

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

2024 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL AND OPERATIONAL OVERVIEW

Gas business maintains steady growth and Green Energy brings new momentum to Group operations

- In the first half of 2024, global economic recovery fell short of expectations. The Group responded proactively by restructuring its business and introducing strategic investors and partners, ensuring steady business development.
- For the Hong Kong gas business, benefiting from the recovery of tourism and aviation industries, as well as the promotion of eco-friendly gas equipment applications, commercial gas sales volume recorded significant growth, offsetting the impact of hot weather and outbound consumption on residential gas sales. The gas tariff increase effective 1st August this year will help alleviate some cost pressures, allowing us to continue to provide safe, high-quality services to customers and support the Group's business development.
- Regarding the mainland city-gas business, overall gas sales volume recorded a considerable increase of 7 per cent to 18.6 billion cubic metres during the period. Through cost pass-through efforts and refined management, the average city-gas dollar margin rose to RMB0.5 per cubic metre, an increase of RMB0.05 per cubic metre compared to the same period in 2023.
- The Group's subsidiary, Towngas Smart Energy Company Limited, saw strong growth in core operating profit, with the net profit of its renewable energy business surging to HK\$164 million.
- In the green energy business, markets for hydrogen energy, sustainable aviation fuel, and green methanol are growing rapidly. The Group is committed to promoting the development of these three green industries, making them new highlights of the Group's business growth.
- For extended businesses, the Group has integrated its mainland brand Towngas Lifestyle and Hong Kong retail business. Building on a customer base of 43 million households, it is developing three businesses: smart kitchens, insurance, and home safety, creating synergies and forming a growth engine.
- During the period, the Group's core operating profit increased to HK\$3,186 million.
- The Directors have declared an interim dividend of HK12 cents per share for this year.

FINANCIAL HIGHLIGHTS

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

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

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

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

DIVIDEND

The Directors have declared an interim dividend of HK12 cents per share payable to shareholders whose names are on the Register of Members of the Company as at 3rd September 2024. The Register of Members will be closed from Monday, 2nd September 2024 to Tuesday, 3rd September 2024, during which period no share transfers will be effected. Dividend warrants will be posted to shareholders on Wednesday, 11th September 2024.

CHAIRMEN'S STATEMENT

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

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

HONG KONG GAS BUSINESS

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

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

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

MAINLAND BUSINESSES

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

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

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

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

RENEWABLE ENERGY BUSINESS

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

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

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

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

EXTENDED BUSINESSES

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

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

GREEN ENERGY BUSINESS

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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

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

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

As a public utility firmly fulfilling its social responsibilities, the Towngas Volunteer Service Team, established by the Group in 1999, celebrates its 25th anniversary this year. To date, the team has contributed over 1 million service hours, benefiting more than 8.5 million people. Additionally, the Towngas Green Flame Energy Scientist Programme (2023-2024 school year), which promotes ESG in the community and energy education, has been successfully completed. Over 20 primary schools and 3,000 students participated in the programme, learning about future energy development and climate change. We hope to inspire children’s interest in energy science and encourage the practice of green, low-carbon living from a young age.

BUSINESS OUTLOOK FOR 2024

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

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

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

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

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

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

Lee Ka-kit
Chairman

Lee Ka-shing
Chairman

Hong Kong, 16th August 2024

FINANCIAL INFORMATION

Highlights of the Group's interim financial statements for the first six months ended 30th June 2024 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	2024 HK\$M	2023 HK\$M
Revenue	3	27,496.2	29,177.6
Total operating expenses	4	(23,160.7)	(24,426.6)
		<u>4,335.5</u>	<u>4,751.0</u>
Other gains, net	5	361.7	1,269.0
Interest expense		(1,114.7)	(1,057.3)
Share of results of associates		691.3	613.5
Share of results of joint ventures		300.4	111.2
		<u>4,574.2</u>	<u>5,687.4</u>
Profit before taxation		4,574.2	5,687.4
Taxation	6	(1,012.8)	(1,367.9)
		<u>3,561.4</u>	<u>4,319.5</u>
Profit for the period		<u><u>3,561.4</u></u>	<u><u>4,319.5</u></u>
Attributable to:			
Shareholders of the Company		3,040.2	3,614.4
Holders of perpetual capital securities		-	56.1
Non-controlling interests		521.2	649.0
		<u>3,561.4</u>	<u>4,319.5</u>
		<u><u>3,561.4</u></u>	<u><u>4,319.5</u></u>
Dividends	7	2,239.2	2,239.2
		<u>2,239.2</u>	<u>2,239.2</u>
Earnings per share – basic, HK cents	8	16.3	19.4
		<u>16.3</u>	<u>19.4</u>
Earnings per share – diluted, HK cents	8	16.0	18.9
		<u>16.0</u>	<u>18.9</u>

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

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30TH JUNE 2024**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) (Continued)
AS AT 30TH JUNE 2024

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

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.

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

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

The financial information relating to the year ended 31st December 2023 that is included in the condensed consolidated interim financial information for the six months ended 30th June 2024 as comparative information does not constitute the Group's statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) (the "Companies Ordinance") is as follows:

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

Except as described below, the accounting policies used in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those set out in the annual report for the year ended 31st December 2023.

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

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

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's consolidated financial statements for the year ended 31st December 2023.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of preparation and accounting policies (Continued)

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

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of preparation and accounting policies (Continued)

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

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

HK\$M	At 30th June 2024		
	As reported	Reclassification	Without the application of the 2020 Amendments and 2022 Amendments
Current liabilities			
Borrowings	22,091.5	(1,843.2)	20,248.3
Derivative financial instruments	86.2	(27.2)	59.0
Non-current liabilities			
Borrowings	37,992.1	1,843.2	39,835.3
Derivative financial instruments	95.4	27.2	122.6
Total effect on net assets	-	-	-
At 31st December 2023			
HK\$M	Originally stated	Reclassification	Restated
Current liabilities			
Borrowings	14,709.4	1,857.8	16,567.2
Derivative financial instruments	37.6	94.5	132.1
Non-current liabilities			
Borrowings	40,715.9	(1,857.8)	38,858.1
Derivative financial instruments	170.8	(94.5)	76.3
Total effect on net assets	-	-	-
At 1st January 2023			
HK\$M	Originally stated	Reclassification	Restated
Current liabilities			
Borrowings	19,680.9	1,854.9	21,535.8
Derivative financial instruments	-	200.7	200.7
Non-current liabilities			
Borrowings	39,623.1	(1,854.9)	37,768.2
Derivative financial instruments	294.3	(200.7)	93.6
Total effect on net assets	-	-	-

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31st December 2023. There have been no changes in the risk management policies since year end.

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

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

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

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

There are no changes in valuation techniques during the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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

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

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

Specific valuation techniques used to value financial instruments include:

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

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

- Financial assets include unlisted equity investments of approximately HK\$0.7 billion (31st December 2023: approximately HK\$0.7 billion), the fair values of which are determined with reference to their attributable net assets values and recent comparable transaction price, where available, being significant unobservable inputs. The fair value increases with the increase in the attributable net assets value and recent comparable transaction price, where available.
- Financial liabilities include embedded derivative component of convertible bonds of approximately HK\$27.2 million (31st December 2023: approximately HK\$94.5 million), the fair value of which is determined based on binomial option pricing model. The significant unobservable inputs include share price expected volatility of 39.5 per cent (31st December 2023: 43.2 per cent). The fair value of embedded derivative component of convertible bonds increases with the increase in the share price expected volatility.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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

The following table presents the changes in level 3 instruments of the Group for the period ended 30th June 2024 and year ended 31st December 2023:

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

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

3. Segment information

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

	Six months ended 30th June	
	2024	2023
	HK\$M	HK\$M
Gas sales before fuel cost adjustment	20,755.9	21,115.0
Fuel cost adjustment	540.4	574.3
Gas sales after fuel cost adjustment	<u>21,296.3</u>	<u>21,689.3</u>
Gas connection income	1,412.9	1,449.8
Equipment sales and maintenance services	1,564.9	1,582.0
Water and related sales	741.7	754.3
Renewable energy businesses	754.8	443.3
Biomass utilisation businesses	-	1,382.0
Other sales	1,725.6	1,876.9
	<u>27,496.2</u>	<u>29,177.6</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

3. Segment information (Continued)

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

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

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

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

Note

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

3. Segment information (Continued)

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

3. Segment information (Continued)

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

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

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

3. Segment information (Continued)

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

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

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

4. Total operating expenses

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

5. Other gains, net

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

5. Other gains, net (Continued)

Notes:

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

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

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) The amount represents impairment provision against goodwill and property, plant and equipment of HK\$41.0 million (2023: impairment provision against goodwill of a city-gas project in the Chinese mainland of HK\$212.2 million).

6. Taxation

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

7. Dividends

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

8. Earnings per share

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

9. Trade and other receivables

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

10. Trade payables and other liabilities

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

Notes

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

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

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

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

EMPLOYEES AND PRODUCTIVITY

As at 30th June 2024, the number of employees engaged in the town gas business in Hong Kong was 2,117 (30th June 2023: 2,100), the number of customers was 2,027,334, and each employee served the equivalent of 958 customers, a slight increase compared to the same period last year. Inclusive of employees engaged in businesses such as telecommunications and engineering contractual works, the total number of the Group's employees engaged in businesses in Hong Kong was 2,341 as at the end of June 2024 compared to 2,325 as at the end of June 2023. Related manpower costs amounted to HK\$658 million for the first half of 2024, an increase of HK\$39 million compared to the same period last year. The Group will continue to offer employees rewarding careers based on their capabilities and performance and arrange a variety of training programmes in order to constantly enhance the quality of its customer services.

Exclusive of businesses in Hong Kong, the total number of the Group's employees on the Chinese mainland and other places outside Hong Kong was approximately 53,610 as at the end of June 2024, which was similar to the same period last year.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 2nd September 2024 to Tuesday, 3rd September 2024, both days inclusive, during which period no transfer of shares will be registered. **In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 30th August 2024.**

FINANCIAL RESOURCES REVIEW

Liquidity and capital resources

As at 30th June 2024, the Group had a net current borrowings position of HK\$13,473 million (After reclassification of convertible bonds to current liabilities, 31st December 2023: HK\$9,873million) and long-term borrowings of HK\$37,992 million (After reclassification, 31st December 2023: HK\$38,858 million). In addition, banking facilities available for use amounted to HK\$21,800 million (31st December 2023: HK\$25,300 million).

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

Financing structure

In May 2009, the Group established a US\$1 billion Medium Term Note Programme (the “Programme”) which gives the Group the flexibility to issue notes at favourable terms and timing. In June 2021, the Programme was updated with the size increased to US\$5 billion. Medium term notes totalling HK\$3,097 million, with an average tenor of 5.5 years, have been issued so far in 2024. In line with the Group’s long-term business investments, as at 30th June 2024, the total nominal amount of medium term notes issued has reached HK\$23.1 billion with tenors ranging from 2 to 40 years, mainly at fixed interest rates with an average of 3.6 per cent per annum and an average tenor of 13 years. In addition, our major listed subsidiary company Towngas Smart Energy Company Limited (“Towngas Smart Energy”) also established its Medium Term Note Programme of US\$2 billion in June 2021, which adds flexibility and capacity to its financing, and thus strengthening its financial position. In April 2022, Towngas Smart Energy issued its first 5-year Sustainability-Linked Bond (the “SLB”) and raised a total of US\$200 million. As at 30th June 2024, the total nominal amount of medium term notes issued has reached RMB2.0 billion, mainly at fixed interest rates with an average of 4.2 per cent per annum and an average tenor of 4 years. The carrying value of the issued notes in Renminbi (“RMB”), Australian dollar (“AUD”), Japanese yen (“JPY”), United States dollar (“USD”) and Hong Kong dollar under the Programmes (the “MTNs”) as at 30th June 2024 was HK\$25,170 million (31st December 2023: HK\$23,754 million).

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

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

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

In February 2019, the Group re-issued Perpetual Subordinated Guaranteed Capital Securities (the "Perpetual Capital Securities") of US\$300 million and the proceeds were mainly used to refinance the 2014 first-issued perpetual capital securities redeemed in January 2019. The Perpetual Capital Securities are at a distribution rate of 4.75 per cent per annum for the first five years and thereafter at fixed distribution rate. With no fixed maturity and the distribution payment can be deferred at the discretion of the Group. On 22nd December 2023, the Group announced that it will redeem all of the Perpetual Capital Securities on the first call date of 12th February 2024. In this connection, the Perpetual Capital Securities were re-classified as redeemable perpetual securities under current liabilities as at 31st December 2023. The redemption was completed on 14th February 2024 after payment has been made in accordance with terms and conditions of the Perpetual Capital Securities.

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

Guarantee

As at 30th June 2024 and 31st December 2023, the Group did not provide any guarantee in respect of bank borrowing facilities made available to any associates, joint ventures or third parties.

Currency profile

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

OTHER INFORMATION

Corporate governance

During the six months ended 30th June 2024, the Company complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Model code for dealing in securities by Directors

The Company has adopted the model code as set out in Appendix C3 to the Listing Rules as the code for dealing in securities of the Company by the Directors (the “Model Code”). Following specific enquiries by the Company, all Directors confirmed that they had fully complied with the required standard set out in the Model Code at all the applicable time throughout the six months ended 30th June 2024.

Purchase, sale or redemption of listed securities

Save as redemption of Perpetual Capital Securities in February 2024 as detailed in “Financing structure” section, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30th June 2024.

By Order of the Board
Peter Wong Wai-yee
Managing Director

Hong Kong, 16th August 2024

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

Non-executive Directors: Dr. the Hon. Lee Ka-kit (Chairman), Dr. Lee Ka-shing (Chairman), Dr. Colin Lam Ko-yin and Mr. Andrew Fung Hau-chung

Independent Non-executive Directors: Dr. the Hon. Sir David Li Kwok-po, Prof. the Hon. Poon Chung-kwong, Dr. the Hon. Moses Cheng Mo-chi and Prof. Anna Wong Wai-kwan

Executive Directors: Mr. Peter Wong Wai-yee, Mr. Yeung Lui-ming and Mr. Chan Ying-lung

