half of the year, bringing increased profits and becoming one of the important pillars of the Group's future business development.

Facing a high-interest environment, the Group has obtained lower-interest financing, developed project cooperation on multiple fronts and introduced new partners. We not only hope to secure new funds at lower costs, but also bring new thinking to development and management, which will benefit the Group's long-term business growth.

In summary, the Group has taken encouraging steps in SAF and green methanol projects and plans to further expand production capacity in the future to prepare for the future demand of the low-carbon fuel market. The Group will continue to pay attention to green energy development and related technology applications, deepening existing markets and customer relationships, building a more resilient business model, and continuously creating new value.

Lee Ka-kit
Chairman

Lee Ka-shing
Chairman

Hong Kong, 16th August 2024

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30th June

	Note	2024 HK\$M	2023 HK\$M
Revenue	3	27,496.2	29,177.6
Total operating expenses	4	(23,160.7)	(24,426.6)
		4,335.5	4,751.0
Other gains, net	5	361.7	1,269.0
Interest expense		(1,114.7)	(1,057.3)
Share of results of associates		691.3	613.5
Share of results of joint ventures		300.4	111.2
		4,574.2	5,687.4
Profit before taxation	6	4,574.2	5,687.4
Taxation	7	(1,012.8)	(1,367.9)
		3,561.4	4,319.5
Profit for the period		3,561.4	4,319.5
Attributable to:			
Shareholders of the Company		3,040.2	3,614.4
Holders of perpetual capital securities		–	56.1
Non-controlling interests		521.2	649.0
		3,561.4	4,319.5
Dividends	8	2,239.2	2,239.2
Earnings per share – basic, HK cents	9	16.3	19.4
Earnings per share – diluted, HK cents	9	16.0	18.9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30th June

	2024 HK\$M	2023 HK\$M
Profit for the period	3,561.4	4,319.5
Other comprehensive income:		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Movement in reserve of equity investments at fair value through other comprehensive income	(104.4)	(67.1)
Exchange differences	(442.8)	(433.1)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Movement in reserve of debt investments at fair value through other comprehensive income	0.8	(1.0)
Change in fair value of cash flow hedges	(18.5)	(81.0)
Share of other comprehensive income/(loss) of associates	4.7	(3.3)
Exchange differences	(1,226.2)	(2,138.4)
Other comprehensive loss for the period, net of tax	(1,786.4)	(2,723.9)
Total comprehensive income for the period	<u>1,775.0</u>	<u>1,595.6</u>
Total comprehensive income attributable to:		
Shareholders of the Company	1,723.1	1,320.6
Holders of perpetual capital securities	–	56.1
Non-controlling interests	51.9	218.9
	<u>1,775.0</u>	<u>1,595.6</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30th June 2024

	Note	At 30th June 2024 HK\$M	At 31st December 2023 HK\$M (restated)
Assets			
Non-current assets			
Property, plant and equipment	10	71,052.9	71,276.6
Investment property		1,001.1	1,001.1
Right-of-use assets	11	2,007.0	2,140.2
Intangible assets		4,388.3	4,463.2
Associates		35,710.0	36,064.1
Joint ventures		10,613.7	10,884.1
Financial assets at fair value through other comprehensive income		1,664.7	1,830.5
Financial assets at fair value through profit or loss		1,659.2	1,706.5
Derivative financial instruments		92.7	76.6
Retirement benefit assets		105.4	105.4
Other non-current assets		5,863.8	5,795.5
		134,158.8	135,343.8
Current assets			
Inventories		2,852.8	2,567.0
Trade and other receivables	12	10,244.3	9,924.6
Loan and other receivables from associates		1,276.6	752.3
Loan and other receivables from joint ventures		454.0	510.9
Loan and other receivables from non-controlling shareholders		165.0	248.8
Financial assets at fair value through profit or loss		1,358.6	1,374.8
Derivative financial instruments		25.9	18.4
Time deposits over three months		91.5	66.0
Time deposits up to three months, cash and bank balances		8,527.1	8,972.1
		24,995.8	24,434.9
Assets held-for-sale	20	1,090.5	2,198.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) (Continued)

As at 30th June 2024

	Note	At 30th June 2024 HK\$M	At 31st December 2023 HK\$M (restated)
Current liabilities			
Trade payables and other liabilities	13	(19,823.3)	(19,926.8)
Loan and other payables to associates		(56.4)	(72.2)
Loan and other payables to joint ventures		(316.2)	(629.7)
Loan and other payables due to non-controlling shareholders		(75.9)	(85.9)
Provision for taxation		(1,376.4)	(1,619.3)
Borrowings		(22,091.5)	(16,567.2)
Redeemable perpetual securities		–	(2,343.6)
Derivative financial instruments		(86.2)	(132.1)
		<u>(43,825.9)</u>	<u>(41,376.8)</u>
Liabilities directly associated with assets held-for-sale	20	<u>(481.8)</u>	<u>(717.2)</u>
Total assets less current liabilities		<u>115,937.4</u>	<u>119,883.6</u>
Non-current liabilities			
Deferred taxation		(6,743.3)	(6,924.3)
Borrowings		(37,992.1)	(38,858.1)
Derivative financial instruments		(95.4)	(76.3)
Loan from a joint venture		(301.3)	(110.0)
Other non-current liabilities		(2,806.0)	(2,896.2)
		<u>(47,938.1)</u>	<u>(48,864.9)</u>
Net assets		<u>67,999.3</u>	<u>71,018.7</u>
Capital and reserves			
Share capital	14	5,474.7	5,474.7
Reserves	15	51,794.4	54,378.1
Shareholders' funds		<u>57,269.1</u>	<u>59,852.8</u>
Non-controlling interests		<u>10,730.2</u>	<u>11,165.9</u>
Total equity		<u>67,999.3</u>	<u>71,018.7</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30th June

	2024 HK\$M	2023 HK\$M
Net cash from operating activities	4,713.1	5,215.9
Investing activities		
Purchase of property, plant and equipment	(3,153.6)	(3,595.2)
Payment for right-of-use assets	(14.1)	(24.3)
Acquisition of businesses	31.1	(221.7)
Deemed disposal/disposal of subsidiaries	79.7	(2,065.6)
Disposal of associates	8.4	172.9
Increase in investments in associates	(21.4)	(34.1)
Increase in investments in joint ventures	(23.8)	(11.1)
Interest received	133.1	180.2
(Increase)/decrease in time deposits over three months	(25.5)	4.4
Dividends received from investments in securities	81.9	97.1
Dividends received from associates	949.4	863.4
Dividends received from joint ventures	297.2	250.9
Payments for acquisition of subsidiaries in prior year	(97.2)	–
Other cash flows (used in)/from investing activities	(164.8)	395.3
Net cash used in investing activities	(1,919.6)	(3,987.8)
Financing activities		
Dividends paid to shareholders of the Company	(4,291.8)	(4,291.8)
Principal elements of lease payments	(121.9)	(376.0)
Interest paid for the lease liabilities	(12.5)	(19.5)
Interest paid to holders of perpetual capital securities	(12.7)	(55.9)
Interest paid	(1,180.5)	(974.6)
Proceeds from deemed partial disposal of subsidiaries	–	0.4
Purchase of shares under share award scheme of a subsidiary	–	(3.3)
Net borrowings and others	2,544.4	2,413.3
Net cash used in financing activities	(3,075.0)	(3,307.4)
Decrease in cash and cash equivalents	(281.5)	(2,079.3)
Cash and cash equivalents at 1st January	8,972.1	13,241.2
Effect of foreign exchange rate changes	(163.5)	(406.6)
Cash and cash equivalents at 30th June	8,527.1	10,755.3
Analysis of balances of cash and cash equivalents		
Cash and bank balances	7,080.8	8,151.4
Time deposits up to three months	1,446.3	2,603.9
	8,527.1	10,755.3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30th June

	Attributable to shareholders of the Company		Non- controlling interests HK\$M	Total HK\$M
	Share capital HK\$M	Reserves HK\$M		
Total equity as at 1st January 2024 (audited)	5,474.7	54,378.1	11,165.9	71,018.7
Profit for the period	–	3,040.2	521.2	3,561.4
Other comprehensive income:				
Movement in reserve of financial assets at fair value through other comprehensive income	–	(80.1)	(23.5)	(103.6)
Change in fair value of cash flow hedges	–	(15.5)	(3.0)	(18.5)
Share of other comprehensive income of associates	–	4.7	–	4.7
Exchange differences	–	(1,226.2)	(442.8)	(1,669.0)
Total comprehensive income for the period	–	1,723.1	51.9	1,775.0
Capital injections in subsidiaries	–	–	11.2	11.2
Deemed disposal of subsidiaries	–	–	(39.6)	(39.6)
Acquisition of additional interests in subsidiaries	–	(15.0)	(28.3)	(43.3)
Dividends paid to shareholders of the Company	–	(4,291.8)	–	(4,291.8)
Dividends paid to non-controlling shareholders	–	–	(430.9)	(430.9)
Total equity as at 30th June 2024	5,474.7	51,794.4	10,730.2	67,999.3

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 2023 (audited)	5,474.7	55,752.8	2,384.2	11,527.0	75,138.7
Profit for the period	–	3,614.4	56.1	649.0	4,319.5
Other comprehensive income:					
Movement in reserve of financial assets at fair value through other comprehensive income	–	(96.7)	–	28.6	(68.1)
Change in fair value of cash flow hedges	–	(55.4)	–	(25.6)	(81.0)
Share of other comprehensive income of associates	–	(3.3)	–	–	(3.3)
Exchange differences	–	(2,138.4)	–	(433.1)	(2,571.5)
Total comprehensive income for the period	–	1,320.6	56.1	218.9	1,595.6
Deemed partial disposal of a subsidiary	–	(0.3)	–	0.7	0.4
Disposal of subsidiaries	–	50.0	–	(477.0)	(427.0)
Interest paid on perpetual capital securities	–	–	(55.9)	–	(55.9)
Dividends paid to shareholders of the Company	–	(4,291.8)	–	–	(4,291.8)
Dividends paid to non-controlling shareholders	–	–	–	(362.8)	(362.8)
Share-based payments of a subsidiary	–	3.3	–	1.7	5.0
Share award scheme of a subsidiary	–	20.0	–	(3.3)	16.7
Total equity as at 30th June 2023	<u>5,474.7</u>	<u>52,854.6</u>	<u>2,384.4</u>	<u>10,905.2</u>	<u>71,618.9</u>

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.

As at 30th June 2024, the Group was in a net current liabilities (including assets held-for-sale and liabilities directly associated with assets held-for-sale) position of approximately HK\$18.2 billion, which included the borrowings of approximately HK\$22.1 billion that are repayable within one year from the end of the reporting period. Taking into consideration the Group's available facilities, history of obtaining external financing and the Group's expected cash flows from operations, management believes that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due. Accordingly, these condensed consolidated interim financial statements have been prepared on a going concern basis.

In June 2024, the Group started to negotiate with bank for the renewal of two banking facilities with total amount of RMB4.0 billion to be matured in March 2025 and June 2025 respectively. As at 30th June 2024, the outstanding amount under these facilities was approximately HK\$3.3 billion which was classified as current liabilities. After the reporting period, the Group successfully obtained the commitment letter issued by the bank to extend these loans for 5 years from the original maturity dates subject to completion of administrative procedures by the bank.

The financial information relating to the year ended 31st December 2023 that is included in the condensed consolidated interim financial information for the six months ended 30th June 2024 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 2023 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.

1. Basis of preparation and accounting policies (Continued)

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 2023.

The Group has adopted the following amendments and interpretation to existing standards which are effective for the Group's financial year beginning 1st January 2024 and relevant to the Group.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
HK Int 5 (revised)	Hong Kong Interpretation 5 (revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

Except as described below, the adoption of the amendments and interpretation to existing standards has no material impact on the Group's results and financial position or any substantial changes in the 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 2023.

1. Basis of preparation and accounting policies (Continued)

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

Convertible bonds (with conversion options not meeting “fixed for fixed criterion”)

When determining the classification of convertible bonds (including the host liability measured at amortised cost and the conversion option measured at fair value through profit or loss) as current or non-current, the Group considers both the redemption through cash settlement and the transfer of the Group’s own equity instruments as a result of exercise of conversion options by holders as settlement of the convertible bonds.

The Group has applied the new accounting policy and the amendments retrospectively. The application of the amendments in the current period has the following impacts on the convertible bonds with conversion options not meeting “fixed for fixed criterion”.

The Group’s outstanding convertible instruments include counterparty conversion options that do not meet equity instruments classification by applying HKAS 32 “Financial Instruments: Presentation”. The host liability component is measured at amortised cost and the derivative component (representing the conversion options) is measured at fair value. Upon the application of the 2020 Amendments, given that the conversion options are exercisable anytime, the host liability and the derivative component as at 1st January 2023 and 31st December 2023 are reclassified as current liabilities as the holders have the option to convert within twelve months after the reporting period.

Except as described above, the application of the 2020 Amendments and 2022 Amendments has no other material impact on the classification of the Group’s other liabilities. The change in accounting policy does not have impact to the Group’s profit or loss or earnings per share for the six months ended 30th June 2024 and 30th June 2023. The details of the impacts on each financial statement line item on the condensed consolidated statement of financial position arising from the application of the amendments are set out under “Impacts of application of amendments to HKFRSs on the condensed consolidated interim financial statements” below. Comparative figures have been restated.

1. Basis of preparation and accounting policies (Continued)

Impacts of application of amendments to HKFRSs on the condensed consolidated interim financial statements

The effects of the changes in accounting policy as a result of application of the 2020 Amendments and 2022 Amendments on the condensed consolidated statement of financial position as at the end of the reporting period (i.e. 30th June 2024), immediately preceding year (i.e. 31st December 2023) and beginning of the comparative period (i.e. 1st January 2023), are as follows:

HK\$M	At 30th June 2024		
	As reported	Reclassification	Without the application of the 2020 Amendments and 2022 Amendments
Current liabilities			
Borrowings	22,091.5	(1,843.2)	20,248.3
Derivative financial instruments	86.2	(27.2)	59.0
Non-current liabilities			
Borrowings	37,992.1	1,843.2	39,835.3
Derivative financial instruments	95.4	27.2	122.6
Total effect on net assets	–	–	–

HK\$M	At 31st December 2023		
	Originally stated	Reclassification	Restated
Current liabilities			
Borrowings	14,709.4	1,857.8	16,567.2
Derivative financial instruments	37.6	94.5	132.1
Non-current liabilities			
Borrowings	40,715.9	(1,857.8)	38,858.1
Derivative financial instruments	170.8	(94.5)	76.3
Total effect on net assets	–	–	–

1. Basis of preparation and accounting policies (Continued)

Impacts of application of amendments to HKFRSs on the condensed consolidated interim financial statements (Continued)

HK\$M	At 1st January 2023		
	Originally stated	Reclassification	Restated
Current liabilities			
Borrowings	19,680.9	1,854.9	21,535.8
Derivative financial instruments	–	200.7	200.7
Non-current liabilities			
Borrowings	39,623.1	(1,854.9)	37,768.2
Derivative financial instruments	294.3	(200.7)	93.6
Total effect on net assets	–	–	–

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 2023. There have been no changes in the risk management policies since year end.

The Group's financial instruments are measured in the consolidated 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).

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

The following table presents the Group's financial assets and financial liabilities that are measured at fair value at 30th June 2024 and 31st December 2023.

HK\$M	Level 1		Level 2		Level 3		Total	
	At 30th June 2024	At 31st December 2023	At 30th June 2024	At 31st December 2023	At 30th June 2024	At 31st December 2023	At 30th June 2024	At 31st December 2023
	Financial assets							
Financial assets at fair value through profit or loss								
– Debt securities	261.0	263.1	–	–	14.0	–	275.0	263.1
– Equity investments	2,450.7	2,520.0	–	–	292.1	298.2	2,742.8	2,818.2
Derivative financial instruments	–	–	118.6	95.0	–	–	118.6	95.0
Financial assets at fair value through other comprehensive income								
– Debt securities	61.6	60.9	–	–	–	–	61.6	60.9
– Equity investments	1,230.4	1,351.4	–	–	372.7	418.2	1,603.1	1,769.6
Total financial assets	<u>4,003.7</u>	<u>4,195.4</u>	<u>118.6</u>	<u>95.0</u>	<u>678.8</u>	<u>716.4</u>	<u>4,801.1</u>	<u>5,006.8</u>
Financial liabilities								
Derivative financial instruments	–	–	154.4	113.9	27.2	94.5	181.6	208.4
Total financial liabilities	<u>–</u>	<u>–</u>	<u>154.4</u>	<u>113.9</u>	<u>27.2</u>	<u>94.5</u>	<u>181.6</u>	<u>208.4</u>

There are no 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 unlisted equity investments of approximately HK\$0.7 billion (31st December 2023: approximately HK\$0.7 billion), the fair values of which are determined with reference to their attributable net assets values and recent comparable transaction price, where available, being significant unobservable inputs. The fair value increases with the increase in the attributable net assets value and recent comparable transaction price, where available.
- Financial liabilities include embedded derivative component of convertible bonds of approximately HK\$27.2 million (31st December 2023: approximately HK\$94.5 million), the fair value of which is determined based on binomial option pricing model. The significant unobservable inputs include share price expected volatility of 39.5 per cent (31st December 2023: 43.2 per cent). The fair value of embedded derivative component of convertible bonds increases with the increase in the share price expected volatility.

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 2024 and year ended 31st December 2023:

HK\$M	Financial assets		Financial liabilities	
	Six months ended 30th June 2024	Year ended 31st December 2023	Six months ended 30th June 2024	Year ended 31st December 2023
At beginning of period/year	716.4	3,979.3	94.5	354.7
Additions	17.1	73.6	–	–
Disposals	–	(137.3)	–	–
Change in fair value	(41.9)	(1,728.3)	(65.8)	(255.6)
Exchange differences	(12.8)	(96.1)	(1.5)	(4.6)
Transfer to level 1	–	(1,374.8)	–	–
At end of period/year	<u>678.8</u>	<u>716.4</u>	<u>27.2</u>	<u>94.5</u>

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, renewable energy businesses and emerging energy businesses ("Green Energy", formerly known as "New Energy") in Hong Kong and the Chinese mainland. The revenue comprises the following:

	Six months ended 30th June	
	2024	2023
	HK\$M	HK\$M (restated)
Gas sales before fuel cost adjustment	20,755.9	21,115.0
Fuel cost adjustment	540.4	574.3
	<hr/>	<hr/>
Gas sales after fuel cost adjustment	21,296.3	21,689.3
Gas connection income	1,412.9	1,449.8
Equipment sales and maintenance services	1,564.9	1,582.0
Water and related sales	741.7	754.3
Renewable energy businesses	754.8	443.3
Biomass utilisation businesses	–	1,382.0
Other sales	1,725.6	1,876.9
	<hr/>	<hr/>
	27,496.2	29,177.6
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Note: Certain comparative figures have been reclassified to conform to the current period's presentation.

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

The EMM 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 EMM is measured in a manner consistent with that in the condensed consolidated interim financial statements.

3. Segment information (Continued)

The segment information for the six months ended 30th June 2024 and 2023 provided to the EMM for the reportable segments is as follows:

2024 HK\$M	Gas, water, renewable energy and related businesses		Green Energy	Property	Other segments	Total
	Hong Kong	Chinese mainland				
Revenue recognised at a point in time	5,470.9	20,518.7	348.3	–	–	26,337.9
Revenue recognised over time	–	442.2	–	–	403.3	845.5
Finance and rental income	–	–	278.9	33.9	–	312.8
	<u>5,470.9</u>	<u>20,960.9</u>	<u>627.2</u>	<u>33.9</u>	<u>403.3</u>	<u>27,496.2</u>
Adjusted EBITDA	2,912.6	3,024.7	187.7	21.0	65.9	6,211.9
Depreciation and amortisation	(429.5)	(1,112.4)	(102.8)	–	(98.7)	(1,743.4)
Unallocated expenses						(133.0)
						<u>4,335.5</u>
Other gains, net (note 5)						361.7
Interest expense						(1,114.7)
Share of results of associates (note)	–	526.2	(4.1)	169.1	0.1	691.3
Share of results of joint ventures	–	294.8	0.1	5.5	–	300.4
						<u>4,574.2</u>
Profit before taxation						4,574.2
Taxation						(1,012.8)
						<u>3,561.4</u>
Profit for the period						<u>3,561.4</u>

Note

There is no change in the valuation of the Group's shared investment properties at the International Financial Centre complex for the period (2023: no change).

3. Segment information (Continued)

2023 HK\$M	Gas, water, renewable energy and related businesses		Green Energy	Property	Other segments	Total
	Hong Kong	Chinese mainland				
Revenue recognised at a point in time	5,587.2	20,144.9	2,048.2	–	121.8	27,902.1
Revenue recognised over time	–	448.0	–	–	526.2	974.2
Finance and rental income	–	–	267.7	33.6	–	301.3
	<u>5,587.2</u>	<u>20,592.9</u>	<u>2,315.9</u>	<u>33.6</u>	<u>648.0</u>	<u>29,177.6</u>
Adjusted EBITDA	3,027.4	3,137.2	430.1	20.0	65.9	6,680.6
Depreciation and amortisation	(432.4)	(1,112.2)	(162.6)	–	(105.6)	(1,812.8)
Unallocated expenses						(116.8)
						4,751.0
Other gains, net (note 5)						1,269.0
Interest expense						(1,057.3)
Share of results of associates	–	475.0	(62.0)	199.5	1.0	613.5
Share of results of joint ventures	–	107.5	0.2	5.4	(1.9)	111.2
Profit before taxation						5,687.4
Taxation						(1,367.9)
Profit for the period						<u>4,319.5</u>

3. Segment information (Continued)

The segment assets at 30th June 2024 and 31st December 2023 are as follows:

30th June 2024 HK\$M	Gas, water, renewable energy and related businesses		Green Energy	Property	Other segments	Total
	Hong Kong	Chinese mainland				
Segment assets	19,001.3	99,014.1	16,008.9	16,413.6	3,040.5	153,478.4
Unallocated assets:						
Financial assets at fair value through other comprehensive income						1,664.7
Financial assets at fair value through profit or loss						3,017.8
Time deposits, cash and bank balances excluded from segment assets						1,620.8
Others (note)						463.4
Total assets						<u>160,245.1</u>
31st December 2023 HK\$M	Gas, water, renewable energy and related businesses		Green Energy	Property	Other segments	Total
	Hong Kong	Chinese mainland				
Segment assets	18,524.1	99,194.2	16,708.8	16,309.1	3,999.2	154,735.4
Unallocated assets:						
Financial assets at fair value through other comprehensive income						1,830.5
Financial assets at fair value through profit or loss						3,081.3
Time deposits, cash and bank balances excluded from segment assets						1,253.9
Others (note)						1,076.5
Total assets						<u>161,977.6</u>

3. Segment information (Continued)

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.

No liabilities are included in the internal reporting that are used by the EMM to assess performance and allocate resources. Accordingly, no segment liabilities are presented.

The Company is domiciled in Hong Kong. The Group's revenue from external customers in Hong Kong for the six months ended 30th June 2024 is HK\$6,170.8 million (2023: HK\$6,391.5 million), and the revenue from external customers in the Chinese mainland and other geographical locations is HK\$21,325.4 million (2023: HK\$22,786.1 million).

At 30th June 2024, the total of non-current assets other than financial instruments located in Hong Kong is HK\$36,077.9 million (31st December 2023: HK\$35,981.0 million), and the total of non-current assets other than financial instruments located in the Chinese mainland and other geographical locations is HK\$94,664.3 million (31st December 2023: HK\$95,749.2 million).

4. Total operating expenses

	Six months ended 30th June	
	2024	2023
	HK\$M	HK\$M
Stores and materials used	16,657.4	18,094.3
Manpower costs	1,971.8	1,904.6
Depreciation and amortisation	1,784.4	1,835.4
Other operating items	2,747.1	2,592.3
	<u>23,160.7</u>	<u>24,426.6</u>

5. Other gains, net

	Six months ended 30th June	
	2024	2023
	HK\$M	HK\$M
Business restructuring (note a):		
Net gain on disposal of subsidiaries (note 19)	–	4,677.2
Impairment losses for assets	–	(2,007.7)
Remeasurement loss on assets classified as held-for-sale (note 20)	(14.4)	(659.4)
Realised losses on an equity investment and related derivatives	–	(1,757.8)
	(14.4)	252.3
Towngas Smart Energy Company Limited's ("Towngas Smart Energy") exit of Shanghai Gas Co., Ltd. ("Shanghai Gas") (note b):		
Gain on disposal of an associate	–	692.2
Other items:		
Impairment losses for assets (note c)	(41.0)	(212.2)
Gain on deemed disposal/disposal of subsidiaries	54.5	–
Gain on deemed partial disposal of an associate	37.2	–
Gain on disposal of an associate engaged in water business	–	89.4
Change in fair value of embedded derivative component of convertible bonds	65.8	66.3
Net investment gains	261.5	386.4
Others	(1.9)	(5.4)
	376.1	324.5
	361.7	1,269.0

5. Other gains, net (Continued)

Notes

- (a) During the six months ended 30th June 2023, the Group underwent business restructuring in a bid to streamline and rationalise the whole emerging energy businesses, with an aim of achieving a significant reduction in carbon emission. As part of the restructuring, the Group disposed its partial interest in EcoCeres, Inc. to a strategic investor, with the investment turned from a subsidiary to an associate which resulted in a net gain on disposal of approximately HK\$4.7 billion (note 19).

Combining the factors of business restructuring plan as mentioned above and the volatility of commodity price environment, certain non-core and non-performing emerging energy and other businesses had been scaled down or disposed of, resulting in impairment or disposal losses. For the six months ended 30th June 2023, the amount mainly included impairment provision against property, plant and equipment in relation to a chemical production project, vehicular fuel stations and data centres located in the Chinese mainland of HK\$731.7 million, HK\$123.4 million and HK\$294.0 million respectively. In addition, the Group has reached agreements to dispose its logistics and coal investments and therefore has reclassified those net assets as assets held-for-sale during the period, with a combined remeasurement loss of HK\$659.4 million being recognised for the six months ended 30th June 2023. Further combined remeasurement loss of HK\$14.4 million is being recognised for the six months ended 30th June 2024 (note 20).

In June 2023, the Group reached an agreement to dispose an unlisted equity investment, which principally owns a coking coal mine and related coke production and coke-gas conversion facility, resulting in realised losses on financial assets and related derivatives of HK\$1,757.8 million and impairment losses of loan receivables and prepayment of HK\$858.6 million for the six months ended 30th June 2023.

- (b) Pursuant to a capital reduction agreement entered into by Towngas Smart Energy, Shenergy (Group) Company Limited and Shanghai Gas, all parties agreed to the exit by Towngas Smart Energy from its entire investment of 25 per cent equity interest in Shanghai Gas through a reduction of the capital of Shanghai Gas by the amount held by Towngas Smart Energy. During the six months ended 30th June 2023, the Company recognised a gain of HK\$692.2 million and received the consideration of RMB4,662.6 million from Shanghai Gas in second half of 2023.
- (c) The amount represents impairment provision against goodwill and property, plant and equipment of HK\$41.0 million (2023: impairment provision against goodwill of a city-gas project in the Chinese mainland of HK\$212.2 million).

6. Profit before taxation

Profit before taxation is stated after charging cost of inventories sold of HK\$16,825.9 million (2023: HK\$17,730.7 million).

7. Taxation

	Six months ended 30th June	
	2024 HK\$M	2023 HK\$M
Current taxation	903.0	1,197.9
Deferred taxation relating to the origination and reversal of temporary differences and withholding tax	109.8	170.0
	<u>1,012.8</u>	<u>1,367.9</u>

The prevailing income tax rates of Hong Kong, the Chinese mainland and Thailand are 16.5 per cent (2023: 16.5 per cent), 15 per cent to 25 per cent (2023: 15 per cent to 25 per cent) and 50 per cent (2023: 50 per cent) respectively.

Regarding the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "Pillar Two legislation"), as the Group is operating in jurisdictions where the Pillar Two legislation has not been enacted or substantially enacted, the Group is yet to apply the temporary exception during the period. Additional disclosures will be made when the Pillar Two legislation is enacted or substantially enacted in the future.

8. Dividends

	Six months ended 30th June	
	2024 HK\$M	2023 HK\$M
2023 Final, paid, of HK23 cents per ordinary share (2022 Final: HK23 cents per ordinary share)	4,291.8	4,291.8
2024 Interim, proposed, of HK12 cents per ordinary share (2023 Interim: HK12 cents per ordinary share)	2,239.2	2,239.2
	<u>6,531.0</u>	<u>6,531.0</u>

9. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$3,040.2 million (2023: HK\$3,614.4 million) and the weighted average of 18,659,870,098 shares (2023: 18,659,870,098 shares) in issue during the period. As there were no dilutive potential ordinary shares of the Company outstanding during the period, the weighted average number of shares used in calculating diluted earnings per share is the same as calculating basic earnings per share.

	Six months ended 30th June	
	2024 HK\$M	2023 HK\$M
Earnings		
Profit attributable to shareholders for the purpose of basic earnings per share	3,040.2	3,614.4
Effect of dilutive potential ordinary shares:		
Interests on convertible bonds, attributable to shareholders	27.3	26.2
Change in fair value of embedded derivative component of convertible bonds, attributable to shareholders	(44.3)	(44.0)
Reduction in share of subsidiaries and an associate's profits	(46.6)	(71.5)
	<hr/>	<hr/>
Profit attributable to shareholders for the purpose of diluted earnings per share	2,976.6	3,525.1
	<hr/> <hr/>	<hr/> <hr/>

10. Property, plant and equipment

	Buildings, plant, mains and other equipment HK\$M
Cost	
At 1st January 2024	108,269.3
Additions	3,203.2
Acquisition of businesses	3.4
Transfer from right-of-use assets (note 11)	65.4
Disposals/write off	(684.4)
Exchange differences	(1,859.9)
	<hr/>
At 30th June 2024	108,997.0
	<hr/>
Accumulated depreciation and impairment losses	
At 1st January 2024	36,992.7
Charge for the period	1,686.6
Impairment	24.3
Disposals/write off	(219.0)
Exchange differences	(540.5)
	<hr/>
At 30th June 2024	37,944.1
	<hr/>
Net book value	
At 30th June 2024	71,052.9
	<hr/> <hr/>
At 31st December 2023	71,276.6
	<hr/> <hr/>

10. Property, plant and equipment (Continued)

	Buildings, plant, mains and other equipment HK\$M
Cost	
At 1st January 2023	105,774.2
Additions	3,646.0
Acquisition of businesses	1,296.4
Transfer to assets held-for-sale	(1,812.7)
Disposals/write off	(3,143.1)
Exchange differences	(3,172.6)
	<hr/>
At 30th June 2023	102,588.2
Accumulated depreciation and impairment losses	
At 1st January 2023	33,955.4
Charge for the period	1,721.5
Transfer to assets held-for-sale	(1,019.1)
Impairment (note)	1,808.6
Disposals/write off	(365.3)
Exchange differences	(849.8)
	<hr/>
At 30th June 2023	35,251.3
	<hr/>
Net book value	
At 30th June 2023	67,336.9
	<hr/> <hr/>
At 31st December 2022	71,818.8
	<hr/> <hr/>

Note

Amount includes remeasurement loss of HK\$659.4 million during the six months ended 30th June 2023 (note 5(a)).

11. Right-of-use assets

	Prepaid leasehold land HK\$M	Buildings, plant and equipment and others HK\$M	Total HK\$M
At 1st January 2024	1,757.8	382.4	2,140.2
Additions	14.1	49.2	63.3
Depreciation and amortisation	(26.8)	(56.6)	(83.4)
Disposals	(4.6)	(2.2)	(6.8)
Transfer to property, plant and equipment (note 10)	–	(65.4)	(65.4)
Exchange differences	(34.6)	(6.3)	(40.9)
	<u>1,705.9</u>	<u>301.1</u>	<u>2,007.0</u>
At 30th June 2024	<u>1,705.9</u>	<u>301.1</u>	<u>2,007.0</u>
	Prepaid leasehold land HK\$M	Buildings, plant and equipment and others HK\$M	Total HK\$M
At 1st January 2023	2,419.7	393.6	2,813.3
Additions	24.3	103.1	127.4
Acquisition of businesses	9.2	327.1	336.3
Depreciation and amortisation	(33.2)	(83.9)	(117.1)
Disposals	(232.1)	(155.7)	(387.8)
Transfer to assets held-for-sale	(270.6)	–	(270.6)
Exchange differences	(87.9)	(21.3)	(109.2)
	<u>1,829.4</u>	<u>562.9</u>	<u>2,392.3</u>
At 30th June 2023	<u>1,829.4</u>	<u>562.9</u>	<u>2,392.3</u>

12. Trade and other receivables

	At 30th June 2024 HK\$M	At 31st December 2023 HK\$M
Trade receivables (note)	3,994.7	4,590.6
Payments in advance	1,750.9	1,801.8
Other receivables	4,498.7	3,532.2
	<u>10,244.3</u>	<u>9,924.6</u>

The Group recognised a loss of HK\$16.1 million (2023: HK\$30.8 million) for the impairment of its trade and other receivables during the period. The impairment has been included in other operating items.

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 2024 HK\$M	At 31st December 2023 HK\$M
0 – 30 days	3,411.0	3,880.4
31 – 60 days	88.1	120.8
61 – 90 days	103.4	139.3
Over 90 days	392.2	450.1
	<u>3,994.7</u>	<u>4,590.6</u>

13. Trade payables and other liabilities

	At 30th June 2024 HK\$M	At 31st December 2023 HK\$M
Trade payables (note a)	4,739.8	4,806.1
Other payables and accruals (note b)	6,446.9	6,275.5
Contract liabilities (note c)	8,530.9	8,719.2
Lease liabilities (notes d and e)	105.7	126.0
	19,823.3	19,926.8
	19,823.3	19,926.8

Notes

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

	At 30th June 2024 HK\$M	At 31st December 2023 HK\$M
0 – 30 days	1,472.6	1,698.8
31 – 60 days	631.0	738.0
61 – 90 days	772.1	722.1
Over 90 days	1,864.1	1,647.2
	4,739.8	4,806.1
	4,739.8	4,806.1

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

(c) The balances mainly represent non-refundable advances 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 2024 HK\$M	At 31st December 2023 HK\$M
Within 1 year	105.7	126.0
Over 1 year [#]	230.8	292.9
	336.5	418.9
	336.5	418.9

[#] Non-current lease liabilities are included in other non-current liabilities.

(e) The interest expense on lease liabilities for the period amounting to HK\$12.5 million (2023: HK\$19.5 million) is included in profit or loss.

14. Share capital

	Number of Shares		Share Capital	
	At 30th June 2024	At 31st December 2023	At 30th June 2024 HK\$M	At 31st December 2023 HK\$M
Issued and fully paid: At beginning/end of period/year	<u>18,659,870,098</u>	<u>18,659,870,098</u>	<u>5,474.7</u>	<u>5,474.7</u>

15. Reserves

	Investment revaluation reserve HK\$M	Hedging reserve HK\$M	Exchange reserve HK\$M	Other reserves (note) HK\$M	Retained profits HK\$M	Total HK\$M
At 1st January 2024 (audited)	493.7	(32.9)	(2,363.8)	108.7	56,172.4	54,378.1
Profit attributable to shareholders	-	-	-	-	3,040.2	3,040.2
Other comprehensive income:						
Movement in reserve of financial assets at fair value through other comprehensive income	(80.1)	-	-	-	-	(80.1)
Change in fair value of cash flow hedges	-	(15.5)	-	-	-	(15.5)
Share of other comprehensive income of associates	1.1	3.6	-	-	-	4.7
Exchange differences	-	-	(1,226.2)	-	-	(1,226.2)
Total comprehensive income for the period	(79.0)	(11.9)	(1,226.2)	-	3,040.2	1,723.1
Acquisition of additional interests in subsidiaries	-	-	-	-	(15.0)	(15.0)
2023 final dividend paid	-	-	-	-	(4,291.8)	(4,291.8)
At 30th June 2024	<u>414.7</u>	<u>(44.8)</u>	<u>(3,590.0)</u>	<u>108.7</u>	<u>54,905.8</u>	<u>51,794.4</u>
Balance after 2024 interim dividend proposed	414.7	(44.8)	(3,590.0)	108.7	52,666.6	49,555.2
2024 interim dividend proposed	-	-	-	-	2,239.2	2,239.2
	<u>414.7</u>	<u>(44.8)</u>	<u>(3,590.0)</u>	<u>108.7</u>	<u>54,905.8</u>	<u>51,794.4</u>

15. Reserves (Continued)

	Investment revaluation reserve HK\$M	Hedging reserve HK\$M	Exchange reserve HK\$M	Other reserves (note) HK\$M	Retained profits HK\$M	Total HK\$M
At 1st January 2023 (audited)	418.9	(5.8)	(1,272.6)	40.3	56,572.0	55,752.8
Profit attributable to shareholders	–	–	–	–	3,614.4	3,614.4
Other comprehensive income:						
Movement in reserve of financial assets at fair value through other comprehensive income	(96.7)	–	–	–	–	(96.7)
Change in fair value of cash flow hedges	–	(55.4)	–	–	–	(55.4)
Share of other comprehensive loss of associates	–	(3.3)	–	–	–	(3.3)
Exchange differences	–	–	(2,138.4)	–	–	(2,138.4)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total comprehensive income for the period	(96.7)	(58.7)	(2,138.4)	–	3,614.4	1,320.6
Deemed partial disposal of a subsidiary	–	–	–	–	(0.3)	(0.3)
Disposal of subsidiaries	–	–	50.0	–	–	50.0
2022 final dividend paid	–	–	–	–	(4,291.8)	(4,291.8)
Share-based payment of a subsidiary	–	–	–	3.3	–	3.3
Share award scheme of a subsidiary	–	–	–	24.3	(4.3)	20.0
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30th June 2023	<u>322.2</u>	<u>(64.5)</u>	<u>(3,361.0)</u>	<u>67.9</u>	<u>55,890.0</u>	<u>52,854.6</u>
Balance after 2023 interim dividend proposed	322.2	(64.5)	(3,361.0)	67.9	53,650.8	50,615.4
2023 interim dividend proposed	–	–	–	–	2,239.2	2,239.2
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>322.2</u>	<u>(64.5)</u>	<u>(3,361.0)</u>	<u>67.9</u>	<u>55,890.0</u>	<u>52,854.6</u>

Note

Other reserves arise from the issue of equity-settled share-based payments to certain employees to allow them to invest in the equity interest in Towngas Smart Energy, a subsidiary of the Group and the purchase of shares under a share award scheme of Towngas Smart Energy.

At 30th June 2024, there are 24,000 shares (31st December 2023: 24,000 shares) held by the trustee of the share award scheme of Towngas Smart Energy.

No shares were granted by Towngas Smart Energy during the six months ended 30th June 2024. The Group did not recognise any expense for the six months ended 30th June 2024 (six months ended 30th June 2023: an expense of HK\$5,040,000) in relation to share options granted by Towngas Smart Energy.

16. Contingent liabilities

The Group did not have any material contingent liabilities as at 30th June 2024 and 31st December 2023.

17. Commitments

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

	At 30th June 2024 HK\$M	At 31st December 2023 HK\$M
Contracts had been entered into but not brought into the condensed consolidated interim financial statements	<u><u>3,983.5</u></u>	<u><u>5,590.3</u></u>

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

	At 30th June 2024 HK\$M	At 31st December 2023 HK\$M
Contracts had been entered into but not brought into the condensed consolidated interim financial statements	<u><u>3,697.9</u></u>	<u><u>3,807.9</u></u>

- (c) The Group has committed to provide sufficient funds in the forms of capital and loan contributions to finance certain new projects under various contracts in the Chinese mainland. The directors of the Company estimate that as at 30th June 2024, the Group's commitments to these projects were approximately HK\$7,299.1 million (31st December 2023: approximately HK\$7,948.0 million).

17. Commitments (Continued)

(d) Lease commitments

Lessor

The Group leases out the building facilities of the commercial complex and car parks of Grand Waterfront under operating leases. Except for certain car parks rented out on an hourly or a monthly basis, these leases typically run for a period of 2 to 5 years.

Future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	At 30th June 2024 HK\$M	At 31st December 2023 HK\$M
Not later than 1 year	18.1	23.9
Later than 1 year and not later than 5 years	13.6	14.8
	31.7	38.7

18. Related party transactions

Saved as disclosed elsewhere in the condensed consolidated interim financial statements, there were purchase of goods and services from associates of HK\$469.0 million (2023: HK\$236.9 million). These related party transactions were conducted at prices and terms as agreed by parties involved.

19. Disposal of subsidiaries

During the six months ended 30th June 2023, the Group disposed its partial interest in EcoCeres, Inc. and its subsidiaries (“EcoCeres Group”) which principally engaged in biomass utilisation businesses for a cash consideration of approximately HK\$2.5 billion. Following the disposal, the Group’s effective interest and voting right in EcoCeres, Inc. decreased from 65.5 per cent to 44.2 per cent. As a result, EcoCeres Group ceased to be subsidiaries and became associates of the Group.

The disposal resulted in a net gain on disposal as follows:

	HK\$’M
Fair value of retained interest as an associate	5,976.0
Consideration received	2,505.0
	<hr/>
	8,481.0
The assets and liabilities disposed of are as follows:	
Property, plant and equipment	2,658.6
Right-of-use assets	356.0
Deferred tax assets	26.7
Inventories	565.7
Trade and other receivables	360.1
Cash and bank balances	4,570.6
Trade payables and other liabilities	(276.1)
Preferred shares	(3,393.9)
Borrowings	(652.4)
Provision for taxation	(101.8)
Other non-current liabilities	(97.7)
	<hr/>
Net assets	4,015.8
Non-controlling interests	(477.0)
	<hr/>
	3,538.8
Release of exchange reserve upon disposal	50.0
	<hr/>
	3,588.8
	<hr/>
Transaction related costs	(215.0)
	<hr/>
Net gain on disposal (note 5(a))	4,677.2
	<hr/> <hr/>

19. Disposal of subsidiaries (Continued)

Analysis of net cash outflow in respect of disposal of subsidiaries:

	HK\$M
Cash and cash equivalents disposed	(4,570.6)
Consideration received	2,505.0
	<hr/>
	(2,065.6)
	<hr/> <hr/>

Cumulative foreign exchange losses of EcoCeres Group amounting to HK\$50.0 million that were recognised in other comprehensive income were released to profit or loss upon the disposal during the six months ended 30th June 2023.

20. Assets held-for-sale/liabilities directly associated with assets held-for-sale

During 2023, Yi An (Inner Mongolia) Holding Co., Ltd (“Yian (IM)”), a subsidiary of the Group, entered into a Memorandum of Understanding (the “MOU”) with an independent third party under which Yian (IM) agreed to dispose its entire equity interest in 山東嘉祥易隆港務有限公司 (“嘉祥易隆”), which principally engages in logistics business in the Chinese mainland, for a cash consideration of approximately HK\$280 million. The completion of the disposal of interest in 嘉祥易隆 is subject to the satisfaction of conditions precedent as set out in the MOU. Accordingly, the Group’s interest in 嘉祥易隆 was reclassified as an asset held for-sale as at 30th June 2024 and 31st December 2023 and was measured at the lower of carrying amount and fair value less costs of disposal. Based on the fair value of the equity interest, a remeasurement loss of HK\$7.7 million (six months ended 30th June 2023: HK\$506.5 million) was recognised as “Other gains, net” in the consolidated income statement for the six months ended 30th June 2024. The disposal was completed in July 2024.

The Group also reclassified its entire equity interest in Inner Mongolia Ke Jian Coal Company Limited (“Kejian”), a subsidiary of the Group which principally engages in coal-related businesses to an asset held-for-sale as at 30th June 2024 and 31st December 2023 as the Group intended to recover the carrying amount through sale. Upon reclassification, the investment was measured at the lower of carrying amount and fair value less costs of disposal. Based on the fair value of the equity interest, a remeasurement loss of HK\$6.7 million (six months ended 30th June 2023: HK\$152.9 million) was recognised as “Other gains, net” in the consolidated income statement for the six months ended 30th June 2024.

20. Assets held-for-sale/liabilities directly associated with assets held-for-sale (Continued)

The major classes of assets and liabilities of subsidiaries classified as held-for sale, which were presented separately in the Group's condensed consolidated statement of financial position as at 30th June 2024, were as follows:

	HK\$/M
Property, plant and equipment	724.3
Right-of-use assets	269.7
Inventories	3.4
Trade and other receivables	65.7
Cash and bank balances	27.4
	<hr/>
Assets of subsidiaries reclassified as held-for-sale	1,090.5
	<hr/> <hr/>
Trade and other payables	435.6
Deferred tax liabilities	46.2
	<hr/>
Liabilities of subsidiaries reclassified as held-for-sale	481.8
	<hr/> <hr/>

FINANCIAL RESOURCES REVIEW

Liquidity and capital resources

As at 30th June 2024, the Group had a net current borrowings position of HK\$13,473 million (After reclassification of convertible bonds to current liabilities, 31st December 2023: HK\$9,873 million) and long-term borrowings of HK\$37,992 million (After reclassification, 31st December 2023: HK\$38,858 million). In addition, banking facilities available for use amounted to HK\$21,800 million (31st December 2023: HK\$25,300 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, unutilised banking facilities and Medium Term Note Programme 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. Medium term notes totalling HK\$3,097 million, with an average tenor of 5.5 years, have been issued so far in 2024. In line with the Group's long-term business investments, as at 30th June 2024, the total nominal amount of medium term notes issued has reached HK\$23.1 billion with tenors ranging from 2 to 40 years, mainly at fixed interest rates with an average of 3.6 per cent per annum and an average tenor of 13 years. In addition, our major listed subsidiary company Towngas Smart Energy Company Limited ("Towngas Smart Energy") also established its Medium Term Note Programme of US\$2 billion in June 2021, which adds flexibility and capacity to its financing, and thus strengthening its financial position. In April 2022, Towngas Smart Energy issued its first 5-year Sustainability-Linked Bond (the "SLB") and raised a total of US\$200 million. As at 30th June 2024, the total nominal amount of medium term notes issued has reached RMB2.0 billion, mainly at fixed interest rates with an average of 4.2 per cent per annum and an average tenor of 4 years. The carrying value of the issued notes in Renminbi ("RMB"), Australian dollar ("AUD"), Japanese yen ("JPY"), United States dollar ("USD") and Hong Kong dollar under the Programmes (the "MTNs") as at 30th June 2024 was HK\$25,170 million (31st December 2023: HK\$23,754 million).

To further diversify the funding sources, Towngas Smart Energy issued its first 1-year and 3-year panda bonds on the Chinese mainland in June 2023 (the "Panda Bonds"), raising a total of RMB1.5 billion with an average annual interest rate of 3.27 per cent. Among them is the first sustainability-linked Panda Bond issued by a Hong Kong enterprise on the Chinese mainland. The 1-year RMB1 billion Panda Bond was repaid on 12th June 2024. The carrying value of the Panda Bond as at 30th June 2024 was HK\$538 million.

As at 30th June 2024, the Group's borrowings amounted to HK\$60,084 million (31st December 2023: HK\$57,769 million). Convertible bonds ("CB") of nominal amount at RMB1,836 million were issued by Towngas Smart Energy to a strategic investor in November 2021 and the carrying value of the debt component of the issued CB as at 30th June 2024 was HK\$1,843 million (31st December 2023: HK\$1,858 million). While the majority of the notes and CB mentioned above together with some banks and other loans had fixed interest rate and were unsecured, a certain portion of notes and the remaining bank and other loans were unsecured and had a floating interest rate, of which HK\$15,379 million (31st December 2023: HK\$15,822 million) were long-term and HK\$10,182 million (31st December 2023: HK\$5,996 million) had maturities within one year. As at 30th June 2024, the maturity profile of the Group's borrowings was 37 per cent within 1 year, 21 per cent within 1 to 2 years, 23 per cent within 2 to 5 years and 19 per cent over 5 years (After reclassification, 31st December 2023: 33 per cent within 1 year, 19 per cent within 1 to 2 years, 30 per cent within 2 to 5 years and 18 per cent over 5 years).

As at 30th June 2024, the AUD, JPY and a certain portion of RMB notes issued and the USD SLB issued by Towngas Smart Energy are hedged to Hong Kong dollars or Renminbi respectively by currency swaps. Except for the borrowings under Towngas Smart Energy and that of the subsidiaries in the Chinese mainland are arranged in or hedged to their functional currency in Renminbi, the Group's borrowings are primarily denominated in Hong Kong dollar after swap (Hong Kong dollars: HK\$30,179 million; Renminbi: HK\$6,846 million).

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. On 22nd December 2023, the Group announced that it will redeem all of the Perpetual Capital Securities on the first call date of 12th February 2024. In this connection, the Perpetual Capital Securities were re-classified as redeemable perpetual securities under current liabilities as at 31st December 2023. The redemption was completed on 14th February 2024 after payment has been made in accordance with terms and conditions of the Perpetual Capital Securities.

The gearing ratio [net borrowings/(total equity + net borrowings)] for the Group as at 30th June 2024 was 43 per cent (31st December 2023: 41 per cent).

Guarantee

As at 30th June 2024 and 31st December 2023, 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 the Chinese mainland. As such, its cash, cash equivalents or borrowings are mainly denominated in Hong Kong dollar, Renminbi or United States dollar, whereas borrowings for the Group's subsidiaries, associates and joint ventures in the Chinese mainland are predominantly denominated in the local currency, Renminbi, in order to provide natural hedging for the investment there.

EMPLOYEES AND PRODUCTIVITY

As at 30th June 2024, the number of employees engaged in the town gas business in Hong Kong was 2,117 (30th June 2023: 2,100), the number of customers was 2,027,334, and each employee served the equivalent of 958 customers, a slight increase compared to the same period last year. Inclusive of employees engaged in businesses such as telecommunications and engineering contractual works, the total number of the Group's employees engaged in businesses in Hong Kong was 2,341 as at the end of June 2024 compared to 2,325 as at the end of June 2023. Related manpower costs amounted to HK\$658 million for the first half of 2024, an increase of HK\$39 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 on the Chinese mainland and other places outside Hong Kong was approximately 53,610 as at the end of June 2024, which was similar to the same period last year.

OTHER INFORMATION

Corporate governance

During the six months ended 30th June 2024, the Company complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix C1 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 C3 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 at all the applicable time throughout the six months ended 30th June 2024.

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 2024 to review the unaudited consolidated interim financial statements for the six months ended 30th June 2024. PricewaterhouseCoopers, the Group's external auditor, carried out a review of the Company's unaudited consolidated interim financial statements for the six months ended 30th June 2024 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 to the Board of Directors of the Company subsequent to the review.

Purchase, sale or redemption of listed securities

Save as redemption of Perpetual Capital Securities in February 2024 as detailed in "Financing structure" section, 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 2024.

Disclosure of interests

A. Directors

As at 30th June 2024, 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:

(1) Shares and underlying shares (Long positions)

Name of company	Name of director	Interest in shares			Interest in underlying shares pursuant to share options	Aggregate interests	%*
		Personal interests	Corporate interests	Other interests			
The Hong Kong and China Gas Company Limited	Dr. the Hon. Lee Ka-kit			7,748,692,715 (Note 2)		7,748,692,715	41.53
	Dr. Lee Ka-shing			7,748,692,715 (Note 2)		7,748,692,715	41.53
	Dr. the Hon. Sir David Li Kwok-po	61,000,000				61,000,000	0.33
	Prof. the Hon. Poon Chung-kwong	243,085 (Note 4)				243,085	0.00
Lane Success Development Limited	Dr. the Hon. Lee Ka-kit			9,500 (Note 5)		9,500	95
	Dr. Lee Ka-shing			9,500 (Note 5)		9,500	95
Yieldway International Limited	Dr. the Hon. Lee Ka-kit			2 (Note 6)		2	100
	Dr. Lee Ka-shing			2 (Note 6)		2	100
Towngas Smart Energy Company Limited (“Towngas Smart Energy”)	Dr. the Hon. Lee Ka-kit			2,379,921,776 (Note 7)		2,379,921,776	70.95
	Dr. Lee Ka-shing			2,379,921,776 (Note 7)		2,379,921,776	70.95
	Mr. Peter Wong Wai-yee	7,532,000 (Note 8)			1,800,000 (Note 9)	9,332,000	0.28
	Mr. Chan Ying-lung**	1,800,000			900,000 (Note 9)	2,700,000	0.08
EcoCeres, Inc.	Mr. Peter Wong Wai-yee				41,818 (Note 9)	41,818	0.36
	Mr. Chan Ying-lung**				61,818 (Note 9)	61,818	0.53

* 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.

** Mr. Chan Ying-lung was appointed as Executive Director and Chief Investment Officer of the Company on 25th June 2024.

(2) Options to subscribe for shares of Towngas Smart Energy (Long positions)

Pursuant to the share option scheme of Towngas Smart Energy (the “TSEL Share Option Scheme”), a listed subsidiary of the Company, certain Directors of the Company (who are also directors of Towngas Smart Energy and/or its subsidiaries) have been granted options to subscribe for the shares of Towngas Smart Energy, details of which as at 30th June 2024 were as follows:

Name of company	Name of director	Date of grant	Exercise period	Vesting date	Exercise price (HK\$)	Number of shares of Towngas Smart Energy subject to outstanding options as at 01.01.2024	Number of shares of Towngas Smart Energy subject to outstanding options as at 30.06.2024
Towngas Smart Energy	Mr. Peter Wong Wai-yee	25.11.2022	25.11.2023 – 24.11.2025	25.11.2023	3.40	1,800,000	1,800,000
Towngas Smart Energy's subsidiaries	Mr. Chan Ying-lung*	25.11.2022	25.11.2023 – 24.11.2025	25.11.2023	3.40	900,000	900,000

* Mr. Chan Ying-lung was appointed as Executive Director and Chief Investment Officer of the Company on 25th June 2024.

(3) Options to subscribe for shares of EcoCeres, Inc. (Long positions)

Pursuant to the share option scheme of EcoCeres, Inc., an associated corporation of the Company, certain Directors of the Company (who are also directors of EcoCeres, Inc.) have been granted options to subscribe for the shares of EcoCeres, Inc., details of which as at 30th June 2024 were as follows:

Name of company	Name of director	Date of grant	Exercise period	Vesting period	Exercise price (US\$)	Number of shares of EcoCeres, Inc. subject to outstanding options as at 01.01.2024	Number of shares of EcoCeres, Inc. subject to outstanding options as at 30.06.2024
EcoCeres, Inc.	Mr. Peter Wong Wai-yee	28.04.2023	28.04.2023 – 27.04.2033	–	57.00	31,818	31,818
		15.03.2024	15.03.2024 – 14.03.2034	31.12.2024 – 31.12.2028	112.16	N/A	10,000
	Mr. Chan Ying-lung*	28.04.2023	28.04.2023 – 27.04.2033	–	57.00	31,818	31,818
		28.02.2024	28.02.2024 – 27.02.2034	31.12.2024 – 31.12.2028	112.16	N/A	30,000

* Mr. Chan Ying-lung was appointed as Executive Director and Chief Investment Officer of the Company on 25th June 2024.

Save as mentioned above, as at 30th June 2024, 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 2024, the interests and short positions of every person, other than the Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

	Name of individual/company	No. of shares in which interested	%*
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)	Dr. the Hon. Lee Shau-kee (Note 3)	7,748,692,715	41.53
	Disralei Investment Limited (Note 1)	4,313,717,809	23.12
	Timpani Investments Limited (Note 1)	5,989,193,083	32.10
	Faxson Investment Limited (Note 1)	7,748,692,715	41.53
	Henderson Land Development Company Limited (Note 1)	7,748,692,715	41.53
	Henderson Development Limited (Note 1)	7,748,692,715	41.53
	Hopkins (Cayman) Limited (Note 2)	7,748,692,715	41.53
	Riddick (Cayman) Limited (Note 2)	7,748,692,715	41.53
	Rimmer (Cayman) Limited (Note 2)	7,748,692,715	41.53
Persons other than substantial shareholders	Macrostar Investment Limited (Note 1)	1,759,499,632	9.43
	Chelco Investment Limited (Note 1)	1,759,499,632	9.43
	Medley Investment Limited (Note 1)	1,675,475,274	8.98

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

Save as mentioned above, as at 30th June 2024, 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:

1. These 7,748,692,715 shares were beneficially owned by Macrostar Investment Limited (“Macrostar”), Medley Investment Limited (“Medley”) and Disralei Investment Limited (“Disralei”). Macrostar was a wholly-owned subsidiary of Chelco Investment Limited, which was in turn, a wholly-owned subsidiary of Faxson Investment Limited (“FIL”). Medley and Disralei were wholly-owned subsidiaries of Timpani Investments Limited, which was in turn, a wholly-owned subsidiary of FIL. FIL was a wholly-owned subsidiary of Henderson Land Development Company Limited (“HLD”). Henderson Development Limited (“HD”) was entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of HLD.
2. These 7,748,692,715 shares are duplicated in the interests described in Note 1. Hopkins (Cayman) Limited (“Hopkins”) owned all the issued ordinary shares which carry the voting rights in the share capital of HD as trustee of a unit trust (“Unit Trust”). Rimmer (Cayman) Limited (“Rimmer”) and Riddick (Cayman) Limited (“Riddick”), as trustees of the respective discretionary trusts, held units in the Unit Trust. Dr. the Hon. Lee Ka-kit and Dr. Lee Ka-shing, as discretionary beneficiaries of the discretionary trusts, were taken to have duties of disclosure in relation to these shares by virtue of Part XV of the SFO.
3. These 7,748,692,715 shares are duplicated in the interests described in Notes 1 and 2. Dr. the Hon. Lee Shau-kee beneficially owned all the issued shares in Rimmer, Riddick and Hopkins and was taken to be interested in these shares by virtue of Part XV of the SFO.
4. These 243,085 shares were jointly held by Prof. the Hon. Poon Chung-kwong and his spouse.
5. 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 Ka-kit and Dr. Lee Ka-shing were taken to be interested in HLD and the Company as set out in Notes 1 and 2 by virtue of Part XV of the SFO.
6. 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 Ka-kit and Dr. Lee Ka-shing were taken to be interested in HLD and the Company as set out in Notes 1 and 2 by virtue of Part XV of the SFO.
7. These 2,379,921,776 shares in Towngas Smart Energy representing approximately 70.95% of the total number of issued shares in Towngas Smart Energy were taken to be interested by Hong Kong & China Gas (China) Limited (“HK&CG (China)”) (as to 2,174,914,524 shares), Planwise Properties Limited (“Planwise”) (as to 201,577,233 shares) and Superfun Enterprises Limited (“Superfun”) (as to 3,430,019 shares), wholly-owned subsidiaries of the Company, among which included the entitlement to new shares upon their submission of election forms with Towngas Smart Energy electing to receive new shares in Towngas Smart Energy in lieu of cash dividend pursuant to Towngas Smart Energy’s scrip dividend scheme on 28th June 2024. Subsequent to the allotment of a total of 124,440,353 new shares to HK&CG (China), Planwise and Superfun by Towngas Smart Energy on 12th July 2024, the said percentage figure of interest in Towngas Smart Energy’s shares was adjusted to approximately 68.38% as at 12th July 2024. Dr. the Hon. Lee Ka-kit and Dr. Lee Ka-shing were taken to be interested in the Company as set out in Notes 1 and 2 by virtue of Part XV of the SFO.
8. Upon his submission of an election form with Towngas Smart Energy electing to receive new shares in Towngas Smart Energy in lieu of cash dividend pursuant to Towngas Smart Energy’s scrip dividend scheme on 28th June 2024 and the subsequent allotment of 393,000 new shares by Towngas Smart Energy pursuant to its scrip dividend scheme on 12th July 2024, Mr. Peter Wong Wai-yee had 7,532,000 shares in Towngas Smart Energy (representing approximately 0.22% of the total number of issued shares in Towngas Smart Energy as at the date of this report) and 1,800,000 options granted under the TSEL Share Option Scheme entitling him to subscribe for 1,800,000 shares of Towngas Smart Energy (representing approximately 0.05% of the total number of issued shares in Towngas Smart Energy as at the date of this report).
9. These options represent personal interests held by the Directors.

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. Lee Ka-kit** GBM, GBS, JP, DBA (Hon),
Chairman & Non-executive Director

Dr. Lee was awarded the Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region on 1st July 2024.

- 2) **Mr. Andrew Fung Hau-chung** SBS, BBS, JP, BA, CMA (Australia), FIPA (Australia),
Non-executive Director

Mr. Fung was awarded the Silver Bauhinia Star by the Government of the Hong Kong Special Administrative Region on 1st July 2024.

- 3) **Dr. the Hon. Sir 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, 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

Sir David retired from the position of Independent Non-executive Director of Vitasoy International Holdings Limited on 19th August 2024.

- 4) **Mr. Chan Ying-lung** MAppFin, BCom,
Executive Director and Chief Investment Officer

Mr. Chan ceased to be the Investment Director/General Manager of Henderson (China) Investment Company Limited on 1st July 2024.

- 5) With effect from 1st July 2024, the monthly basic salary payable to Mr. Peter Wong Wai-yeek as Managing Director and Mr. Yeung Lui-ming as Executive Director and Chief Financial Officer of the Company, respectively, has increased by approximately 4% which was an adjustment to basic salaries made by the Company in July 2024, in addition to their entitlement of discretionary bonuses and other remunerations to be determined by the Remuneration Committee of the Company after the end of the year.