

# 2023

# 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\*  
Peter Wong Wai-yee  
John Ho Hon-ming

\* Independent Non-executive Director

### Managing Director

Peter Wong Wai-yee

### Executive Director, Chief Financial Officer and Company Secretary

John Ho Hon-ming

### Board Audit and Risk Committee

David Li Kwok-po (Chairman)  
Poon Chung-kwong  
Moses Cheng Mo-chi

### Remuneration Committee

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

### Nomination Committee

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

### Board Environmental, Social and Governance Committee

Peter Wong Wai-yee (Chairman)  
Moses Cheng Mo-chi  
John Ho Hon-ming

### Registered Office

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

### Company's Website

[www.towngas.com](http://www.towngas.com)

### Share Registrar

Computershare Hong Kong  
Investor Services Limited  
Shops 1712-1716, 17th Floor,  
Hopewell Centre,  
183 Queen's Road East,  
Wanchai, Hong Kong  
Tel: 2862 8555  
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### Auditor

PricewaterhouseCoopers  
Certified Public Accountants and  
Registered Public Interest Entity Auditor  
22nd Floor, Prince's Building,  
Central, Hong Kong

### Investor Relations

Investor Relations Department  
Tel: 2963 2739  
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### Corporate Affairs Department

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### Company Secretarial Department

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# CHAIRMEN'S STATEMENT

## HALF-YEARLY RESULTS

The Directors reported that the Group's unaudited profit after taxation for the six months ended 30th June 2023 amounted to HK\$3,614 million, an increase of HK\$237 million, up by 7 per cent, compared to the same period last year. During the period, the Group proceeded with a strategic business restructuring aiming at achieving the goal of zero carbon emissions in its businesses. The restructuring did not have a significant impact on the Group's results for the first half of the year. Besides, as the Group's share of the revaluation value of the International Finance Centre complex remained unchanged for the period under review, profit after taxation attributable to shareholders of the Group amounted to HK\$3,614 million, an increase of HK\$299 million, up by 9 per cent, compared to the same period last year. Basic earnings per share for the first half of 2023 amounted to HK19.4 cents.

Highlights of the unaudited results of the Group for the six months ended 30th June 2023, as compared to the same period in 2022, are shown in the following table:

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2023</b>	2022
Revenue before Fuel Cost Adjustment, HK million dollars	<b>28,603</b>	29,032
Revenue after Fuel Cost Adjustment, HK million dollars	<b>29,178</b>	29,721
Profit after Taxation Attributable to Shareholders, HK million dollars	<b>3,614</b>	3,315
Basic Earnings per Share, HK cents	<b>19.4</b>	17.8
Interim Dividend per Share, HK cents	<b>12</b>	12
Town Gas Sold in Hong Kong, million MJ	<b>14,966</b>	14,882
Gas Sold by City-gas Business on the Chinese mainland, million cubic metres; natural gas equivalent <sup>#</sup>	<b>17,454</b>	16,057
Number of Customers in Hong Kong as at 30th June	<b>2,005,023</b>	1,974,974
Number of City-gas Customers on the Chinese mainland as at 30th June <sup>#</sup>	<b>38,563,946</b>	36,002,287

<sup>#</sup> Inclusive of all mainland city-gas projects of the Group

The unaudited condensed consolidated interim financial statements are provided on pages 9 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.

## **TOWN GAS BUSINESS IN HONG KONG**

Following the World Health Organization's declaration of the end of the COVID-19 global health emergency, economic activities around the world are gradually resuming normal. The Government of the Hong Kong Special Administrative Region ("HKSAR") launched a new round of the Consumption Voucher Scheme and the "Happy Hong Kong" campaign to stimulate the local economy, helping the tourism and catering sectors to recover. The volume of the Company's commercial and industrial gas sales increased faster by over 22 per cent compared to the same period last year. However, the volume of residential gas sales was affected by the unusually warm weather in Hong Kong during the first six months of this year, with an average monthly temperature higher than that of the same period last year, and was also impacted by more people dining out.

Overall, during the first half of 2023, the total volume of gas sales in Hong Kong was 14,966 million MJ, a slight increase of 0.6 per cent, and the number of appliances sold increased by 4.2 per cent, both compared to the same period last year.

As at 30th June 2023, the number of customers was 2,005,023, an increase of 9,941 since the end of 2022.

## **BUSINESSES ON THE CHINESE MAINLAND**

Impacted by the geopolitical situation, persistent inflation, monetary tightening and other factors, the global economy in the first half of 2023 still fell short of expectations after the pandemic. Despite this, the Group's mainland businesses maintained steady growth during the period, fully demonstrating the Group's resilience and competitiveness in coping with the changing and uncertain environment.

Overall, including the projects of the Group's subsidiary, Towngas Smart Energy Company Limited ("Towngas Smart Energy"; stock code: 1083.HK), the Group had 702 projects on the Chinese mainland as at the end of June 2023, an increase of 78 since the end of 2022, spread across 29 provincial regions. These projects encompass upstream, midstream and downstream natural gas, renewable energy, water and environment.

## **UTILITY BUSINESSES**

The total volume of city-gas sales for the Group's utility businesses for the first half of 2023 was approximately 17,500 million cubic metres, an increase of 8.7 per cent compared to the same period last year. As at the end of June 2023, the Group's mainland gas customers stood at over 38.56 million, an increase of 7.1 per cent compared to 36 million as at the end of June 2022.

As at the end of June 2023, inclusive of Towngas Smart Energy, the Group had a total of 317 city-gas projects on the Chinese mainland (end of June 2022: 309 projects, inclusive of city-gas projects re-invested by the Group's companies).

During the period, the Group officially established a gas source business segment and set up a professional team to comprehensively enhance the Group's overall gas source coordination and scheduling capabilities in the three-pronged approach of procurement, transmission and distribution, and gas storage, and also continued to optimise the Group's gas source structure and improved the natural gas supply chain in order to ensure supply and reduce costs. The Group endeavoured to expand its self-operated gas sources to increase flexibility, including better utilising unconventional gas sources such as the coalbed methane liquefaction project in Shanxi province, liquefied natural gas ("LNG") project in Ningxia and shale gas liquefaction project in Sichuan province. Regarding procurement, the Group purchased international resources through multiple LNG receiving stations in, among others, Caofeidian district in Tangshan, Shanghai, Shenzhen and Tianjin. In respect of transmission and distribution, the Group coordinated supply and demand through strategic scheduling, effectively reducing the cost of gas purchase. Through the strategic cooperation with PipeChina, the Group coordinated the opening of pipelines and the connection of resources for its city-gas projects to achieve flexible scheduling of gas sources. In addition, the Group accelerated the construction of various gas source infrastructures. The underground gas storage facility, located in Jintan district, Changzhou, Jiangsu province, progressed further and commissioned two new gas wells during the period, thus enhancing the facility's total gas storage capacity to nearly 400 million cubic metres. The emergency peak-shaving storage and distribution base in Weiyuan county, Sichuan province, made phased progress, and its first phase will be commissioned by the end of August 2023. The Group will build LNG storage tanks of a total of 110,000 cubic metres and also pipeline network facilities in phases.

Since the launch of the "30-60 carbon peak and carbon neutrality" goals in September 2020, the country has been continuously introducing strong policies and measures to achieve carbon reduction for more than two years. With the continuous deepening of the national "dual carbon" policies and improvement of energy efficiency standards for various industries, gas customers have increasing demands for multi-energy utilisation, energy saving and efficiency management services. The Group has seized the opportunities of the country's energy transformation and deeply explored the energy service needs of its sizeable gas customer base. As at the end of June 2023, the Group had developed over 300 energy service projects by extending gas customers' needs. Projects of this kind will drive the synergistic growth of gas and energy sales and increase gross profit. At present, the national policy encourages public institutions to adopt energy cost trusteeship services, mobilise social capital to participate in the energy conservation work of public institutions, and promote the green and low-carbon transformation of public institutions. The Group has seized the opportunities and signed strategic cooperation agreements with competent authorities of government public institutions in a number of cities in Jiangsu, Shandong and other provinces.

The Group's water and environmental businesses include eight city-water projects and five kitchen and green waste treatment projects. The total volume of water sales and sewage treatment for the first half of 2023 increased by 4.7 per cent compared to the same period last year. The urban organic waste resource utilisation project in Suzhou Industrial Park, Jiangsu province, drew on the experience of advanced countries in the treatment of kitchen and green waste to realise multi-link resource recycling and achieve reduction, recycling, and harmless treatment. In the first half of this year, the volume of waste treatment was 82,400 tonnes, an increase of 26 per cent compared to the same period last year. The Group's industrial sewage treatment project in Wujin High-Tech Zone of Changzhou, Jiangsu province, provides sewage treatment services for local industrial enterprises. The designed daily treatment capacity of the first phase of the project is 30,000 tonnes, and it is expected to be put into operation by the end of 2023.

## RENEWABLE ENERGY BUSINESS

The implementation of the “dual carbon” goals is a major strategic decision of the country at present, and it is also an important opportunity for the Group to develop a renewable energy business. The Group has been engaged in the “last mile” of the city-gas business for many years and has accumulated a high-quality commercial and industrial customer base and rich experience in energy management. The Group fully understands customers’ latest requirements for energy services – expecting to reduce carbon and consumption in addition to safety and reliability. Leveraging its own advantages, the Group is developing a renewable energy business, and is committed to assisting mainland industrial parks and commercial and industrial customers to achieve sustainable development and zero carbon.

The Towngas Energy Academy under the Group has officially settled in the Shenzhen-Hong Kong Innovation and Technology Cooperation Zone in the Loop in Futian district, Shenzhen. The Academy actively conducts clean energy leading-edge technology research and development and advocates industrial investments. As the first Hong Kong-funded research institute for clean energy applications in Shenzhen, the Academy will actively nurture top-tier research talents and use the Group’s smart energy projects on the Chinese mainland as a platform to focus on five major research and development areas of hydrogen energy, energy storage, energy digital intelligence, renewable energy, and low-carbon energy saving, so as to promote the enhancement of technological innovation capabilities and promote the Group’s sustainable development.

## EXTENDED BUSINESSES

The Group’s extended businesses, using “Towngas Lifestyle” as the unified platform and brand name, focus on smart kitchens and provide a one-stop solution for Towngas’ over 38 million household customers across the country. Towngas Lifestyle provides high-quality products and supporting services encompassing four major business directions – smart kitchen, gas insurance, home services and community retail to meet the different needs of residents in the community. During the first half of 2023, in tandem with the national policies, Towngas Lifestyle vigorously launched annual marketing activities relating to trade-in and utilised the digital platform to help realise the synergistic development of various business segments, and continued to promote the Group’s business growth.

Through Towngas Lifestyle Cloud (“TLC”), a smart life service cloud platform, Towngas Lifestyle has laid the cornerstone of digital intelligence for the synergistic development of extended businesses and gas services. As at the end of June 2023, TLC had a cumulative total of 16.19 million members. During the first half of 2023, TLC handled 16.14 million transactions relating to the gas business, involving payment of RMB2,600 million, an increase of 17 per cent compared to the same period last year.

“TGSE CHIP”, the security chip jointly developed by Towngas Lifestyle, StarFive and ChinaFive, has been widely used in smart gas meters in several cities on the Chinese mainland. In the future, it is planned to further expand to diversified energy Internet of Things application scenarios.

## **EMERGING ENVIRONMENTALLY-FRIENDLY ENERGY BUSINESSES**

The clean coal chemical production plant, located in the Inner Mongolia Autonomous Region, has been verified for mass production and commissioning. In mid-2023, the plant began to partially produce biofuels and low-carbon chemicals from the mixed raw materials of waste tires and coal to meet market demands. The entire operation and management process has been granted internationally recognised sustainable system certification, which can meet the stringent requirements of the emerging environmentally-friendly fuel and plastics market.

## **TELECOMMUNICATIONS BUSINESSES**

Towngas Telecommunications Company Limited under the Group progressed steadily with its businesses during the first half of 2023. In Hong Kong, the data centre in Tseung Kwan O is undergoing expansion, and the total number of racks is expected to reach 3,489 in the first quarter of 2024 to cope with the gradually increasing demand for data storage. On the Chinese mainland, TGT China Cloud Data Services (Harbin) Co., Ltd. has successfully obtained the value-added telecommunications business licence, which will promote the sales of racks and implement the licence business, helping to realise business growth.

## **TOWNGAS SMART ENERGY COMPANY LIMITED (STOCK CODE: 1083.HK)**

Towngas Smart Energy, a subsidiary of the Group, recorded a profit after taxation attributable to its shareholders amounting to HK\$1,115 million during the first half of 2023, an increase of approximately 7.1 per cent compared to the same period last year. As at the end of June 2023, the Group held approximately 2,163 million shares in Towngas Smart Energy, representing approximately 66.36 per cent of Towngas Smart Energy's total issued shares.

As at the end of June 2023, Towngas Smart Energy had 449 projects on the Chinese mainland, comprising 185 city-gas projects, 250 renewable energy projects and 14 other projects.

During the period, the development of the Group's renewable energy business progressed well. As at 30th June 2023, the Group had developed a number of high-quality projects in 22 provincial regions, including the development of 91 zero-carbon smart parks. In terms of photovoltaic installed capacity, Towngas Smart Energy had signed agreements for more than 2.20 GW and connected more than 1.12 GW cumulatively to the grid as at 30th June 2023.

In respect of the gas business, Towngas Smart Energy added three new city-gas projects (inclusive of city-gas projects re-invested by the Group's companies) to its portfolio during the first half of 2023. Due to the successful development of the gas source and "Gas+" businesses, the overall volume of gas sales of Towngas Smart Energy during the period was approximately 8,200 million cubic metres, an increase of 9.1 per cent compared to the same period last year.

After amicable negotiations with Shenergy (Group) Company Limited ("Shenergy Group") and Shanghai Gas Co., Ltd. ("Shanghai Gas"), Towngas Smart Energy declared exit from its investment of 25% equity interest in Shanghai Gas and received its fund of RMB4,663 million on 2nd August 2023. This arrangement will give Shanghai Gas more room and flexibility for its operations to cooperate with the municipal government at this critical and important moment after experiencing the challenges arising from the pandemic, but will not affect Towngas Smart Energy's further establishment of an in-depth strategic partnership with Shenergy Group and Shanghai Gas. The parties will establish deep and solid strategic relationships in the fields of, among others, natural gas resources and supply chain, renewable energy business, extended services, energy and low-carbon technology.



## **ENVIRONMENTAL, SOCIAL AND GOVERNANCE**

The Group is committed to environmental, social, and governance (“ESG”) development and incorporates ESG elements into daily business operations. During the period, the ESG Committee was elevated to the Board ESG Committee and chaired by the Managing Director. Under the Board ESG Committee, there are 16 sub-committees to enhance our overall ESG performance in all aspects.

The Group has set a target to align with the Government of the HKSAR to achieve carbon neutrality by 2050 through energy transition and innovation. During the year, apart from developing low-carbon businesses such as renewable energy and hydrogen energy, the Group also acquired innovative decarbonisation solutions from various channels and co-organised the second TERA-Award Smart Energy Innovation Competition with the State Power Investment Corporation Limited. The Group and IDG Capital launched the first Zero-carbon Technology Investment Fund on the Chinese mainland, and it reached its fundraising goal of RMB5 billion to promote the development of the new energy industry and zero-carbon progress.

As a socially responsible company, the Group launched the “Sending Warmth to Thousands with Smart Technology” programme early this year. The programme provides free installation of Smart Controllers and Smart Meters for 10,000 Hong Kong households in need. The innovative products support ageing in place and received international recognition. The Company won the “Innovation of The Year – Ageing-In-Place Model” award at the Asia Pacific Eldercare Innovation Awards, which is dubbed the “Oscars of the Eldercare Industry”. For the 23rd consecutive year, the Group organised the “Rice Dumplings for the Community” programme. This year’s event was held both online and offline formats for the first time, and it successfully set a Guinness World Records™ title for “the most people making rice dumplings simultaneously online and in a single venue”. Through this event, 200,000 rice dumplings were given to the elderly and people in need.

The Group’s efforts in ESG have been widely recognised, including being listed in the S&P Global Sustainability Yearbook (China) 2023, its first edition, and achieving the Top 1% S&P Global ESG Score (China). Also, the Company has received various ESG awards, including the HKET Excellence Awards – Excellence in Leading ESG Enterprise and the Master Insight ESG Award – ESG Corporate Exemplar Award. Looking ahead, the Group will continue to improve its ESG performance in accordance with the established ESG approach, increase board diversity and implement compensation incentives schemes, and move forward in sustainable development.

## **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 31st August 2023. The Register of Members will be closed from Wednesday, 30th August 2023 to Thursday, 31st August 2023, during which period no share transfers will be effected. Dividend warrants will be posted to shareholders on Friday, 8th September 2023.

## **BUSINESS OUTLOOK FOR 2023**

Following the end of the COVID-19 pandemic, the governments of the Chinese mainland and the HKSAR have launched various policies to encourage consumption. Since the resumption of quarantine-free travel, the number of inbound tourists has continued to rise, which helps drive the recovery of the retail market and supports the volume of commercial and industrial gas sales in Hong Kong. The Group also continues to promote business innovation and digital intelligence applications to improve customer services and operational efficiency, consolidate the core business foundation in Hong Kong, and maintain its steady development.

In line with Hong Kong's Climate Action Plan 2050, the Group has successfully set up the first hydrogen supply demonstration facility in the Tai Po Gas Production Plant to provide customers with hydrogen through the underground pipeline network across the territory. In July 2023, the Group and Bravo Transport Services Limited, the parent company of Citybus, signed a Memorandum of Understanding for the supply of fuel cell graded hydrogen and the provision of related maintenance services for the Citybus depot. The Group anticipates that the use of hydrogen energy can be expanded to more applications in the future, such as heavy vehicles and ferries. It can also be combined with the Group's comprehensive energy services to provide low-carbon energy solutions for different institutions and enterprises. On the Chinese mainland, the Group participated in the "Feasibility Study on Natural Gas Pipeline Hydrogen-doped Transportation and Terminal Utilisation". The research results will promote the construction of more natural gas hydrogen-doped demonstration projects. Driven by the global demand for environmental protection and the rapid development of science and technology, hydrogen energy is gradually changing the trend of future energy applications, and the Group has already mastered relevant leading technologies.

Although the Chinese mainland's economy fell short of expectations for the first half of 2023, the operating environment will continue to improve under the national policy of promoting consumption and expanding domestic demand. The country is also promoting the linkage policy of natural gas prices. A number of provinces and cities have released new policies on the linkage of residential gas prices in the past few months, which will help improve the gross profit margin of the gas business on the Chinese mainland. The Group will focus on strengthening its capability to coordinate gas sources, improve operational efficiency, and also on customers' needs for low-carbon production and multi-energy utilisation.

In order to achieve the "dual carbon" goals, the country is actively exploring the road to green development. In line with national policies, the Group is committed to promoting the development of renewable energy. In the future, the Group will strengthen its investment in professional energy management technology and platforms, and provide customers with comprehensive energy management solutions including energy storage, power charging and swapping, carbon trading, green power trading and engineering services to effectively improve business returns while reducing commercial and industrial carbon emissions.

Looking forward to the second half of 2023, the advancement of the country's "dual carbon" goals, coupled with the gradual implementation of energy transformation and environmental protection policies, will bring more opportunities. The Group will continue to diversify and expand. On the one hand, the Group will deeply promote the city-gas market and establish a more resilient business model. On the other hand, the Group will actively expand renewable energy projects, invest in technical research and new product development, and make good use of its resources, thus continuously injecting new impetus into business development.

**Lee Ka-kit**  
Chairman

**Lee Ka-shing**  
Chairman

Hong Kong, 15th August 2023

**CONSOLIDATED INCOME STATEMENT (UNAUDITED)**

For the six months ended 30th June

	Note	2023 HK\$M	2022 HK\$M
Revenue	3	<b>29,177.6</b>	29,721.0
Total operating expenses	4	<b>(24,426.6)</b>	(25,214.6)
		<b>4,751.0</b>	4,506.4
Other gains, net	5	<b>1,269.0</b>	620.0
Interest expense		<b>(1,057.3)</b>	(802.5)
Share of results of associates		<b>613.5</b>	736.2
Share of results of joint ventures		<b>111.2</b>	69.8
		<b>5,687.4</b>	5,129.9
Profit before taxation	6	<b>5,687.4</b>	5,129.9
Taxation	7	<b>(1,367.9)</b>	(1,073.4)
		<b>4,319.5</b>	4,056.5
Profit for the period		<b>4,319.5</b>	4,056.5
Attributable to:			
Shareholders of the Company		<b>3,614.4</b>	3,314.7
Holders of perpetual capital securities		<b>56.1</b>	55.8
Non-controlling interests		<b>649.0</b>	686.0
		<b>4,319.5</b>	4,056.5
Dividends	8	<b>2,239.2</b>	2,239.2
Earnings per share – basic, HK cents	9	<b>19.4</b>	17.8
Earnings per share – diluted, HK cents	9	<b>18.9</b>	15.9

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30th June

	2023 HK\$M	2022 HK\$M
Profit for the period	4,319.5	4,056.5
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	(67.1)	(134.6)
Exchange differences	(433.1)	(515.0)
<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	(1.0)	(15.6)
Change in fair value of cash flow hedges	(81.0)	27.0
Share of other comprehensive (loss)/income of associates	(3.3)	10.0
Exchange differences	(2,138.4)	(2,650.3)
Other comprehensive loss for the period, net of tax	(2,723.9)	(3,278.5)
Total comprehensive income for the period	1,595.6	778.0
Total comprehensive income attributable to:		
Shareholders of the Company	1,320.6	601.2
Holders of perpetual capital securities	56.1	55.8
Non-controlling interests	218.9	121.0
	1,595.6	778.0

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30th June 2023

	Note	At 30th June 2023 HK\$M	At 31st December 2022 HK\$M
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	67,336.9	71,818.8
Investment property		996.5	996.5
Right-of-use assets	11	2,392.3	2,813.3
Intangible assets		5,010.2	5,340.2
Associates		34,719.2	34,178.1
Joint ventures		10,523.0	11,163.0
Financial assets at fair value through other comprehensive income		1,774.7	1,763.3
Financial assets at fair value through profit or loss		1,915.8	4,715.3
Derivative financial instruments		88.9	298.4
Retirement benefit assets		134.7	134.7
Other non-current assets		5,811.7	6,536.7
		<b>130,703.9</b>	<b>139,758.3</b>
<b>Current assets</b>			
Inventories		2,591.5	3,426.3
Trade and other receivables	12	14,113.5	10,662.8
Loan and other receivables from associates		386.9	415.6
Loan and other receivables from joint ventures		660.6	612.8
Loan and other receivables from non-controlling shareholders		163.9	224.0
Financial assets at fair value through profit or loss		1,424.1	70.1
Derivative financial instruments		1.0	5.9
Time deposits over three months		45.8	52.3
Time deposits up to three months, cash and bank balances		10,755.3	13,241.2
		<b>30,142.6</b>	<b>28,711.0</b>
<b>Assets held-for-sale</b>	21	<b>1,204.6</b>	<b>–</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) (continued)

As at 30th June 2023

	Note	At 30th June 2023 HK\$M	At 31st December 2022 HK\$M
<b>Current liabilities</b>			
Trade payables and other liabilities	13	(17,611.8)	(22,004.3)
Loan and other payables to associates		(174.3)	–
Loan and other payables to joint ventures		(357.2)	(263.4)
Loan and other payables to non-controlling shareholders		(67.9)	(163.4)
Provision for taxation		(1,259.9)	(1,410.8)
Borrowings		(18,466.5)	(19,680.9)
Derivative financial instruments		(58.0)	–
		<u>(37,995.6)</u>	<u>(43,522.8)</u>
<b>Liabilities directly associated with assets held-for-sale</b>	21	<u>(330.6)</u>	–
<b>Total assets less current liabilities</b>		<u>123,724.9</u>	<u>124,946.5</u>
<b>Non-current liabilities</b>			
Deferred taxation		(6,847.5)	(6,926.7)
Borrowings		(42,037.8)	(39,623.1)
Derivative financial instruments		(300.5)	(294.3)
Loan from a joint venture		(108.0)	(113.1)
Other non-current liabilities		(2,812.2)	(2,850.6)
		<u>(52,106.0)</u>	<u>(49,807.8)</u>
<b>Net assets</b>		<u>71,618.9</u>	<u>75,138.7</u>
<b>Capital and reserves</b>			
Share capital	14	5,474.7	5,474.7
Reserves	16	52,854.6	55,752.8
<b>Shareholders' funds</b>		<u>58,329.3</u>	<u>61,227.5</u>
<b>Perpetual capital securities</b>	15	2,384.4	2,384.2
<b>Non-controlling interests</b>		<u>10,905.2</u>	<u>11,527.0</u>
<b>Total equity</b>		<u>71,618.9</u>	<u>75,138.7</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)**

For the six months ended 30th June

	Note	2023 HK\$M	2022 HK\$M
<b>Net cash from operating activities</b>		<b>5,215.9</b>	4,442.9
<b>Investing activities</b>			
Purchase of property, plant and equipment		(3,595.2)	(3,225.4)
Payment for right-of-use assets		(24.3)	(13.4)
Acquisition of businesses	22	(221.7)	–
Disposal of subsidiaries	20	(2,065.6)	–
Disposal of an associate		172.9	–
Increase in investments in associates		(34.1)	(71.8)
Increase in investments in joint ventures		(11.1)	(61.0)
Interest received		180.2	96.2
Decrease in time deposits over three months		4.4	2.1
Dividends received from investments in securities		97.1	101.1
Dividends received from associates		863.4	483.0
Dividends received from joint ventures		250.9	16.7
Other cash flows from/(used in) investing activities		395.3	(90.9)
<b>Net cash used in investing activities</b>		<b>(3,987.8)</b>	(2,763.4)
<b>Financing activities</b>			
Dividends paid to shareholders of the Company		(4,291.8)	(4,291.8)
Principal elements of lease payments		(376.0)	(72.1)
Interest paid for the lease liabilities		(19.5)	(9.4)
Interest paid to holders of perpetual capital securities		(55.9)	(55.5)
Interest paid		(974.6)	(880.9)
Proceeds from deemed partial disposal of subsidiaries		0.4	79.7
Purchase of shares under share award scheme of a subsidiary		(3.3)	(29.9)
Net borrowings and others		2,413.3	3,382.5
<b>Net cash used in financing activities</b>		<b>(3,307.4)</b>	(1,877.4)
<b>Decrease in cash and cash equivalents</b>		<b>(2,079.3)</b>	(197.9)
<b>Cash and cash equivalents at 1st January</b>		<b>13,241.2</b>	10,557.0
<b>Effect of foreign exchange rate changes</b>		<b>(406.6)</b>	(193.0)
<b>Cash and cash equivalents at 30th June</b>		<b>10,755.3</b>	10,166.1
<b>Analysis of balances of cash and cash equivalents</b>			
Cash and bank balances		8,151.4	8,812.4
Time deposits up to three months		2,603.9	1,353.7
		<b>10,755.3</b>	10,166.1

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30th June

	Attributable to shareholders of the Company		Holders of perpetual capital securities HK\$M	Non-controlling interests HK\$M	Total HK\$M
	Share capital HK\$M	Reserves HK\$M			
Total equity as at 1st January 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 loss of an associate	–	(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	5,474.7	52,854.6	2,384.4	10,905.2	71,618.9



## 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 2022 (audited)	5,474.7	61,951.7	2,384.2	12,028.2	81,838.8
Profit for the period	–	3,314.7	55.8	686.0	4,056.5
Other comprehensive income:					
Movement in reserve of financial assets at fair value through other comprehensive income	–	(113.6)	–	(36.6)	(150.2)
Change in fair value of cash flow hedges	–	40.4	–	(13.4)	27.0
Share of other comprehensive income of associates	–	10.0	–	–	10.0
Exchange differences	–	(2,650.3)	–	(515.0)	(3,165.3)
Total comprehensive income for the period	–	601.2	55.8	121.0	778.0
Capital injection	–	–	–	96.3	96.3
Deemed partial disposal of subsidiaries	–	14.1	–	65.6	79.7
Interest paid on perpetual capital securities	–	–	(55.5)	–	(55.5)
Dividends paid to shareholders of the Company	–	(4,291.8)	–	–	(4,291.8)
Dividends paid to non-controlling shareholders	–	–	–	(290.7)	(290.7)
Share-based payments of a subsidiary	–	3.3	–	1.7	5.0
Share award scheme of a subsidiary	–	35.4	–	(65.3)	(29.9)
Total equity as at 30th June 2022	<u>5,474.7</u>	<u>58,313.9</u>	<u>2,384.5</u>	<u>11,956.8</u>	<u>78,129.9</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 ("HKICPA").

As at 30th June 2023, 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\$7.0 billion. This is mainly because of management utilisation of the relatively favourable short term borrowings under which amounted to HK\$18.5 billion as at 30th June 2023. 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.

The financial information relating to the year ended 31st December 2022 that is included in the condensed consolidated interim financial information for the six months ended 30th June 2023 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 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The Company's auditor has reported on those consolidated financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

Except as described below, the accounting policies used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those set out in the annual report for the year ended 31st December 2022.

The Group has adopted the following amendments to standards which are effective for the Group's financial year beginning 1st January 2023 and relevant to the Group.

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred tax related to Assets and Liabilities arising from a Single Transaction

## **1. Basis of preparation and accounting policies** *(continued)*

The adoption of the amendments to standards has no significant 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 2022.

## **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 2022. There have been no changes in the risk management policies since year end.

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

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

## 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 2023 and 31st December 2022.

HK\$M	Level 1		Level 2		Level 3		Total	
	At 30th June 2023	At 31st December 2022	At 30th June 2023	At 31st December 2022	At 30th June 2023	At 31st December 2022	At 30th June 2023	At 31st December 2022
	<b>Financial assets</b>							
Financial assets at fair value through profit or loss								
– Debt securities	263.3	248.4	–	–	–	–	263.3	248.4
– Equity investments	2,716.5	1,218.3	–	–	360.1	3,318.7	3,076.6	4,537.0
Derivative financial instruments	–	–	89.9	62.5	–	241.8	89.9	304.3
Financial assets at fair value through other comprehensive income								
– Debt securities	70.6	87.1	–	–	–	–	70.6	87.1
– Equity investments	1,277.1	1,257.4	–	–	427.0	418.8	1,704.1	1,676.2
Total financial assets	<u>4,327.5</u>	<u>2,811.2</u>	<u>89.9</u>	<u>62.5</u>	<u>787.1</u>	<u>3,979.3</u>	<u>5,204.5</u>	<u>6,853.0</u>
<b>Financial liabilities</b>								
Other payables	–	–	–	–	154.0	154.0	154.0	154.0
Derivative financial instruments	–	–	230.3	93.6	128.2	200.7	358.5	294.3
Total financial liabilities	<u>–</u>	<u>–</u>	<u>230.3</u>	<u>93.6</u>	<u>282.2</u>	<u>354.7</u>	<u>512.5</u>	<u>448.3</u>

There are no changes in valuation techniques during the period.

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.

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

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\$0.8 billion (2022: approximately HK\$0.8 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.
- As at 31st December 2022, financial assets include a total of approximately HK\$2.9 billion of an unlisted equity investment and its related derivative, which are considered entirely as financial assets at fair value through profit or loss. In respect of the unlisted equity investment, the fair value is determined based on the discounted cash flow model. The significant unobservable inputs include discount rate of 15.0 per cent, sales price, sales volume and expected free cash flows of the investee. The fair value decreases with the increase in the discount rate, and increases with the increase in the sales price, sales volume or expected free cash flows of the investee. In respect of the related derivative, the fair value is determined based on the binomial and black scholes models. The significant unobservable inputs, except for those included in the fair value of the unlisted equity investment, mainly include 54.8 per cent expected volatility of the fair value of the unlisted equity investment. The fair value increases with the increase in the expected volatility. These financial assets were transferred from level 3 to level 1 during the six months ended 30th June 2023.
- As at 31st December 2022, financial assets also include derivative financial instrument of approximately HK\$0.2 billion, the fair value is determined based on the binomial model. The significant unobservable inputs include discount rate of 15.8 per cent and share price expected volatility of the fair value of the underlying equity instrument of 42.4 per cent. The fair value movement was caused by the change in discount rate and share price expected volatility. Based on the latest discussion with the counter-party, the derivative financial instrument arrangement has been ceased during the six months ended 30th June 2023. As a result, the fair value of the derivative financial instrument as at 30th June 2023 was reduced to zero.

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

- Financial liabilities include contingent consideration of approximately HK\$0.2 billion (2022: approximately HK\$0.2 billion), which is resulted by the further acquisition of a subsidiary in 2015 under other payables in level 3. The fair value is determined based on discounted cash flow model. The significant unobservable inputs include discount rate of 3.1 per cent (2022: 3.1 per cent) and the rate of probability on the outflow of resources will be required to settle the obligation. The fair value movement, if any, was caused by the change in the discount rate and the changes in the rate of probability.
- Financial liabilities also include embedded derivative component of convertible bonds of approximately HK\$0.1 billion (2022: approximately HK\$0.2 billion), the fair value of which is determined based on binomial option pricing model. The significant unobservable inputs include share price expected volatility of 42.7 per cent (2022: 39.9 per cent). The fair value of convertible bonds increases with the increase in the share price expected volatility.

The following table presents the changes in level 3 instruments of the Group for the period ended 30th June 2023 and year ended 31st December 2022:

HK\$M	Financial assets		Financial liabilities	
	At 30th June 2023	At 31st December 2022	At 30th June 2023	At 31st December 2022
At beginning of period/year	<b>3,979.3</b>	3,960.5	<b>354.7</b>	930.6
Additions	<b>1.6</b>	366.9	–	–
Disposals	–	(59.0)	–	–
Change in fair value	<b>(1,746.8)</b>	43.0	<b>(66.3)</b>	(531.5)
Exchange differences	<b>(89.9)</b>	(332.1)	<b>(6.2)</b>	(44.4)
Transfer to level 1	<b>(1,357.1)</b>	–	–	–
At end of period/year	<b>787.1</b>	3,979.3	<b>282.2</b>	354.7

There were transfer from level 3 to level 1 during the period.

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

### 3. Segment information

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

	<b>Six months ended 30th June</b>	
	<b>2023</b>	2022
	<b>HK\$M</b>	HK\$M
Gas sales before fuel cost adjustment	<b>21,115.0</b>	21,535.9
Fuel cost adjustment	<b>574.3</b>	688.9
	<hr/>	<hr/>
Gas sales after fuel cost adjustment	<b>21,689.3</b>	22,224.8
Gas connection income	<b>1,388.9</b>	1,780.9
Equipment sales and maintenance services	<b>1,909.7</b>	1,619.2
Water and related sales	<b>754.3</b>	880.7
Oil and coal related sales	<b>390.3</b>	734.1
Biomass utilisation businesses	<b>1,382.0</b>	1,289.2
Other sales	<b>1,663.1</b>	1,192.1
	<hr/>	<hr/>
	<b>29,177.6</b>	29,721.0
	<hr/> <hr/>	<hr/> <hr/>

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

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

### 3. Segment information (continued)

The segment information for the six months ended 30th June 2023 and 2022 provided to the ECM for the reportable segments is as follows:

2023 HK\$M	Gas, water and related businesses		Sustainable 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 (note)	–	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>

#### Note

There is no change in the valuation of the Group's shared investment properties at the International Financial Centre complex for the period (2022: a decrease of HK\$62.0 million included in the share of results of associates).



### 3. Segment information (continued)

2022 HK\$M	Gas, water and related businesses		Sustainable Energy	Property	Other segments	Total
	Hong Kong	Chinese mainland				
Revenue recognised at a point in time	5,454.3	19,837.1	3,068.4	–	74.1	28,433.9
Revenue recognised over time	–	535.7	–	–	469.2	1,004.9
Finance and rental income	–	–	251.3	30.9	–	282.2
	<u>5,454.3</u>	<u>20,372.8</u>	<u>3,319.7</u>	<u>30.9</u>	<u>543.3</u>	<u>29,721.0</u>
Adjusted EBITDA	2,544.0	3,274.4	605.1	18.4	80.8	6,522.7
Depreciation and amortisation	(434.2)	(972.0)	(232.3)	–	(96.3)	(1,734.8)
Unallocated expenses						(281.5)
						4,506.4
Other gains, net (note 5)						620.0
Interest expense						(802.5)
Share of results of associates	–	654.9	(50.8)	131.6	0.5	736.2
Share of results of joint ventures	–	64.9	0.1	5.1	(0.3)	69.8
Profit before taxation						5,129.9
Taxation						(1,073.4)
Profit for the period						<u>4,056.5</u>

The segment assets at 30th June 2023 and 31st December 2022 are as follows:

30th June 2023 HK\$M	Gas, water and related businesses		Sustainable Energy	Property	Other segments	Total
	Hong Kong	Chinese mainland				
Segment assets	<b>18,538.9</b>	<b>98,337.4</b>	<b>15,918.3</b>	<b>15,800.5</b>	<b>4,240.3</b>	<b>152,835.4</b>
Unallocated assets:						
Financial assets at fair value through other comprehensive income						1,774.7
Financial assets at fair value through profit or loss						3,339.9
Time deposits, cash and bank balances excluded from segment assets						3,073.2
Others (note)						1,027.9
Total assets						<u>162,051.1</u>

### 3. Segment information (continued)

31st December 2022 HK\$M	Gas, water and related businesses		Sustainable Energy	Property	Other segments	Total
	Hong Kong	Chinese mainland				
Segment assets	19,005.7	97,585.7	22,261.6	15,846.5	4,729.7	159,429.2
Unallocated assets:						
Financial assets at fair value through other comprehensive income						1,763.3
Financial assets at fair value through profit or loss						4,785.4
Time deposits, cash and bank balances excluded from segment assets						1,179.0
Others (note)						1,312.4
Total assets						<u>168,469.3</u>

#### 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 ECM 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 2023 is HK\$6,391.5 million (2022: HK\$6,354.3 million), and the revenue from external customers in the Chinese mainland and other geographical locations is HK\$22,786.1 million (2022: HK\$23,366.7 million).

At 30th June 2023, the total of non-current assets other than financial instruments located in Hong Kong is HK\$35,649.1 million (31st December 2022: HK\$35,636.5 million), and the total of non-current assets other than financial instruments located in the Chinese mainland and other geographical locations is HK\$91,275.4 million (31st December 2022: HK\$97,344.8 million).

#### 4. Total operating expenses

	Six months ended 30th June	
	2023 HK\$M	2022 HK\$M
Stores and materials used	18,094.3	19,377.6
Manpower costs	1,904.6	1,856.1
Depreciation and amortisation	1,835.4	1,755.9
Other operating items	2,592.3	2,225.0
	<u>24,426.6</u>	<u>25,214.6</u>

#### 5. Other gains, net

	Six months ended 30th June	
	2023 HK\$M	2022 HK\$M
Business restructuring (note a):		
Net gain on disposal of subsidiaries (note 20)	4,677.2	–
Impairment losses for assets	(2,007.7)	–
Remeasurement loss on assets classified as held-for-sale (note 21)	(659.4)	–
Realised losses on an equity investment and related derivatives	(1,757.8)	–
	<u>252.3</u>	–
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 on goodwill (note c)	(212.2)	–
Gain on disposal of an associate engaged in water business	89.4	–
Change in fair value of embedded derivative component of convertible bonds	66.3	522.0
Net investment gains	386.4	99.5
Others	(5.4)	(1.5)
	<u>324.5</u>	<u>620.0</u>
	<u>1,269.0</u>	<u>620.0</u>

## 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 Sustainable Energy business segment, 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 20).

Combining the factors of business restructuring plan as mentioned above and the volatility of commodity price environment, certain non-core and non-performing Sustainable Energy and other businesses had been scaled down or disposed of, resulting in impairment or disposal losses. In respect of a chemical production project of the Group located in the Chinese mainland which produces industrial chemical products including methanol (under Sustainable Energy business segment), the Group tested it for impairment by estimating the recoverable amount of the project as at 30th June 2023. The key assumptions adopted in the test were future business growth, future products selling prices and production costs, production volume and discount rate of 10.0 per cent. Based on the result of the test, an impairment provision against property, plant and equipment of HK\$731.7 million was recognised for the six months ended 30th June 2023. The impairment losses for assets also included impairment provision against property, plant and equipment in relation to vehicular fuel stations and data centres located in the Chinese mainland of 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 (note 21).

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) On 23rd May 2023, Towngas Smart Energy entered into a capital reduction agreement (“Capital Reduction Agreement”) with Shenergy (Group) Company Limited (“Shenergy Group”) and Shanghai Gas, pursuant to which the parties agreed to the exit of Towngas Smart Energy from its entire investment of 25% equity interest in Shanghai Gas through a reduction of the capital of Shanghai Gas by the amount held by Towngas Smart Energy (the “Capital Reduction”). The consideration payable by Shanghai Gas to Towngas Smart Energy for the exit is RMB4,662.6 million.

Pursuant to the Capital Reduction Agreement, during the period from 1st March 2023 to date of completion of the Capital Reduction, the financial results of Shanghai Gas would be borne by Shenergy Group. Accordingly, only the financial results of Shanghai Gas for the period from 1st January 2023 to 28th February 2023 were equity accounted for by Towngas Smart Energy for the six months ended 30th June 2023.

The Capital Reduction Agreement became effective on 23rd May 2023 upon satisfaction of the conditions. Accordingly, at 23rd May 2023, the interest in Shanghai Gas with carrying value of HK\$4,344.1 million was derecognised, while a consideration receivable of HK\$5,036.3 million and a gain of HK\$692.2 million were recognised.

The consideration was received on 2nd August 2023.

## 5. Other gains, net (continued)

Notes (continued)

(c) The amount represents impairment provision against goodwill of a city-gas project in the Chinese mainland.

## 6. Profit before taxation

Profit before taxation is stated after charging cost of inventories sold of HK\$17,730.7 million (2022: HK\$19,097.8 million).

## 7. Taxation

	Six months ended 30th June	
	2023 HK\$M	2022 HK\$M
Current taxation	1,197.9	886.1
Deferred taxation relating to the origination and reversal of temporary differences and withholding tax	170.0	187.3
	<u>1,367.9</u>	<u>1,073.4</u>

The prevailing income tax rates of Hong Kong, the Chinese mainland and Thailand are 16.5 per cent (2022: 16.5 per cent), 15 per cent to 25 per cent (2022: 15 per cent to 25 per cent) and 50 per cent (2022: 50 per cent) respectively.

## 8. Dividends

	Six months ended 30th June	
	2023 HK\$M	2022 HK\$M
2022 Final, paid, of HK23 cents per ordinary share (2021 Final: HK23 cents per ordinary share)	4,291.8	4,291.8
2023 Interim, proposed, of HK12 cents per ordinary share (2022 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\$3,614.4 million (2022: HK\$3,314.7 million) and the weighted average of 18,659,870,098 shares (2022: 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	
	2023 HK\$M	2022 HK\$M
<b>Earnings</b>		
Profit attributable to shareholders for the purpose of basic earnings per share	3,614.4	3,314.7
Effect of dilutive potential ordinary shares:		
Interests on convertible bonds, attributable to shareholders	26.2	25.4
Change in fair value of embedded derivative component of convertible bonds, attributable to shareholders	(44.0)	(343.9)
Reduction in share of Towngas Smart Energy's profits	(71.5)	(35.5)
	<hr/>	<hr/>
Profit attributable to shareholders for the purpose of diluted earnings per share	3,525.1	2,960.7
	<hr/> <hr/>	<hr/> <hr/>

## 10. Property, plant and equipment

	<b>Buildings, plant, mains, mining and oil properties and other equipment HK\$M</b>
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
	<hr/>
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)).

## 10. Property, plant and equipment (continued)

	Buildings, plant, mains, mining and oil properties and other equipment HK\$M
Cost	
At 1st January 2022	104,602.1
Additions	3,281.7
Disposals/write off	(245.7)
Exchange differences	(3,503.8)
	<hr/>
At 30th June 2022	104,134.3
	<hr/>
Accumulated depreciation and impairment losses	
At 1st January 2022	32,380.6
Charge for the period	1,641.4
Disposals/write off	(177.2)
Exchange differences	(811.0)
	<hr/>
At 30th June 2022	33,033.8
	<hr/>
Net book value	
At 30th June 2022	71,100.5
	<hr/> <hr/>
At 31st December 2021	72,221.5
	<hr/> <hr/>



## 11. Right-of-use assets

	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			
	Prepaid leasehold land HK\$M	Buildings, plant and equipment and others HK\$M	Total HK\$M
At 1st January 2022	2,637.5	301.2	2,938.7
Additions	13.4	114.8	128.2
Depreciation and amortisation	(52.8)	(73.5)	(126.3)
Disposals	(36.8)	(1.1)	(37.9)
Exchange differences	(106.6)	(11.2)	(117.8)
	<u>2,454.7</u>	<u>330.2</u>	<u>2,784.9</u>
At 30th June 2022			

## 12. Trade and other receivables

	At 30th June 2023 HK\$M	At 31st December 2022 HK\$M
Trade receivables (note)	3,721.6	4,435.6
Payments in advance	1,475.9	2,173.6
Consideration receivables (note 5(b))	5,036.3	–
Other receivables	3,879.7	4,053.6
	<u>14,113.5</u>	<u>10,662.8</u>

The Group recognised a loss of HK\$30.8 million (2022: HK\$13.4 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 eight working days after billing date. The aging analysis of the trade receivables, net of impairment provision, is as follows:

	At 30th June 2023 HK\$M	At 31st December 2022 HK\$M
0 – 30 days	3,196.1	3,924.7
31 – 60 days	135.0	132.2
61 – 90 days	194.5	95.1
Over 90 days	196.0	283.6
	<u>3,721.6</u>	<u>4,435.6</u>

### 13. Trade payables and other liabilities

	At 30th June 2023 HK\$M	At 31st December 2022 HK\$M
Trade payables (note a)	3,640.5	4,272.7
Other payables and accruals (note b)	5,790.1	5,600.4
Contract liabilities (note c)	8,071.3	8,583.1
Lease liabilities (notes d and e)	109.9	154.2
Preferred shares (note f)	–	3,393.9
	<u>17,611.8</u>	<u>22,004.3</u>

#### Notes

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

	At 30th June 2023 HK\$M	At 31st December 2022 HK\$M
0 – 30 days	1,030.5	1,773.6
31 – 60 days	492.9	552.1
61 – 90 days	679.5	572.0
Over 90 days	1,437.6	1,375.0
	<u>3,640.5</u>	<u>4,272.7</u>

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

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

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

	At 30th June 2023 HK\$M	At 31st December 2022 HK\$M
Within 1 year	109.9	154.2
Over 1 year <sup>#</sup>	261.7	274.0
	<u>371.6</u>	<u>428.2</u>

<sup>#</sup> Non-current lease liabilities are included in other non-current liabilities.

### 13. Trade payables and other liabilities (continued)

Notes (continued)

- (e) The interest expense on lease liabilities for the period amounting to HK\$19.5 million (2022: HK\$9.4 million) is included in the profit or loss.
- (f) As at 31st December 2022, balance represented the carrying value of preferred shares issued by EcoCeres, Inc., a non-wholly owned subsidiary of the Group. The subsidiary has become an associate during the period and is therefore equity-accounted for.

### 14. Share capital

	Number of Shares		Share Capital	
	At 30th June 2023	At 31st December 2022	At 30th June 2023 HK\$M	At 31st December 2022 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. Perpetual capital securities

In February 2019, the Group issued perpetual capital securities, amounting to US\$300 million, through Towngas (Finance) Limited, a wholly-owned subsidiary for cash. The proceeds were mainly used to refinance the 2014 first-issued perpetual capital securities redeemed in January 2019.

The respective perpetual capital securities are guaranteed by the Company, bear distribution at a rate of 4.75 per cent per annum for the first five years and thereafter at a fixed distribution rate. With no fixed maturity and the distribution payment can be deferred at the discretion of the Group, and these perpetual capital securities are redeemable at the Group's option on or after 12th February 2024, they are classified as equity instruments, and recorded in equity in the consolidated statement of financial position.

## 16. 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 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:						
Change in value 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 an associate	-	(3.3)	-	-	-	(3.3)
Exchange differences	-	-	(2,138.4)	-	-	(2,138.4)
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 payments of a subsidiary	-	-	-	3.3	-	3.3
Share award scheme of a subsidiary	-	-	-	24.3	(4.3)	20.0
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>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>

## 16. 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 2022 (audited)	551.3	(18.8)	3,484.8	40.8	57,893.6	61,951.7
Profit attributable to shareholders	-	-	-	-	3,314.7	3,314.7
Other comprehensive income:						
Change in value of financial assets at fair value through other comprehensive income	(113.6)	-	-	-	-	(113.6)
Change in fair value of cash flow hedges	-	40.4	-	-	-	40.4
Share of other comprehensive income of associates	(1.5)	11.5	-	-	-	10.0
Exchange differences	-	-	(2,650.3)	-	-	(2,650.3)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	(115.1)	51.9	(2,650.3)	-	3,314.7	601.2
Deemed partial disposal of subsidiaries	-	-	-	(1.1)	15.2	14.1
2021 final dividend paid	-	-	-	-	(4,291.8)	(4,291.8)
Share-based payments of a subsidiary	-	-	-	3.3	-	3.3
Share award scheme of a subsidiary	-	-	-	35.4	-	35.4
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30th June 2022	<u>436.2</u>	<u>33.1</u>	<u>834.5</u>	<u>78.4</u>	<u>56,931.7</u>	<u>58,313.9</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance after 2022 interim dividend proposed	436.2	33.1	834.5	78.4	54,692.5	56,074.7
2022 interim dividend proposed	-	-	-	-	2,239.2	2,239.2
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<u>436.2</u>	<u>33.1</u>	<u>834.5</u>	<u>78.4</u>	<u>56,931.7</u>	<u>58,313.9</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

## 16. Reserves (continued)

### 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.

On 18th March 2022, Towngas Smart Energy entered into a number of subscription agreements with the subscribers pursuant to which the subscribers conditionally agreed to subscribe for, and Towngas Smart Energy conditionally agreed to issue, in aggregate 11,663,000 subscription shares at the subscription price of HK\$3.69 per subscription share in cash. During the six months ended 30th June 2022, 4,801,000 subscription shares were allotted and issued in respect of these subscription agreements with total proceed of HK\$17,716,000. During the six months ended 31st December 2022, 6,752,000 subscription shares were allotted and issued in respect of these subscription agreements with total proceed of HK\$24,914,000. During the six months ended 30th June 2023, 110,000 subscription shares were allotted and issued in respect of these subscription agreements with total proceed of HK\$406,000.

At 30th June 2023 and 31st December 2022, there are 5,874,000 shares and 10,737,000 shares held by the trustee, respectively. During the six months ended 30th June 2023, an additional 950,000 (six months ended 30th June 2022: 6,965,000) shares were purchased by the trustee from the market at an average price of approximately HK\$3.34 (six months ended 30th June 2022: HK\$4.29) per share, with an aggregate amount of approximately HK\$3,172,000 (six months ended 30th June 2022: HK\$29,897,000). On 17th March 2023, 5,813,000 shares (six months ended 30th June 2022: nil) were granted to the selected eligible employees with amount of approximately HK\$19,822,000 recognised as share-based payment expenses and included in staff costs when vested during the period.

No share options were granted by Towngas Smart Energy during the six months ended 30th June 2023. The Group recognised a total expense of HK\$5,040,000 for the six months ended 30th June 2023 (six month ended 30th June 2022: nil) in relation to share options granted by Towngas Smart Energy.

## 17. Contingent liabilities

The Group did not have any material contingent liabilities as at 30th June 2023 and 31st December 2022.

## 18. Commitments

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

	<b>At 30th June 2023 HK\$M</b>	At 31st December 2022 HK\$M
Contracts had been entered into but not brought into the condensed consolidated interim financial statements	<u><u>5,586.3</u></u>	<u><u>5,491.0</u></u>

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

	<b>At 30th June 2023 HK\$M</b>	At 31st December 2022 HK\$M
Contracts had been entered into but not brought into the condensed consolidated interim financial statements	<u><u>3,495.4</u></u>	<u><u>4,488.4</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 2023, the Group's commitments to these projects were approximately HK\$8,672.8 million (31st December 2022: HK\$7,543.2 million).

- (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:

	<b>At 30th June 2023 HK\$M</b>	At 31st December 2022 HK\$M
Not later than 1 year	<b>24.0</b>	22.2
Later than 1 year and not later than 5 years	<b>19.1</b>	22.7
Later than 5 years	–	0.5
	<u><u>43.1</u></u>	<u><u>45.4</u></u>



## 19. 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\$195.8 million (2022: HK\$299.2 million). These related party transactions were conducted at prices and terms as agreed by parties involved.

## 20. Disposal of subsidiaries

During the period, the Group disposed its partial interest in EcoCeres, Inc., which subsidiaries principally engaged in biomass utilisation businesses for a cash consideration of approximately HK\$2.5 billion. Following the disposal, the Group's equity interest in EcoCeres, Inc. decreased from 65.5% to 44.2%. As a result, EcoCeres, Inc. and its subsidiaries ("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
	<hr style="border-top: 1px dashed black;"/>
The assets and liabilities disposed of are as follows:	
Non-current assets	3,041.3
Current assets	5,496.4
Current liabilities	(4,424.2)
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 style="border-top: 1px dashed black;"/>
Transaction related costs	(215.0)
	<hr/>
Net gain on disposal (note 5(a))	4,677.2
	<hr/> <hr/>

## 20. Disposal of subsidiaries (continued)

Analysis of net cash outflow of cash and cash equivalents 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 period.

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

During the period, 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 88% 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 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\$506.5 million was recognised as “Other gains, net” in the consolidated income statements.

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 2023 as the Group intended to recover the carrying amount through sales. 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\$152.9 million was recognised as “Other gains, net” in the consolidated income statements. A sale and purchase agreement for this disposal was subsequently entered into in July 2023, for a consideration of approximately HK\$600 million.

## 21. Assets held-for-sale/liabilities directly associated with assets held-for-sale (continued)

The assets classified as held-for sales, which were presented separately in the Group's condensed consolidated statement of financial position as at 30th June 2023, were as follows:

	HK\$M
Assets	
Non-current assets	1,064.2
Current assets	140.4
	<hr/>
Assets of subsidiaries reclassified as held-for-sale	1,204.6
	<hr/> <hr/>
Liabilities	
Non-current liabilities	128.2
Current liabilities	202.4
	<hr/>
Liabilities of subsidiaries reclassified as held-for-sale	330.6
	<hr/> <hr/>

## 22. Business combinations

For the period ended 30th June 2023, the Group acquired the following businesses through Towngas Smart Energy:

	Purchase consideration HK\$M
Acquisition of assets through acquisition of smart energy companies, being engaged in the business of photovoltaics in the Chinese mainland	446.3
達茂港華燃氣有限公司, being engaged in the provision for natural gas and related services in the Chinese mainland	79.9
	<hr/> <hr/>

No proforma information of revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed on 1st January 2023 is presented as contributions are insignificant.

## 22. Business combinations (continued)

The details of fair value of net identifiable assets acquired were as follows:

	<b>Acquirees' fair value at acquisition date HK\$M</b>
Non-current assets	1,720.6
Current assets	253.3
Current liabilities	(866.0)
Non-current liabilities	(644.0)
	<hr/>
Net identifiable assets acquired	463.9
Goodwill	62.3
	<hr/>
Purchase consideration	526.2
	<hr/> <hr/>

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

### **Net cash flow arising on acquisition:**

	<b>HK\$M</b>
Purchase consideration for acquisition of businesses, settled in cash during the period	249.3
Cash and cash equivalents in businesses acquired	(27.6)
	<hr/>
Cash outflow on acquisition of businesses	221.7
	<hr/> <hr/>

As at 30th June 2023, purchase consideration of HK\$93.5 million remained unpaid and included in trade payables and other liabilities.

## FINANCIAL RESOURCES REVIEW

### Liquidity and capital resources

As at 30th June 2023, the Group had a net current borrowings position of HK\$7,665 million (31st December 2022: HK\$6,387 million) and long-term borrowings of HK\$42,038 million (31st December 2022: HK\$39,623 million). In addition, banking facilities available for use amounted to HK\$18,900 million (31st December 2022: HK\$21,400 million).

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

### Financing structure

In May 2009, the Group established a US\$1 billion Medium Term Note Programme (the “Programme”) which gives the Group the flexibility to issue notes at favourable terms and timing. In June 2021, the Programme was updated with the size increased to US\$5 billion. Medium term notes totalling HK\$808 million, with a tenor of 3 years, have been issued so far in 2023. In line with the Group’s long-term business investments, as at 30th June 2023, the total nominal amount of medium term notes issued has reached HK\$22.5 billion with tenors ranging from 2 to 40 years, mainly at fixed interest rates with an average of 3.1 per cent per annum and an average tenor of 14 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 at a coupon rate at 4.0 per cent per annum. As at 30th June 2023, 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. As at 30th June 2023, the Group issued notes in the total nominal amount of HK\$24,915 million (31st December 2022: HK\$24,107 million) with maturity terms ranging from 2 to 40 years in Renminbi, Australian dollar, Japanese yen, United States dollar and Hong Kong dollar under the two Programmes (the “MTNs”). The carrying value of the issued MTNs as at 30th June 2023 was HK\$24,490 million (31st December 2022: HK\$23,850 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%. Among them is the first sustainability-linked Panda Bond issued by a Hong Kong enterprise on the Chinese mainland. The carrying value of the Panda Bonds as at 30th June 2023 was HK\$1,620 million.

As at 30th June 2023, the Group's borrowings amounted to HK\$60,504 million (31st December 2022: HK\$59,304 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 2023 was HK\$1,798 million (31st December 2022: HK\$1,855 million). While the vast majority of the MTNs, Panda Bonds and CB mentioned above together with the bank and other loans of HK\$12,296 million (31st December 2022: HK\$11,860 million) had fixed interest rate and were unsecured, the remaining bank and other loans were unsecured and had a floating interest rate, of which HK\$10,935 million (31st December 2022: HK\$8,295 million) were long-term bank loans and HK\$9,365 million (31st December 2022: HK\$13,444 million) had maturities within one year on revolving credit or term loan facilities. As at 30th June 2023, the maturity profile of the Group's borrowings was 31 per cent within 1 year, 21 per cent within 1 to 2 years, 30 per cent within 2 to 5 years and 18 per cent over 5 years (31st December 2022: 33 per cent within 1 year, 13 per cent within 1 to 2 years, 36 per cent within 2 to 5 years and 18 per cent over 5 years).

The RMB, AUD and JPY MTNs issued and the USD SLB issued by Towngas Smart Energy are hedged to Hong Kong dollar or Renminbi respectively by currency swaps. Except for some borrowings of certain subsidiaries are arranged in or hedged to their functional currency in Renminbi, the Group's borrowings are primarily denominated in Hong Kong dollar and local currency of subsidiaries in the Chinese mainland. The Group therefore has no significant exposure to foreign exchange risk.

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

The gearing ratio [net borrowings/(total equity + net borrowings)] for the Group as at 30th June 2023 remained healthy at 41 per cent (31st December 2022: 38 per cent).

### **Guarantee**

As at 30th June 2023 and 31st December 2022, 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.

### **Group's financial investments in securities**

Under the guidance of the Group's Treasury Committee, financial investments have been made in equity and debt securities. As at 30th June 2023, the relevant investments in securities amounted to HK\$193 million (31st December 2022: HK\$222 million). The performance of the Group's financial investments in securities was satisfactory.

## **EMPLOYEES AND PRODUCTIVITY**

As at 30th June 2023, the number of employees engaged in the town gas business in Hong Kong was 2,100 (30th June 2022: 2,076), the number of customers was 2,005,023, and each employee served the equivalent of 955 customers, a slight increase compared to the same period last year. Inclusive of employees engaged in businesses such as telecommunications, liquefied petroleum gas vehicular refilling stations and engineering contractual works, the total number of the Group's employees engaged in businesses in Hong Kong was 2,325 as at the end of June 2023 compared to 2,379 as at the end of June 2022. Related manpower costs amounted to HK\$619 million for the first half of 2023, an increase of HK\$4 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 53,760 as at the end of June 2023, an increase of approximately 70 compared to the same period last year.

## **OTHER INFORMATION**

### **Corporate governance**

During the six months ended 30th June 2023, the Company complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

### **Model code for dealing in securities by Directors**

The Company has adopted the model code as set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). Following specific enquiries by the Company, all Directors confirmed that they had fully complied with the required standard set out in the Model Code throughout the six months ended 30th June 2023.

### **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 2023 to review the unaudited consolidated interim financial statements for the six months ended 30th June 2023. 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 2023 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**

During the six months ended 30th June 2023, the trustee of the share award scheme (the "TSEL Share Award Scheme") adopted by Towngas Smart Energy Company Limited ("Towngas Smart Energy", a listed subsidiary of the Company), pursuant to the terms of the rules and trust deed of the TSEL Share Award Scheme, purchased on The Stock Exchange of Hong Kong Limited a total of 950,000 issued shares of Towngas Smart Energy at a total consideration of approximately HK\$3,172,000.

Saved as mentioned above, 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 2023.

## Disclosure of interests

### A. Directors

As at 30th June 2023, 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 Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

#### Shares and underlying shares (Long positions)

Name of company	Name of director	Interest in shares			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. 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
	Mr. John Ho Hon-ming	55,710				55,710	0.00
Lane Success Development Limited	Dr. 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. Lee Ka-kit			2 (Note 6)		2	100
	Dr. Lee Ka-shing			2 (Note 6)		2	100
Towngas Smart Energy	Dr. Lee Ka-kit			2,255,481,423 (Note 7)		2,255,481,423	69.21
	Dr. Lee Ka-shing			2,255,481,423 (Note 7)		2,255,481,423	69.21
	Mr. Peter Wong Wai-yee	5,339,000 (Note 8)			1,800,000 (Note 9)	7,139,000	0.22
	Mr. John Ho Hon-ming	2,033,862			900,000 (Note 9)	2,933,862	0.09

\* 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.



## 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) have been granted options to subscribe for the shares of Towngas Smart Energy, details of which as at 30th June 2023 were as follows:

Name of company	Name of director	Date of grant	Exercise period	Exercise price (HK\$)	Number of shares of Towngas Smart Energy subject to outstanding options as at 01.01.2023*	Number of shares of Towngas Smart Energy subject to outstanding options as at 30.06.2023*
Towngas Smart Energy	Mr. Peter Wong Wai-yee	25.11.2022	25.11.2023-24.11.2025	3.40	1,800,000	1,800,000
	Total				1,800,000	1,800,000
	Mr. John Ho Hon-ming	25.11.2022	25.11.2023-24.11.2025	3.40	900,000	900,000
	Total				900,000	900,000

\* All share options will be vested on the first anniversary of the date of offer (i.e. 25th November 2023).

Save as mentioned above, as at 30th June 2023, 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 30 June 2023, 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	%*
<b>Substantial Shareholders</b> (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
<b>Persons other than Substantial Shareholders</b>	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 30 June 2023, 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. 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. 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. 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 2,255,481,423 shares in Towngas Smart Energy representing approximately 69.21% 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 2,061,193,504 shares), Planwise Properties Limited (“Planwise”) (as to 191,037,247 shares) and Superfun Enterprises Limited (“Superfun”) (as to 3,250,672 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 27th June 2023. Subsequent to the allotment of a total of 92,945,662 new shares to HK&CG (China), Planwise and Superfun by Towngas Smart Energy on 11th July 2023, the said percentage figure of interest in Towngas Smart Energy’s shares was adjusted to 67.24% as at 11th July 2023. Dr. 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 27th June 2023 and the subsequent allotment of 219,000 new shares by Towngas Smart Energy pursuant to its scrip dividend scheme on 11th July 2023, Mr. Peter Wong Wai-yee had 5,339,000 shares in Towngas Smart Energy (representing approximately 0.16% 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. Colin Lam Ko-yin** S.B.S., F.C.I.L.T., F.H.K.I.o.D., D.B. (Hon.), D.B.A. (Hon.), D.Soc.Sc. (Hon.),  
*Non-executive Director*  
  
Dr. Lam was conferred a degree of Doctor of Social Sciences (Honoris Causa) by The University of Hong Kong on 3rd April 2023.
- 2) **Mr. Andrew Fung Hau-chung** BBS, JP, BA,  
*Non-executive Director*
  - (i) Mr. Fung ceased to be the Chairman of the Hospital Governing Committee of Pamela Youde Nethersole Eastern Hospital on 31st March 2023.
  - (ii) Mr. Fung was appointed as a board member of The Community Chest of Hong Kong on 19th June 2023.
- 3) **Prof. the Hon. Poon Chung-kwong** G.B.M., G.B.S., J.P., Ph.D., D.Sc.,  
*Independent Non-executive Director*
  - (i) Prof. Poon retired from the position of Non-executive Director of Lee & Man Paper Manufacturing Limited on 9th May 2023.
  - (ii) Prof. Poon was awarded the Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region on 1st July 2023.
- 4) **Mr. Peter Wong Wai-ye**e C.P.A. (CANADA), C.M.A., C.P.A. (HK), A.C.G., H.K.A.C.G., F.I.G.E.M., F.H.K.I.o.D., M.B.A.,  
*Managing Director*
  - (i) Mr. Wong ceased to be a member of the Advisory Committee of the College of Professional and Continuing Education, The Hong Kong Polytechnic University on 31st March 2023.
  - (ii) Mr. Wong was appointed as a member of the Executive Committee of The Hong Kong Management Association on 6th July 2023.
- 5) The Board Environmental, Social and Governance Committee (the “BESGC”) was established by the Board on 17th March 2023. It comprises Mr. Peter Wong Wai-ye (Chairman of the BESGC), Dr. the Hon. Moses Cheng Mo-chi and Mr. John Ho Hon-ming.