香 港 中 華 煤 氣 有 限 公 司

THE HONG KONG AND CHINA GAS COMPANY LIMITED

(Incorporated in Hong Kong under the Companies Ordinance with limited liability)

(Stock Code: 3)

PRELIMINARY ANNOUNCEMENT OF 2020 INTERIM RESULTS

HALF-YEARLY RESULTS

The Directors wish to report that the Group's unaudited operating profit of principal businesses after taxation for the six months ended 30th June 2020 amounted to HK$3,517 million, a decrease of HK$366 million, down by 9.4 per cent, compared to the same period last year. The Group's profit after taxation (exclusive of the Group's share of a decline in revaluation from an investment property, the International Finance Centre complex) amounted to HK$2,970 million, a decrease of HK$782 million, down by 20.9 per cent, compared to the same period last year. Inclusive of the decline in revaluation of the investment property, profit after taxation attributable to shareholders of the Group amounted to HK$2,667 million, a decrease of HK$1,222 million, down by 31.4 per cent, compared to the same period last year. Earnings per share for the first half of 2020 amounted to HK15 cents.

Highlights of the unaudited results of the Group for the six months ended 30th June 2020, as compared to the same period in 2019, are shown in the following table:

	Unaudited Six months ended 30th June	
	2020	2019
Revenue before Fuel Cost Adjustment, HK million dollars	**17,965**	19,924
Revenue after Fuel Cost Adjustment, HK million dollars	**18,235**	20,352
Profit after Taxation Attributable to Shareholders, HK million dollars	**2,667**	3,889
Earnings per Share, HK cents	**15.0**	21.9*
Interim Dividend per Share, HK cents	**12**	12
Town Gas Sold in Hong Kong, million MJ	**15,165**	15,776
Gas Sold in mainland China City-gas Business, million cubic metres; natural gas equivalent#	**12,453**	12,945
Number of Customers in Hong Kong as at 30th June	**1,935,512**	1,920,595
Number of City-gas Customers in mainland China as at 30th June#	**30,583,537**	28,517,205

* *Adjusted for the bonus share issue in 2020*

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

TOWN GAS BUSINESS IN HONG KONG

The coronavirus disease causing pneumonia (COVID-19) spread globally during the first half of 2020. Impacted by the epidemic and related prevention measures in Hong Kong, the number of inbound tourists fell significantly, severely affecting restaurant, retail, tourism and hotel sectors, leading to rising business cessation, an increase in the unemployment rate and economic contraction. As a result, during the first half of 2020, the volume of commercial and industrial gas sales decreased, whilst the volume of residential gas sales increased owing to a rise in both household cooking and use of hot water, both compared to the same period last year. Overall, total volume of gas sales in Hong Kong for the first half of 2020 was approximately 15,165 million MJ, a decrease of 3.9 per cent, whilst the number of appliances sold also decreased by 17.5 per cent due to a drop in people moving to new properties and lower consumer sentiment impacted by the epidemic, both compared to the same period last year.

As at 30th June 2020, the number of customers was 1,935,512, an increase of 1,785 since the end of 2019.

BUSINESS DEVELOPMENT IN MAINLAND CHINA

In respect of the Group's mainland businesses, inclusive of projects of the Group's subsidiary, Towngas China Company Limited ("Towngas China"; stock code: 1083.HK), the Group had 267 projects on the mainland as at the end of June 2020, two more than at the end of 2019, spread across 26 provinces, autonomous regions and municipalities. These projects encompass upstream, midstream and downstream natural gas sectors, environmentally-friendly energy, smart energy, water sectors and waste treatment, as well as telecommunications.

The Group's development of emerging environmentally-friendly energy businesses, through ECO Environmental Investments Limited ("ECO"), include coalbed methane liquefaction, clean coal chemicals, conversion and utilisation of biomass, utilisation of agricultural waste as well as natural gas refilling stations. With a number of achieved results from research and development gradually being applied commercially, this will contribute to the ongoing business growth of the Group.

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

UTILITY BUSINESSES IN MAINLAND CHINA

Just when trade tensions between mainland China and the United States ("US") eased following the signing of the phase one economic and trade agreement in mid-January, the coronavirus disease began to spread across the mainland throughout the first quarter of this year. This led to city lockdowns and suspension of work, production and transportation in most regions all negatively impacting economic activity starting in late January. With the rapid spread of the coronavirus disease in other countries and regions worldwide, the World Health Organisation announced on 11th March that the epidemic had reached a "pandemic" status. Cities in a number of countries also began to lock down. In contrast, by late March, the epidemic in mainland China was gradually coming under control with work and production resuming in an orderly manner throughout the country. Although the coronavirus outbreak has fluctuated in some regions on the mainland since then, anti-epidemic measures have effectively prevented a widespread recurrence. The country has now introduced various policies to stimulate the economy and promote employment. As a result, driven by a rebound in industrial production, the mainland economy has turned from contraction in the first quarter of 2020 to positive growth in the second quarter, indicating gradual economic recovery.

Facing the coronavirus epidemic, enterprises under the Group have actively responded to full deployment. The Group's public utility businesses, in particular, are the most important, with a mission to ensure a safe supply of both gas and water and provision of services, whilst making sterling effort to conduct epidemic prevention and control. As the epidemic across the country began to ease in mid-April, the Group's various businesses on the mainland gradually resumed normal operations. However, factors including the spread of the coronavirus disease overseas and geopolitics are now adversely impacting China-US relations. Facing an unfavourable business environment, some export-oriented manufacturing enterprises on the mainland are now starting to move their production lines to Southeast Asian countries. The pandemic has also severely hit the global economy, leading to a fall in demand for commodities, thus adversely affecting gas and water demand in commercial and industrial sectors. In addition, owing to the epidemic, local governments on the mainland have launched measures to support ongoing development of small and medium-sized enterprises. Public utility enterprises are required to implement preferential policies, such as reducing fees and deferring fee payments, and these will, inevitably, impact the results of the Group for the year 2020.

Inclusive of Towngas China, the Group has a total of 132 city-gas projects on the mainland. The total volume of gas sales for these projects for the first half of 2020 was approximately 12,450 million cubic metres, a decrease of 4 per cent compared to the same period last year. As at the end of June 2020, the Group's mainland gas customers stood at approximately 30.58 million, an increase of 7 per cent over the same period last year.

In the long term, the Group's city-gas businesses will continue to benefit from urban migration and the mainland's environmental protection policy of speeding up the use of natural gas to replace coal in order to reduce carbon emissions and improve smoggy atmospheric conditions. Substituting piped natural gas for bottled petroleum gas is also being encouraged in mainland cities, aimed at lowering gas safety risks. In addition, greater use of household heating in the Yangtze River Basin is raising residential gas sales there. The government is also promoting distributed energy systems by advocating partial replacement of coal-fired power with natural gas. The Group is also actively developing intelligent integrated energy system businesses, combining power, natural gas, renewable energy and power storage functions. Coupled with application of big data, artificial intelligence, the Internet, etc. to enhance the efficiency of energy use, the Group is endeavouring to achieve energy conservation and emission reduction, whilst also generating economic benefits.

As natural gas is being promoted as a major clean energy on the mainland, long-term and steady growth in market demand is anticipated. In view of this, the country is striving to maintain an ample supply of natural gas which is now becoming abundant with a gradual increase in imported piped natural gas from Central Asia and Myanmar and a rise in the sources of imported liquefied natural gas ("LNG"), both to the benefit of market development. In addition, Russia's Siberian east-route pipeline, which was commissioned in early December 2019, is expected to increase upstream gas sources for the Group's city-gas projects in northeastern and northern China. A number of mainland provinces and cities are also gradually implementing gas storage facilities to help boost supply capacity over winter alongside the construction of coastal LNG receiving stations to increase import channels. All these projects will contribute to a stable supply of natural gas and boost price competitiveness, helping the Group's mainland city-gas businesses continue to thrive in the future.

The Group is actively enhancing its own gas storage capacity on the mainland. Construction of the Group's natural gas storage facility in underground salt caverns in Jintan district, Changzhou city, Jiangsu province, is progressing in phases. This project, the first of its kind built by a city-gas enterprise on the mainland, will comprise a total of 25 wells, four of which have now been commissioned. Total storage capacity of the whole facility will eventually reach 1.1 billion standard cubic metres, enabling the Group to supplement gas supplies during the peak winter period for a number of its city-gas projects in eastern China. In the longer term, it is planned that this facility will supply gas to the Group's city-gas projects in other regions through interconnected upstream pipeline networks. In addition, the Group was successful in its bid for a storage tank project at the LNG receiving terminal in Caofeidian district, Tangshan city, Hebei province in the second quarter of 2020. The Group has been granted the right of use of two storage tanks, each 200,000 cubic metres, and a jetty for importing 1 million tonnes of LNG per annum for a contract term of 50 years. This project will significantly enhance the Group's gas storage capacity and reduce the cost of building small-scale gas storage facilities by different companies under the Group separately. The Group can also arrange for joint purchase of gas directly from upstream gas sources to reduce costs.

The Group has been in the mainland water market, under the brand name "Hua Yan Water", for over 14 years and currently invests in, and operates, seven water projects. These include water supply joint venture projects in Wujiang district, Suzhou city, Jiangsu province and in Wuhu city, Anhui province; wholly-owned water supply projects in Zhengpugang Xin Qu, Maanshan city and in Jiangbei Xin Qu, Wuhu city, both in Anhui province; an integrated water supply and wastewater treatment joint venture project, together with an integrated wastewater treatment joint venture project for a special industry, both in Suzhou Industrial Park, Suzhou city, Jiangsu province; and a water services joint venture project in Foshan city, Guangdong province through investment in Foshan Water Environmental Protection Co., Ltd., being the Group's first water services project located in the Guangdong-Hong Kong-Macao Greater Bay Area.

Environmental governance has broad development prospects. In 2016, the Group invested in the construction of an urban organic waste resource utilisation project in Suzhou Industrial Park, Suzhou city, Jiangsu province. This project handles 500 tonnes daily of food waste, green waste and landfill leachate for conversion into natural gas, oil products, solid fuel and fertilizers and is the Group's first project converting municipal environmental and sanitary waste into value-added products. Trial production formally commenced in mid-February 2019, and has since processed more than 100,000 tonnes of various organic wastes and produced nearly 3 million cubic metres of bio-natural gas for injecting into city gas pipeline networks. Construction of phase two of this project, to increase daily processing capacity by 300 tonnes, is in progress, expecting to commence operation in June 2021.

The Group formed an investment platform company under the brand name "Hua Yan Environmental" in Changzhou city, Jiangsu province in June this year to coordinate the development of its environmental governance businesses on the mainland. To this end, a food waste resource utilisation project already in operation in Tongling city, Anhui province, which processes 100 tonnes of food waste daily, has successfully been acquired. There are plans to develop a second phase to increase daily processing volumes by 100 tonnes. The Group is also developing food waste treatment, waste incineration power generation and sewage treatment projects in other cities so as to further bolster the Group's environmental protection businesses.

Operation and management of businesses encompassing city-gas, midstream natural gas, city-water and municipal environmental and sanitary waste treatment and utilisation projects are creating ever-greater synergy and mutual advantages. Furthermore, these businesses generate stable incomes and provide good environmental benefits. The Group will therefore keep on looking for opportunities to invest in high-quality utility projects on the mainland.

EMERGING ENVIRONMENTALLY-FRIENDLY ENERGY BUSINESSES

ECO's major businesses in Hong Kong – an aviation fuel facility, dedicated liquefied petroleum gas ("LPG") vehicular refilling stations and landfill gas utilisation projects – are all operating well, contributing stable profit to ECO under the Group.

In mainland China, ECO's research and development team has been working hard for many years in the field of biomass utilisation. Two sets of self-developed patented technologies have been successfully developed, and are now being implemented in different projects. The first project which converts inedible bio-grease feedstock into hydro-treated vegetable oil ("HVO") is located in Zhangjiagang city, Jiangsu province. Our HVO, which is classified as an Advanced Biofuel as defined by the European Union after gaining accreditation under the "International Sustainability and Carbon Certification Scheme", is highly demanded in European markets. Phase one of this project has steadily run through its trial production stage, thus confirming the advance nature and scalability of this patented technology. On this basis, construction works of phase two project with the annual production capacity enhanced to 250,000 tonnes of HVO have also been completed, and is scheduled to be commissioned in the third quarter of this year. This project, apart from bringing significant economic benefits, represents an important milestone in ECO's development of its advanced biomass utilisation business.

In addition, ECO is developing two innovative environmentally-friendly projects respectively in Tangshan city and Cangzhou city, Hebei province. Both projects employ the self-developed patented technology to undertake hydrolysis separation and further processing of domestic agricultural and forestry waste. The project in Tangshan city, which will produce furfural and paper pulp as main products, will commence production in the fourth quarter of this year. The project in Cangzhou city is expected to commence production in the first quarter of next year. Its main product will be cellulosic ethanol, another Advanced Biofuel as defined by the European Union upon gaining accreditation under the "International Sustainability and Carbon Certification Scheme".

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

TELECOMMUNICATIONS BUSINESSES

The Group is developing telecommunications businesses through its wholly-owned subsidiary Towngas Telecommunications Company Limited and the latter's subsidiaries (collectively known as "TGT"). As a Hong Kong fixed network service provider and industry-leading telecommunications infrastructure enabler, TGT is committed to providing connectivity, data centres and diversified telecommunications services to Hong Kong, mainland China and international telecommunications providers, operators and enterprises. TGT's businesses are progressing steadily, with seven data centres currently located in Hong Kong and mainland China. TGT is strengthening its foundations to cater for data transmission, processing and storage needs as well as swifter market development in the future.

With the advent of the 5G era, TGT has taken the lead in installing a "5G Sharing System" in three shopping malls in Hong Kong, thus providing high-speed and low-latency 5G services to shopping mall customers. TGT is also preparing to develop 5G services in public areas of residential premises. In mainland China, TGT is benefiting from national policies, including popularisation of government cloud services, network reform and price reduction for higher speed. In addition, customers have recognised the importance of remote transmission and video conferencing during the coronavirus epidemic period and this has facilitated the development of TGT's data centre and network businesses; overall development is satisfactory. TGT is not only actively expanding its business, but also boosting its corporate social responsibilities at the same time. TGT has been awarded the "Caring Company Logo" several times over the years, in recognition of its commitment to the community and care for its employees.

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

Towngas China, a subsidiary of the Group, recorded profit after taxation attributable to its shareholders amounting to HK$581 million during the first half of 2020, a decrease of approximately 23 per cent compared to the same period last year. As at the end of June 2020, the Group held approximately 1,945 million shares in Towngas China, representing approximately 67.76 per cent of Towngas China's total issued shares.

Towngas China actively responded to the sudden outbreak of the coronavirus disease in early 2020 by ensuring safe gas supplies and meeting customers' needs for gas services during the epidemic period. Staff at all levels were dedicated to overcoming various difficulties and made sterling efforts to conduct epidemic prevention and control. Following an easing of the epidemic situation on the mainland, operation of Towngas China's businesses basically returned to normal in May and the company is now able to continue to focus on business development. Towngas China is confident of quickly mitigating the short-term impact of the epidemic on business growth. The company is determined to pursue in-depth development of city-gas and distributed and smart energy markets. In addition, Towngas China is developing linen laundry business to further expand gas and heat energy applications as part of its commercial and industrial markets and is strengthening its overall extended business planning, aiming to diversify the company's development based on its city-gas business.

Towngas China added two new projects to its portfolio during the first half of 2020, comprising a centralised heating project in Eastern Park of Tongling Economic and Technological Development Zone, Anhui province, and formation of Towngas Cosy Home (Chengdu) Technological Services Co., Ltd.

FINANCING PROGRAMMES

In order to tap funding in a timely and flexible manner, the Group established a medium term note programme in 2009 under HKCG (Finance) Limited, a wholly-owned subsidiary of the Group. Medium term notes totalling HK$3,240 million, with a tenor of 10 to 30 years, have been issued so far in 2020. In line with the Group's long-term business investments, as at 30th June 2020, the total nominal amount of medium term notes issued has reached HK$18.0 billion with tenors ranging from 3 to 40 years, mainly at fixed interest rates with an average of 3.3 per cent per annum and an average tenor of 17 years.

Furthermore, the Group also made use of perpetual securities for long term funding. As at 30th June 2020, the Group had Perpetual Subordinated Capital Securities (the "Perpetual Securities") of US$300 million, issued in February 2019, with a coupon rate at 4.75 per cent per annum. The Perpetual Securities are redeemable at the option of the Group in February 2024 or thereafter every six months on the coupon payment date.

EMPLOYEES AND PRODUCTIVITY

As at 30th June 2020, the number of employees engaged in the town gas business in Hong Kong was 2,121 (30th June 2019: 2,060), the number of customers was 1,935,512, and each employee served the equivalent of 913 customers. Inclusive of employees engaged in local businesses such as telecommunications, LPG vehicular refilling stations and engineering contractual works, the total number of the Group's employees engaged in businesses in Hong Kong was 2,493 as at the end of June 2020 compared to 2,424 as at the end of June 2019. Related manpower costs amounted to HK$600 million for the first half of 2020, an increase of HK$31 million compared to the same period last year. The Group will continue to offer employees rewarding careers based on their capabilities and performance and arrange a variety of training programmes in order to constantly enhance the quality of its customer services.

Exclusive of businesses in Hong Kong, the total number of the Group's employees in mainland China and other places outside Hong Kong was 50,200 as at the end of June 2020, an increase of 440 compared to the same period last year.

DIVIDEND

Your Directors have declared an interim dividend of HK12 cents per share payable to shareholders whose names are on the Register of Members of the Company as at 3rd September 2020. The Register of Members will be closed from Wednesday, 2nd September 2020 to Thursday, 3rd September 2020, during which period no share transfers will be effected. Dividend warrants will be posted to shareholders on Monday, 14th September 2020.

BUSINESS OUTLOOK FOR 2020

The Company predicts steady growth in its number of customers in Hong Kong during 2020. The coronavirus disease continues to fluctuate in Hong Kong. With a significant decrease in the number of inbound tourists and weak consumer sentiment during the outbreak of the epidemic in the first quarter of this year, retail, tourism, restaurant and hotel sectors were strongly hit, leading to a rise in the unemployment rate. As the epidemic gradually eased in the middle of the second quarter of this year, the Government of the Hong Kong Special Administrative Region gradually relaxed its social distancing measures. In tandem, the Company launched a "Supporting F&B and the Economy" campaign in early May to support the restaurant sector which had been severely impacted by the epidemic. However, just as the local economy started to show signs of recovery, the epidemic began to spread again rapidly in different community districts in early July, and the number of locally transmitted cases has since continued to rise. With re-tightening of epidemic prevention measures, the restaurant market has once again worsened. Facing this challenging business environment in Hong Kong, the Group is adopting various measures such as broadening of sources of revenue, cutting expenditure and costs appropriately and optimising work flow. The Company is also endeavouring to promote smart innovation to enhance customer services and operational efficiency so as to maintain stable development of its gas business in the territory. In the long term, the Group's gas business in Hong Kong will still benefit from both an increase in housing supply and town gas applications in the commercial and industrial sectors which should help maintain stable and good development over the next few years.

Following a gradual easing of the epidemic on the mainland since late March, industrial and commercial enterprises have resumed normal operations. However, the pandemic worldwide is not yet under full control. As the global economy has been extensively hit, demand for commodities is weak. In addition, mainland China's political relations with the US and European countries have recently become tense and the country's export manufacturing industry is facing severe challenges, adversely impacting the Group's city-gas and natural gas markets. In the long term, however, the Chinese government's efforts to promote reduction of carbon emissions and use of clean energy will help the development of natural gas markets. In addition, increasing upstream gas supplies, expansion and improvement of pipeline networks, the formation of a national pipeline network company in December 2019 to facilitate natural gas market reforms and an increase in the choice of upstream gas sources, together with rapid progress of urban planning, all favour the development of the city-gas market and a healthy natural gas business sector.

With the Group's solid foundation in Hong Kong and its diverse business sectors spread across extensive areas on the mainland, together with its established operational base, successful technical experience, human resources, corporate brand names and sales channels built there over 20 years, alongside society's growing concern for increased environmental protection, it is anticipated that there will be ever-rising demand for clean energy and good potential for growth in the natural gas market. The Group is also developing intelligent integrated energy system businesses on the mainland, coupled with a diversified energy mix, renewable energy, energy storage facilities and application of technologies including big data and the Internet which are helping to enhance energy efficiency and energy conservation and reduce emissions. The Group's mainland businesses are therefore expected to further prosper and diversify. In addition, given that the number of piped-gas customers in Hong Kong and mainland China is rising, the Group foresees that a sizeable customer base will create a promising platform for expansion of various extended businesses. Furthermore, in line with the country's development plan for the Guangdong-Hong Kong-Macao Greater Bay Area, the Group is seizing investment opportunities to develop environmental protection projects in the Pearl River Delta region.

The Group's advanced biofuel business at the HVO production plant in Zhangjiagang city, Jiangsu province, using self-developed technology, will commence production in the third quarter of this year. Given keen market demand for this product, this project is expected to generate comparatively good economic benefits.

The mainland economy is gradually recovering from the adverse impact of the coronavirus disease. However, the pandemic strongly hit the global economy during the first half of this year, and its spread is still fluctuating in a number of countries and regions. Together with other factors, including tense China-US relations, uncertainties over trade prospects and fluctuation in international energy prices, all of which have brought uncertainties to global economic and trade prospects, this is creating a higher risk of an economic downturn. In Hong Kong, social conflict incidents since mid-2019, continuing for several months and still not yet fully settled down, had already adversely impacted retail, tourism, restaurant and hotel sectors, and these, and related, business sectors have now been further hit by the outbreak of the coronavirus disease, thus negatively impacting domestic commercial and industrial gas sales in the short term.

With public utilities forming its core business, the Group has a relatively strong resilience to the impact of economic downturns, given its continuing efforts to broaden sources of revenue and cut expenditure and operating costs. It is expected, therefore, that when the epidemic is over, the Group's businesses will return to normal within a relatively short period of time. Overall, with society's growing aspiration for more environmental protection, demand for natural gas and renewable energy will increase alongside an environmentally-friendly and circular economy. The Group will continue to formulate plans in accordance with mainland China's energy and environmental protection policies, and is gradually moving more towards smart energy and self-developed technologies. In addition, with sizeable customer base resources built up after years of operating public utilities, alongside the development of various value-added services, the Group anticipates an ever-broader development for its various businesses in the future.

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

Hong Kong, 17th August 2020

FINANCIAL INFORMATION

Highlights of the Group's interim financial statements for the first six months ended 30th June 2020 are shown below. The unaudited interim financial statements have been reviewed by the Company's Board Audit and Risk Committee and external auditor, PricewaterhouseCoopers.

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

	Note	**2020**	2019
		HK$M	HK$M
Revenue	3	**18,235.3**	20,351.9
Total operating expenses	4	**(14,125.2)**	(16,075.4)
		4,110.1	4,276.5
Other (losses)/gains, net	5	**(560.4)**	15.8
Interest expense		**(610.0)**	(559.5)
Share of results of associates		**443.2**	1,064.7
Share of results of joint ventures		**511.7**	687.4
Profit before taxation		**3,894.6**	5,484.9
Taxation	6	**(706.5)**	(999.5)
Profit for the period		**3,188.1**	4,485.4
Attributable to:			
Shareholders of the Company		**2,666.9**	3,889.4
Holders of perpetual capital securities		**55.1**	43.0
Non-controlling interests		**466.1**	553.0
		3,188.1	4,485.4
Dividends	7	**2,132.6**	2,031.0
Earnings per share – basic and diluted, HK cents	8	**15.0**	21.9*

*Adjusted for the bonus share issue in 2020

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

	2020 **HK$M**	2019 HK$M
Profit for the period	**3,188.1**	4,485.4
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Movement in reserve of equity investments at fair value through other comprehensive income	**(444.2)**	53.4
Share of other comprehensive income of an associate	**(19.7)**	-
Exchange differences	**(193.7)**	-
Items that may be reclassified subsequently to profit or loss:		
Movement in reserve of debt investments at fair value through other comprehensive income	**0.4**	11.7
Change in fair value of cash flow hedges	**(83.4)**	(17.1)
Share of other comprehensive income of an associate	**11.3**	-
Exchange differences	**(1,075.7)**	(1.5)
Other comprehensive (loss)/income for the period, net of tax	**(1,805.0)**	46.5
Total comprehensive income for the period	**1,383.1**	4,531.9
Total comprehensive income attributable to:		
Shareholders of the Company	**1,204.1**	3,938.5
Holders of perpetual capital securities	**55.1**	43.0
Non-controlling interests	**123.9**	550.4
	1,383.1	4,531.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30TH JUNE 2020

	Note	**At 30th June 2020 HK$M**	At 31st December 2019 HK$M
Assets			
Non-current assets			
Property, plant and equipment		**61,212.9**	61,082.7
Investment property		**830.0**	830.0
Right-of-use assets		**2,641.3**	2,725.2
Intangible assets		**5,145.6**	5,291.1
Associates		**27,087.1**	27,475.5
Joint ventures		**10,965.8**	10,613.5
Financial assets at fair value through other comprehensive income		**2,468.4**	3,141.9
Financial assets at fair value through profit or loss		**4,578.0**	5,030.6
Derivative financial instruments		**331.8**	354.1
Retirement benefit assets		**66.3**	66.3
Other non-current assets		**3,740.5**	3,729.8
		119,067.7	120,340.7
Current assets			
Inventories		**2,372.8**	2,363.7
Trade and other receivables	9	**7,456.9**	8,001.2
Loan and other receivables from associates		**809.0**	526.7
Loan and other receivables from joint ventures		**538.1**	800.4
Loan and other receivables from non-controlling shareholders		**221.3**	240.0
Financial assets at fair value through profit or loss		**229.2**	188.5
Derivative financial instruments		**0.5**	1.4
Time deposits over three months		**70.2**	158.6
Time deposits up to three months, cash and bank balances		**8,347.0**	7,848.9
		20,045.0	20,129.4
Current liabilities			
Trade payables and other liabilities	10	**(14,532.0)**	(14,718.0)
Amounts due to joint ventures		**(842.9)**	(943.2)
Loan and other payables due to non-controlling shareholders		**(103.7)**	(100.4)
Provision for taxation		**(808.6)**	(1,165.3)
Borrowings		**(9,808.8)**	(9,240.6)
Derivative financial instruments		**(0.8)**	-
		(26,096.8)	(26,167.5)
Total assets less current liabilities		**113,015.9**	114,302.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) (Continued)
AS AT 30TH JUNE 2020

	At 30th June 2020 HK$M	At 31st December 2019 HK$M
Non-current liabilities		
Deferred taxation	**(6,753.4)**	(7,180.5)
Borrowings	**(30,644.5)**	(28,695.6)
Asset retirement obligations	**(75.7)**	(78.1)
Derivative financial instruments	**(638.9)**	(571.0)
Other non-current liabilities	**(2,317.8)**	(2,380.7)
	(40,430.3)	(38,905.9)
Net assets	**72,585.6**	75,396.7
Capital and reserves		
Share capital	**5,474.7**	5,474.7
Reserves	**56,033.8**	58,734.7
Shareholders' funds	**61,508.5**	64,209.4
Perpetual capital securities	**2,384.0**	2,384.2
Non-controlling interests	**8,693.1**	8,803.1
Total equity	**72,585.6**	75,396.7

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 2020, the Group was in a net current liabilities position of approximately HK$6.1 billion. This is mainly because of the settlement of the US$1 billion guaranteed notes in August 2018, which was not fully refinanced by non-current borrowings since the settlement. 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 2019 that is included in the condensed consolidated interim financial information for the six months ended 30th June 2020 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 2019 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 2019.

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

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

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

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

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 2019.

Given the COVID-19 pandemic has caused and will likely cause significant disruptions to economic activities around the world, the uncertainties associated with accounting estimates may also be increased accordingly.

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 at 31st December 2019. There have been no changes in the risk management policies since year end.

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

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

The following table presents the Group’s assets and liabilities that are measured at fair value at 30th June 2020 and 31st December 2019.

	Level 1		**Level 2**		**Level 3**		**Total**	
HK$M	**At 30th June 2020**	At 31st December 2019	**At 30th June 2020**	At 31st December 2019	**At 30th June 2020**	At 31st December 2019	**At 30th June 2020**	At 31st December 2019
Assets								
Financial assets at fair value through profit or loss								
- Debt securities	**-**	-	**50.1**	-	**-**	-	**50.1**	-
- Equity securities	**1,831.0**	2,236.3	**50.7**	50.5	**2,875.4**	2,932.3	**4,757.1**	5,219.1
Derivative financial instruments	**-**	-	**86.6**	90.4	**245.7**	265.1	**332.3**	355.5
Financial assets at fair value through other comprehensive income								
- Debt securities	**154.6**	213.9	**-**	-	**-**	-	**154.6**	213.9
- Equity securities	**1,995.7**	2,606.2	**-**	-	**318.1**	321.8	**2,313.8**	2,928.0
Total assets	**3,981.3**	5,056.4	**187.4**	140.9	**3,439.2**	3,519.2	**7,607.9**	8,716.5
Liabilities								
Other payables	**-**	-	**-**	-	**154.0**	154.0	**154.0**	154.0
Derivative financial instruments	**-**	-	**639.7**	571.0	**-**	-	**639.7**	571.0
Total liabilities	**-**	-	**639.7**	571.0	**154.0**	154.0	**793.7**	725.0

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

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

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

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

Specific valuation techniques used to value financial instruments include:

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

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

- Financial assets include a total of approximately HK$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 13.0 per cent, sales price, sales volume and expected free cash flows of the investee. The fair value decreases with the increase in the discount rate, and increases with the increase in the sales price, sales volume or expected free cash flows of the investee. In respect of the related derivative, the fair value is determined based on the binomial and black scholes models. The significant unobservable inputs, except for those included in the fair value of the unlisted equity investment, mainly include expected volatility of the fair value of the unlisted equity investment. The fair value increases with the increase in the volatility.

- Financial assets also include a 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 10.5 per cent and stock price expected volatility of the fair value of the underlying equity instrument of 31.7 per cent. The fair value increases with the decrease in discount rate and increase in stock price volatility or decreases with the increase in discount rate and decrease in stock price volatility.

- Financial assets also include unlisted equity investments of approximately HK$0.3 billion, the fair values of which are determined based on their attributable net assets values, being significant unobservable input. The fair value increases with the increase in the attributable net assets values.

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

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

The following table presents the changes in level 3 instruments of the Group at 30th June 2020 and 31st December 2019:

	Financial assets		**Financial liability**	
HK$M	**At 30th June 2020**	At 31st December 2019	**At 30th June 2020**	At 31st December 2019
At beginning of period/year	**3,519.2**	4,080.8	**154.0**	154.0
Additions	**-**	349.0	-	-
Change in fair value	**(11.0)**	(35.8)	**2.3**	-
Exchange differences	**(69.0)**	(82.8)	**(2.3)**	-
Reclassification to level 1 instruments	**-**	(792.0)	-	-
At end of period/year	**3,439.2**	3,519.2	**154.0**	154.0

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

3. Segment information

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

	Six months ended 30th June	
	2020 HK$M	2019 HK$M
Gas sales before fuel cost adjustment	**13,724.3**	15,305.3
Fuel cost adjustment	**270.4**	427.9
Gas sales after fuel cost adjustment	**13,994.7**	15,733.2
Connection income	**1,136.5**	1,439.1
Equipment sales and maintenance services	**1,353.9**	1,464.8
Water and related sales	**552.5**	643.1
Oil and coal related sales	**362.3**	424.1
Other sales	**835.4**	647.6
	18,235.3	20,351.9

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) New Energy and (c) property business. Gas, water and related businesses are further evaluated on a geographic basis (Hong Kong and mainland China).

The ECM assesses the performance of the operating segments based on a measure of adjusted profit before interest, tax, depreciation and amortisation (“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 2020 and 2019 provided to the ECM for the reportable segments is as follows:

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

Share of results of associates includes a decrease of HK$303.0 million (2019: an increase of HK$137.0 million) being the Group's share of change in valuation of investment properties at the International Finance Centre (the "IFC") complex for the period.

3. Segment information (Continued)

2019 HK$M	Gas, water and related businesses Hong Kong	 Mainland China	New Energy	Property	Other segments	Total
Revenue recognised at a point in time	5,207.3	13,020.1	1,063.4	-	88.2	19,379.0
Revenue recognised over time	-	438.9	-	-	300.5	739.4
Finance and rental income	-	-	204.1	29.4	-	233.5
	5,207.3	13,459.0	1,267.5	29.4	388.7	20,351.9
Adjusted EBITDA	2,619.7	2,888.8	303.1	17.3	49.2	5,878.1
Depreciation and amortisation	(380.0)	(657.7)	(156.1)	-	(63.4)	(1,257.2)
Unallocated expenses						(344.4)
						4,276.5
Other gains, net						15.8
Interest expense						(559.5)
Share of results of associates	-	685.1	(45.9)	421.6	3.9	1,064.7
Share of results of joint ventures	-	680.1	0.7	4.6	2.0	687.4
Profit before taxation						5,484.9
Taxation						(999.5)
Profit for the period						4,485.4

3. Segment information (Continued)

The segment assets at 30th June 2020 and 31st December 2019 are as follows:

30th June 2020 HK$M	**Gas, water and related businesses Hong Kong**	**Gas, water and related businesses Mainland China**	**New Energy**	**Property**	**Other segments**	**Total**
Segment assets	**17,256.1**	**72,676.5**	**17,366.8**	**15,857.2**	**4,520.1**	**127,676.7**
Unallocated assets:						
Financial assets at fair value through other comprehensive income						**2,468.4**
Financial assets at fair value through profit or loss						**4,807.2**
Time deposits, cash and bank balances excluded from segment assets						**2,961.0**
Others (note)						**1,199.4**
Total assets						**139,112.7**

31st December 2019 HK$M	Gas, water and related businesses Hong Kong	Gas, water and related businesses Mainland China	New Energy	Property	Other segments	Total
Segment assets	17,358.7	71,570.4	17,756.7	16,165.4	4,588.2	127,439.4
Unallocated assets:						
Financial assets at fair value through other comprehensive income						3,141.9
Financial assets at fair value through profit or loss						5,219.1
Time deposits, cash and bank balances excluded from segment assets						3,423.9
Others (note)						1,245.8
Total assets						140,470.1

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

The Company is domiciled in Hong Kong. The Group's revenue from external customers in Hong Kong for the six months ended 30th June 2020 is HK$5,823.0 million (2019: HK$5,920.9 million), and the revenue from external customers in mainland China and other geographical locations is HK$12,412.3 million (2019: HK$14,431.0 million).

At 30th June 2020, the total of non-current assets other than financial instruments located in Hong Kong is HK$34,023.8 million (31st December 2019: HK$33,845.2 million), and the total of non-current assets other than financial instruments located in mainland China and other geographical locations is HK$77,665.7 million (31st December 2019: HK$77,968.9 million).

4. Total operating expenses

	Six months ended 30th June	
	2020	2019
	HK$M	HK$M
Stores and materials used	**9,404.6**	11,078.6
Manpower costs	**1,491.9**	1,624.9
Depreciation and amortisation	**1,408.3**	1,341.2
Other operating items	**1,820.4**	2,030.7
	14,125.2	16,075.4

5. Other (losses)/gains, net

	Six months ended 30th June	
	2020	2019
	HK$M	HK$M
Net investment (losses)/gains	**(216.5)**	256.0
Provision for assets (Note)	**(323.2)**	(235.4)
Others	**(20.7)**	(4.8)
	(560.4)	15.8

Note

The impairment provision was recognised in relation to oil properties and other assets under New Energy business segment.

6. Taxation

	Six months ended 30th June	
	2020	2019
	HK$M	HK$M
Current taxation	**809.2**	814.6
Deferred taxation relating to the origination and reversal of temporary differences and withholding tax	**(102.7)**	184.9
	706.5	999.5

The prevailing tax rates of Hong Kong, mainland China and Thailand range from 16.5 per cent (2019: 16.5 per cent), 15 per cent to 25 per cent (2019: 15 per cent to 25 per cent) and 50 per cent (2019: 50 per cent) respectively.

7. Dividends

	Six months ended 30th June	
	2020	2019
	HK$M	HK$M
2019 Final, paid, of HK23 cents per ordinary share (2018 Final: HK23 cents per ordinary share)	**3,892.8**	3,538.9
2020 Interim, proposed, of HK12 cents per ordinary share (2019 Interim: HK12 cents per ordinary share)	**2,132.6**	2,031.0
	6,025.4	5,569.9

8. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK$2,666.9 million (2019: HK$3,889.4 million) and the weighted average of 17,771,304,856 shares (2019: 17,771,304,856 shares*) in issue during the period.

* Adjusted for the bonus share issue in 2020

9. Trade and other receivables

	At 30th June 2020 HK$M	At 31st December 2019 HK$M
Trade receivables (Note)	**3,291.1**	3,819.8
Payments in advance	**1,576.1**	1,735.9
Other receivables	**2,589.7**	2,445.5
	7,456.9	8,001.2

Note

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

	At 30th June 2020 HK$M	At 31st December 2019 HK$M
0 - 30 days	**2,803.5**	3,408.5
31 - 60 days	**116.1**	90.4
61 - 90 days	**56.8**	100.4
Over 90 days	**314.7**	220.5
	3,291.1	3,819.8

10. Trade payables and other liabilities

	At 30th June 2020 HK$M	At 31st December 2019 HK$M
Trade payables (Note a)	**2,851.4**	3,006.5
Other payables and accruals (Note b)	**4,076.8**	4,289.7
Contract liabilities (Note c)	**7,492.9**	7,310.3
Lease liabilities (Notes d and e)	**110.9**	111.5
	14,532.0	14,718.0

Notes

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

	At 30th June 2020 HK$M	At 31st December 2019 HK$M
0 - 30 days	**1,098.8**	1,292.7
31 - 60 days	**310.3**	499.2
61 - 90 days	**255.4**	304.5
Over 90 days	**1,186.9**	910.1
	2,851.4	3,006.5

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

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

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

	At 30th June 2020 HK$M	At 31st December 2019 HK$M
Within 1 year	**110.9**	111.5
Over 1 year#	**178.6**	226.9
	289.5	338.4

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

(e) The interest expense on lease liabilities for the period amounting to HK$7.3 million (2019: HK$9.5 million) is included in the profit or loss.

DIVIDEND

The Board of Directors has declared an interim dividend for the six months ended 30th June 2020 of HK12 cents per share payable to shareholders of the Company whose names are on the register of members of the Company as at 3rd September 2020. Dividend warrants will be despatched to shareholders on Monday, 14th September 2020.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 2nd September 2020 to Thursday, 3rd September 2020, both days inclusive, during which period no transfer of shares will be registered. **In order to qualify for this dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 1st September 2020.**

FINANCIAL RESOURCES REVIEW

Liquidity and capital resources

As at 30th June 2020, the Group had a net current borrowings position of HK$1,392 million (31st December 2019: HK$1,233 million) and long-term borrowings of HK$30,645 million (31st December 2019: HK$28,696 million). In addition, banking facilities available for use amounted to HK$17,500 million (31st December 2019: HK$15,700 million).

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

Financing structure

In May 2009, the Group established a US$1 billion Medium Term Note Programme (the "Programme") which gives the Group the flexibility to issue notes at favourable terms and timing. In July 2019, the Programme was updated with the size increased to US$3 billion. As at 30th June 2020, the Group issued notes in the total nominal amount of HK$17,996 million (31st December 2019: HK$14,756 million) with maturity terms of 3 years, 10 years, 12 years, 15 years, 30 years and 40 years in Renminbi, Australian dollar, Japanese yen and Hong Kong dollar under the Programme (the "MTNs"). The carrying value of the issued MTNs as at 30th June 2020 was HK$17,240 million (31st December 2019: HK$14,049 million).

As at 30th June 2020, the Group's borrowings amounted to HK$40,453 million (31st December 2019: HK$37,936 million). While the notes mentioned above together with the bank and other loans of HK$7,265 million (31st December 2019: HK$6,862 million) had fixed interest rate and were unsecured, the remaining bank and other loans were unsecured and had a floating interest rate, of which HK$8,619 million (31st December 2019: HK$9,759 million) were long-term bank loans and HK$7,329 million (31st December 2019: HK$7,266 million) had maturities within one year on revolving credit or term loan facilities. As at 30th June 2020, the maturity profile of the Group's borrowings was 24 per cent within 1 year, 23 per cent within 1 to 2 years, 22 per cent within 2 to 5 years and 31 per cent over 5 years (31st December 2019: 24 per cent within 1 year, 15 per cent within 1 to 2 years, 36 per cent within 2 to 5 years and 25 per cent over 5 years).

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

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

The gearing ratio [net borrowings / (shareholders' funds + perpetual capital securities + net borrowings)] for the Group as at 30th June 2020 remained healthy at 33 per cent (31st December 2019: 31 per cent).

Contingent liabilities

As at 30th June 2020 and 31st December 2019, the Group did not provide any guarantee in respect of bank borrowing facilities made available to any associates, joint ventures or third parties.

Currency profile

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

Group's financial investments in securities

Under the guidance of the Group's Treasury Committee, financial investments have been made in equity and debt securities. As at 30th June 2020, the relevant investments in securities amounted to HK$710 million (31st December 2019: HK$705 million). The performance of the Group's financial investments in securities was satisfactory.

OTHER INFORMATION

Corporate governance

During the six months ended 30th June 2020, the Company complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "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 2020.

Purchase, sale or redemption of the Company's listed securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June 2020.

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

Hong Kong, 17th August 2020

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

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

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