港華智慧能源有限公司
Towngas Smart Energy Company Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1083)

2026 INTERIM RESULTS ANNOUNCEMENT

RESULTS HIGHLIGHTS

Gas profits deliver steady growth

Renewable energy actively navigates industry challenges

- In the first half of 2026, amid a complex and volatile global economic landscape, the operating environment weighed on industry profitability. By strengthening energy management and operational efficiency, enhancing quality and efficiency, and optimising gas supply, the Group maintained overall operational resilience. Revenue for the period grew by 9% to HK$11.328 billion, while profit attributable to shareholders of the Company stood at HK$690 million.

- In the **Mainland Gas business**, facing challenges with an incomplete recovery in the property market and a decline in national natural gas consumption caused by a warmer winter, the Group actively capitalised on policy tailwinds in energy transition, urban renewal and ageing pipeline network upgrades, and continued to vigorously drive its "Gas+" integrated energy business. Cost pass-through arrangements for residential users were steadily implemented, bringing the average dollar margin for city gas to RMB0.59 per cubic metre, an improvement of RMB0.02 per cubic metre, driving steady growth in overall gas business profits.

- In the **Renewable Energy business**, new grid-connected distributed photovoltaic capacity reached 0.2 GW during the period, bringing cumulative installed capacity to 3 GW; photovoltaic electricity sales increased by 12% year-on-year to 1.32 billion kWh; and electricity trading sales volume doubled to 7.23 billion kWh. During the period, the Group successfully launched an institutional REIT and a quasi-REIT to raise approximately RMB900 million, bringing cumulative financing to RMB5.5 billion for active investment in business-related projects. The scale of Assets under Management ("AuM") increased by 0.66 GW to 1.5 GW, and the Group remains well-positioned across the 3 growth areas: integrated PV-storage, independent energy storage and direct green power supply.

- The year 2026 marks the opening year of the national 15th Five-Year Plan, under which policies clearly promote the orderly construction of a clean and efficient new energy system and propose establishing 100 national-level zero-carbon parks, aligning closely with the Group's business strengths. As market-based reforms of the Chinese mainland's electricity sector deepen further, the industry will transition towards higher-quality development. Photovoltaic asset management and market-based electricity sales will become the primary drivers of the Group's future earnings growth.

- The Board has declared an interim dividend of HK5 cents per share.

FINANCIAL HIGHLIGHTS

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	
	2026	2025
Revenue, HK million dollars	**11,328**	10,437
Core operating profit, HK million dollars	**690**	719
Non-operating gains and losses, net, HK million dollars	**-**	39
Profit attributable to shareholders, HK million dollars	**690**	758
Basic earnings per share, HK cents	**18.8**	21.8
Gas sales volume, million cubic metres, natural gas equivalent*	**8,535**	8,746
Number of city-gas customers as at 30th June, million households*	**18.66**	18.02
Photovoltaic power generation, billion kWh	**1.32**	1.18
Total photovoltaic grid connection as at 30th June, GW	**3.0**	2.6

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

INTERIM DIVIDEND

Despite facing multiple challenges, the Group has steadily advanced its businesses by leveraging its solid performance and professional management, the Board has declared an interim dividend of HK5 cents per share payable to shareholders whose names are on the Register of Members of the Company as at 4th September 2026, being the record date for determining shareholders' entitlement to the interim dividend, as a token of appreciation for shareholders' continued support. The Register of Members will be closed from Wednesday, 2nd September 2026 to Friday, 4th September 2026 (both days inclusive), during which period no share transfers will be effected.

FINANCIAL INFORMATION

Highlights of the Group's interim financial statements for the first six months ended 30th June 2026 are shown below. The unaudited interim financial statements have been reviewed by the Company's Board Audit and Risk Committee and external auditor, Deloitte Touche Tohmatsu.

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2026

	Notes	Six months ended 30th June **2026** **HK$'000** **(unaudited)**	 2025 HK$'000 (unaudited)
Revenue	3	**11,327,866**	10,436,971
Total operating expenses	4	**(10,567,963)**	(9,626,493)
		759,903	810,478
Other income		**67,025**	99,267
Other gains, net	5	**73,745**	148,479
Share of results of associates		**270,506**	211,784
Share of results of joint ventures		**201,485**	166,343
Finance costs	6	**(316,993)**	(331,135)
Profit before taxation	7	**1,055,671**	1,105,216
Taxation	8	**(278,063)**	(266,894)
Profit for the period		**777,608**	838,322
Profit for the period attributable to:			
Shareholders of the Company		**690,141**	758,391
Non-controlling interests		**87,467**	79,931
		777,608	838,322
		HK cents	*HK cents*
Proposed dividend per ordinary share	10		
Interim dividend		**5**	5
		HK cents	*HK cents*
Earnings per share	9		
– Basic		**18.8**	21.8
– Diluted		**18.8**	20.8

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30TH JUNE 2026

	Six months ended 30th June	
	2026	2025
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit for the period	**777,608**	838,322
Other comprehensive income (expense) for the period		
Items that will not be reclassified subsequently to profit or loss		
Exchange differences on translation from functional currency to presentation currency	**908,566**	739,221
Fair value change on investments in equity instruments at fair value through other comprehensive income	**(177,351)**	(64,251)
Income tax relating to items that will not be reclassified to profit or loss	**44,338**	16,062
Items that may be reclassified subsequently to profit or loss		
Cash flow hedge:		
Net fair value change on derivative instruments designated as cash flow hedge recorded in hedge reserve	**(36,738)**	(16,946)
Reclassification of fair value change on derivative instruments designated as cash flow hedge to profit or loss	**46,333**	29,393
	785,148	703,479
Total comprehensive income for the period	**1,562,756**	1,541,801
Total comprehensive income for the period attributable to:		
Shareholders of the Company	**1,453,243**	1,418,187
Non-controlling interests	**109,513**	123,614
Total comprehensive income for the period	**1,562,756**	1,541,801

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30TH JUNE 2026

	Note	**30.06.2026 HK$'000 (unaudited)**	31.12.2025 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**30,213,674**	29,377,576
Right-of-use assets		**893,672**	897,748
Intangible assets		**358,118**	353,725
Goodwill		**5,026,816**	4,843,763
Interests in associates		**6,654,544**	6,420,499
Interests in joint ventures		**4,517,691**	4,213,638
Equity instruments at fair value through other comprehensive income		**1,173,668**	1,303,970
Other financial assets		**52,800**	89,352
Restricted deposits		**5,778**	63,474
		48,896,761	47,563,745
Current assets			
Inventories		**760,443**	616,246
Loans to associates		**17,855**	28,988
Loans to joint ventures		**33,943**	14,294
Trade and other receivables, deposits and prepayments	11	**4,485,940**	4,343,522
Amounts due from non-controlling shareholders		**139,139**	141,575
Time deposits over three months		**25,309**	37,639
Bank balances and cash		**3,379,764**	2,460,896
		8,842,393	7,643,160

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
AT 30TH JUNE 2026

	Note	**30.06.2026 HK$'000 (unaudited)**	31.12.2025 HK$'000 (audited)
Current liabilities			
Trade and other payables and accrued charges	12	**3,867,792**	3,809,025
Dividend payable		**514,032**	-
Contract liabilities		**3,491,971**	3,631,305
Lease liabilities		**6,604**	24,986
Amounts due to non-controlling shareholders		**48,073**	44,470
Taxation payable		**1,195,891**	1,218,811
Borrowings – amounts due within one year		**5,909,131**	4,382,717
Loan from ultimate holding company		**56,775**	17,528
Loans from non-controlling shareholders		**15,954**	15,373
Loans from associates		**9,280**	-
Loans from joint ventures		**6,732**	862
Convertible bonds		**2,216,885**	2,033,077
		17,339,120	15,178,154
Net current liabilities		**(8,496,727)**	(7,534,994)
Total assets less current liabilities		**40,400,034**	40,028,751
Non-current liabilities			
Lease liabilities		**109,660**	108,755
Borrowings – amounts due after one year		**10,094,053**	10,744,870
Deferred taxation		**1,062,126**	1,015,240
		11,265,839	11,868,865
Net assets		**29,134,195**	28,159,886
Capital and reserves			
Share capital		**367,169**	367,169
Reserves		**26,295,789**	25,354,819
Equity attributable to shareholders of the Company		**26,662,958**	25,721,988
Non-controlling interests		**2,471,237**	2,437,898
Total equity		**29,134,195**	28,159,886

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE 2026

1. BASIS OF PREPARATION

In preparing the condensed consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that its current liabilities exceeded its current assets by approximately HK$8,497 million as at 30th June 2026. The Group's current liabilities as at 30th June 2026 included borrowings of approximately HK$5,909 million that are repayable within one year from the end of the reporting period.

As at 30th June 2026, the unissued portion of the Group's Medium Term Note Programme ("MTN Programme") amounted to approximately HK$12,962 million and unutilised facilities from banks and its parent company The Hong Kong and China Gas Company Limited ("HKCG") amounted to approximately HK$12,214 million ("Facilities"). When considering the Group's ability to continue as a going concern, the Directors considered that the Group's borrowings of approximately HK$5,909 million that are repayable within one year from the end of the reporting period will be rolled over or refinanced as the Group has a good relationship with the banks and has good credibility.

Taking into account the internally generated funds, the available amount of funds to be raised from the MTN Programme and those available Facilities, the Directors are confident that the Group will be able to meet its financial obligations when they fall due in the foreseeable future. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

2. APPLICATION OF AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

In the current interim period, the Group has applied the following amendments to HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants, for the first time, which are mandatorily effective for the Group's annual period beginning on 1st January 2026 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11
Amendments to HKFRS 7 and HKFRS 18, HKAS 1, HKAS 8, HKAS 36 and HKAS 37	Disclosures about Uncertainties in the Financial Statements

The application of the amendments to HKFRS Accounting Standards in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

Operating segments

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and to assess their performance. The chief operating decision maker of the Group has been identified as the executive directors of the Company (the "Executive Directors").

The Group determines its operating segments based on the internal reports reviewed by the Executive Directors to facilitate strategic decision making.

Currently, the group organises the reportable and operating segments as follows:

1. Gas business - Sales of piped gas and other gas-related energy, construction of gas pipeline networks under gas connection contracts and sales of gas-related household appliances and related products and other related value-added services

2. Renewable energy business - Sales of renewable energy (mainly photovoltaic power) and other related energy and services

3. Extended business - Interest in an associate engaged in sales of gas-related household appliances and related products, and other related value-added services

The Group also provides additional information for the gas business segment in relation to the revenue and results generated by sub-divisions of "sales of piped gas", "gas connection", "gas-related products and services" and "others".

3. SEGMENT INFORMATION (CONTINUED)

Operating segments *(Continued)*

Segment revenue and results

Information regarding these segments is presented below:

	Gas business							
	Sales of piped gas	Gas connection	Gas-related products and services	Others	Sub-total	Renewable energy business	Extended business	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30th June 2026								
REVENUE								
Revenue recognised at a point in time	**9,823,347**	**446,966**	**165,729**	**-**	**10,436,042**	**764,681**	**-**	**11,200,723**
Revenue recognised over time	**-**	**127,143**	**-**	**-**	**127,143**	**-**	**-**	**127,143**
External	**9,823,347**	**574,109**	**165,729**	**-**	**10,563,185**	**764,681**	**-**	**11,327,866**
Results	**588,947**	**162,003**	**31,602**	**192,419**	**974,971**	**80,177**	**24,539**	**1,079,687**
Other income								**1,456**
Unallocated corporate expenses								**(44,307)**
Finance costs								**(252,372)**
Profit before unallocated taxation								**784,464**
Taxation – unallocated								**(6,856)**
Profit for the period								**777,608**

3. SEGMENT INFORMATION (CONTINUED)

Operating segments *(Continued)*

Segment revenue and results *(Continued)*

Information regarding these segments is presented below:

	Gas business							
	Sales of piped gas	Gas connection	Gas-related products and services	Others	Sub-total	Renewable energy business	Extended business	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30th June 2025								
REVENUE								
Revenue recognised at a point in time	8,860,223	481,672	189,966	-	9,531,861	762,481	-	10,294,342
Revenue recognised over time	-	142,629	-	-	142,629	-	-	142,629
External	8,860,223	624,301	189,966	-	9,674,490	762,481	-	10,436,971
Results	527,109	219,272	21,976	143,318	911,675	170,877	21,562	1,104,114
Other income								5,002
Other gains, net								65,023
Unallocated corporate expenses								(41,327)
Finance costs								(269,433)
Profit before unallocated taxation								863,379
Taxation – unallocated								(25,057)
Profit for the period								838,322

Segment results from gas business, renewable energy business and extended business represent the profit after taxation generated by each segment, excluding certain other income, other gains, net, finance costs, unallocated corporate expenses such as central administration costs and directors' emoluments and withholding tax. These expenses and income are reported to the Executive Directors for the purposes of resource allocation and assessment of segment performance.

3. SEGMENT INFORMATION (CONTINUED)

Operating segments *(Continued)*

Segment assets

The following is an analysis of the Group's assets by reportable and operating segment:

	Gas business *HK$'000*	Renewable energy business *HK$'000*	Extended business *HK$'000*	Total *HK$'000*
At 30th June 2026				
Segment assets	**47,138,016**	**9,907,194**	**285,239**	**57,330,449**
Unallocated assets:				
Other financial assets				**52,800**
Bank balances and cash				**355,905**
Total assets				**57,739,154**
At 31st December 2025				
Segment assets	44,916,484	9,859,559	261,658	55,037,701
Unallocated assets:				
Other financial assets				89,352
Bank balances and cash				79,852
Total assets				55,206,905

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to operating segments other than other financial assets and certain bank balances and cash as these assets are managed on a group basis.

4. TOTAL OPERATING EXPENSES

	Six months ended 30th June	
	2026	2025
	HK$'000	HK$'000
Gas fuel, stores and materials used	**8,886,538**	7,951,499
Staff costs	**675,424**	675,214
Depreciation and amortisation	**675,571**	627,350
Other expenses	**330,430**	372,430
	10,567,963	9,626,493

5. OTHER GAINS, NET

	Six months ended 30th June	
	2026	2025
	HK$'000	HK$'000
Gain on deemed disposal/disposal of subsidiaries	**66,054**	52,881
Gain on disposal of right-of-use assets	**11,869**	-
Loss on disposal of property, plant and equipment	**(1,082)**	(3,130)
Exchange loss, net	**(3,096)**	(772)
Gain from restructuring of extended business	-	100,112
Others	-	(612)
	73,745	148,479

6. FINANCE COSTS

	Six months ended 30th June	
	2026	2025
	HK$'000	HK$'000
Interest and other related cost on bank and other borrowings	**276,519**	287,008
Effective interest expense on convertible bonds	**42,957**	41,730
Bank charges	**3,377**	3,320
Interest on lease liabilities	**2,862**	2,735
	325,715	334,793
Less: amounts capitalised	**(8,722)**	(3,658)
	316,993	331,135

7. PROFIT BEFORE TAXATION

	Six months ended 30th June	
	2026	2025
	HK$'000	HK$'000
Profit before taxation has been arrived at after charging:		
Cost of inventories sold (note)	**9,610,813**	8,630,151
Staff costs (note)	**675,424**	675,214
Depreciation of property, plant and equipment (note)	**641,952**	593,936
Depreciation of right-of-use assets (note)	**25,109**	24,648
Amortisation of intangible assets (note)	**8,510**	8,766
Impairment loss of trade receivables, net of reversal	**12,917**	11,249
Impairment loss of inventories	**6,592**	-
and after crediting:		
Dividend income from equity instruments at fair value through other comprehensive income	**36,760**	35,104
Interest income	**5,835**	12,892

Note: Cost of inventories sold include capitalised staff costs, depreciation and amortisation of property, plant and equipment, right-of-use assets and intangible assets, which are also included in the respective total amounts disclosed separately above.

8. TAXATION

No provision for Hong Kong Profits Tax has been made as there is no net assessable profit in Hong Kong for both periods.

The EIT rates applicable for the Group's PRC subsidiaries range from 15% to 25% (six months ended 30th June 2025: 15% to 25%).

Following the 2020 edition of Catalogue of Encouraged Industries in Western Region (Order No. 40 [2021]) released by the National Development and Reform Commission of the PRC in 2021, certain subsidiaries which are operating in the Western China have been granted a concessionary tax rate of 15% by the local tax bureau.

The Group is operating in certain jurisdictions where the Global Anti-base Erosion Rules ("GloBE Rules" or "Pillar Two Rules") are effective. However, as the Group's estimated effective tax rates of all the jurisdictions in which the Group operates are higher than 15%, after taking into account the adjustments under the Global Anti-base Erosion Rules based on management's best estimate, the management of the Group considered the Group is not liable to income taxes under the Pillar Two Rules.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the shareholders of the Company is based on the following data:

	Six months ended 30th June	
	2026	2025
	HK$'000	HK$'000
Earnings		
Profit for the period attributable to shareholders of the Company for the purpose of basic earnings per share	**690,141**	758,391
Effect of dilutive potential ordinary shares:		
Interest expense on convertible bonds	**-**	41,730
Change in fair value of embedded derivative component of convertible bonds	**-**	612
Profit for the period attributable to shareholders of the Company for the purpose of diluted earnings per share	**690,141**	800,733

9. EARNINGS PER SHARE (Continued)

	Number of shares Six months ended 30th June	
	2026	2025
	’000	’000
Number of shares		
Weighted average number of ordinary shares in issue less shares held for share award scheme for the purpose of basic earnings per share	**3,671,659**	3,479,311
Effect of dilutive potential ordinary shares:		
Convertible bonds	**-**	365,960
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**3,671,659**	3,845,271

The computation of diluted earnings per share for the six months ended 30th June 2026 does not assume the conversion of all convertible bonds issued as their conversion would result in an increase in earnings per share.

For the six months ended 30th June 2026 and 2025, the computation of diluted earnings per share did not assume the exercise of the share options issued by the Company because the exercise price of those options was higher than the average market price for shares for both periods.

10. DIVIDENDS

	Six months ended 30th June	
	2026	2025
Dividends recognised as distribution during the period:	**HK$'000**	HK$'000
2025 final dividend of HK14 cents per ordinary share (2025: 2024 final dividend of HK16 cents per ordinary share)	**514,032**	556,900
2025 special dividend of Nil per ordinary share (2025: 2024 special dividend of HK3 cents per ordinary share)	**-**	104,419
	514,032	661,319

Subsequent to the reporting period, the Board has declared an interim dividend of HK5 cents per ordinary share (six months ended 30th June 2025: HK5 cents per ordinary share), in an aggregate amount of approximately HK$189,063,000 (six months ended 30th June 2025: HK$174,129,000) payable to shareholders whose names are on the register of members of the Company as at 4th September 2026.

During the period, a final dividend of HK14 cents per ordinary share (2024: a final dividend of HK16 cents per ordinary share and a special dividend of HK3 cents per ordinary share, totalling HK19 cents per ordinary share), in an aggregate amount of approximately HK$514,032,000 (2024: HK$661,319,000) in respect of the year ended 31st December 2025 was declared by the Board.

The final dividend for 2025 was payable in cash but shareholders were given the option of electing to receive the final dividend in the form of new shares in lieu of cash in respect of part or all of such dividend. Subsequent to the reporting period, on 14th July 2026, the final dividend of HK14 cents per ordinary share, which included the scrip dividend alternative offered to shareholders, was paid to shareholders whose names appear on the register of members of the Company on 4th June 2026 as the dividend in respect of the financial year ended 31st December 2025.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30.06.2026	31.12.2025
	HK$'000	HK$'000
Trade receivables (net of allowance for credit losses)	**2,178,487**	2,184,228
Prepayments	**628,918**	596,429
Consideration receivable for disposal of subsidiaries	**498,399**	386,416
Other receivables and deposits	**496,058**	571,378
Amounts due from associates (note)	**435,504**	404,739
Amounts due from joint ventures (note)	**248,574**	200,332
	4,485,940	4,343,522

Note: The amounts are unsecured, interest-free and repayable on demand.

The Group has a policy of allowing a credit period ranging from 0 to 180 days to its customers. Longer credit period is also allowed on a case-by-case basis. The following is an aging analysis of trade receivables net of allowance of credit losses presented based on the invoice date, which approximated the revenue recognition date, at the end of the reporting period:

	30.06.2026	31.12.2025
	HK$'000	HK$'000
0 to 90 days	**1,671,424**	1,601,299
91 to 180 days	**246,764**	221,286
Over 180 days	**260,299**	361,643
	2,178,487	2,184,228

12. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	30.06.2026	31.12.2025
	HK$'000	HK$'000
Trade payables	**2,154,956**	1,995,804
Other payables and accruals	**1,530,983**	1,633,036
Consideration payable for acquisition of businesses	**177,641**	178,285
Amount due to ultimate holding company (note)	**4,212**	1,900
	3,867,792	3,809,025

Note: The amount is unsecured, interest-free and repayable on demand.

The Group normally receives credit terms of 0 to 60 days from its suppliers. The following is an aging analysis of trade payables presented based on the invoice date at the end of the reporting period:

	30.06.2026	31.12.2025
	HK$'000	HK$'000
0 to 90 days	**1,094,007**	1,170,099
91 to 180 days	**566,125**	427,641
181 to 360 days	**332,639**	150,980
Over 360 days	**162,185**	247,084
	2,154,956	1,995,804

MANAGEMENT DISCUSSION AND ANALYSIS

Since the beginning of the year, the global geopolitical and economic landscape has remained complex and volatile. On the Chinese mainland, the economy still requires time to absorb accumulated pressure amid property market adjustments, the upgrading of industrial energy consumption structures, and the rollout of various reform measures. Slower growth in gas demand and fluctuations in energy prices have inevitably affected industry profitability. Nevertheless, the national 15th Five-Year Plan has reaffirmed its support for new energy and the green transformation, while the Chinese mainland's economic structure is shifting towards high-quality development, laying the foundation for future growth.

In response to these policy opportunities, the Group continued to pursue its twin-track strategy of green energy and technological innovation. Accordingly, it has deployed advanced technology to strengthen energy management, improve operational efficiency and reinforce risk resilience. At the same time, the Group has enhanced efficiency, reduced costs, optimised gas sourcing and promoted the development of new quality productive forces. Revenue for the first half of 2026 grew by 9%, reflecting the Group's ability to maintain relatively resilient performance and competitiveness in a challenging market.

Mainland Gas Business

In the first half of the year, the Chinese mainland property market continued its adjustment, putting pressure on the new customer connection business. This, together with a warmer winter, affected the overall performance of the gas industry. In response, the Group capitalised on two major policy opportunities, namely the low-carbon transition and urban renewal. This enabled it to expand its integrated natural gas energy supply business for industrial and commercial customers. The expansion focused on three key areas: the clean energy replacement of bulk coal for industrial use, gas infrastructure upgrades in older residential communities, and gas supplies for green buildings. Concurrently, the Group accelerated the expansion of pipeline coverage in existing communities and renewed ageing pipeline networks, while advancing new low-carbon energy initiatives such as biomethane and gas-hydrogen integration. As a result of these initiatives, the growth constraints arising from the slowdown in new property development were mitigated, generating steady incremental increases in existing markets and keeping overall operations on a solid upward trajectory.

In the first half of 2026, the Group's total gas sales volume reached approximately 8.54 billion cubic metres, representing a slight year-on-year decline of about 2%. In terms of the gas sales mix, residential gas accounted for 1.89 billion cubic metres (22%), commercial gas for 0.9 billion cubic metres (10%), industrial gas for 4.06 billion cubic metres (48%), and distribution and power generation for 1.69 billion cubic metres (20%). As at 30th June 2026, the Group operated 197 city-gas projects across 19 provincial regions on the Chinese mainland. During the period, 270,000 new customers were added, bringing the total customer base to 18.66 million.

During the first half of the year, the Group implemented an upstream and downstream natural gas price linkage mechanism. Cost pass-throughs were achieved for over 90% of residential users and 100% of industrial and commercial users. The average dollar margin for city gas increased by RMB0.02 per cubic metre year-on-year to RMB0.59 per cubic metre, contributing to improved overall profitability.

The Group increased its strategic cooperation with the three major national petroleum corporations and provincial gas platforms during the period. Adopting a centralised negotiation and decentralised signing model, the Group secured medium- to long-term procurement contracts and increased its access to coalbed methane and liquefied natural gas ("LNG") resources from Shaanxi, Shanxi and Ningxia. This enabled the Group to diversify its supply channels and hedge against market volatility. In addition to this, the Jintan underground salt cavern gas storage facility in Jiangsu Province achieved two-way operational coordination with the Weiyuan emergency peak-shaving storage and distribution base in Sichuan Province. As a result, the Group's cross-provincial peak-shaving coverage was expanded and regional supply security and market-based trading capabilities enhanced.

By advancing its core "Gas+" strategy, the Group was able to focus on the comprehensive energy needs of existing industrial and commercial customers. Improvements under this strategy included integrated energy supply, energy management outsourcing and energy conservation services, as well as product and technology operations and maintenance. Through these efforts, the business achieved energy sales of 810 million kWh in the first half of the year, driving natural gas sales volume of 70 million cubic metres.

In support of national carbon intensity and total emission control targets, the Group continued to integrate biomethane into its pipeline network, thereby increasing the proportion of green gas. The Group currently operates eight such projects across provincial regions on the Chinese mainland, including Jiangsu, Zhejiang, Shandong and Sichuan. In the first half of 2026, newly integrated gas volume reached 10 million cubic metres, bringing the cumulative volume to 27.5 million cubic metres. The Dafeng biomethane project in Yancheng City, Jiangsu Province, which was integrated during the period, became the Group's first project to be listed on the National Voluntary Greenhouse Gas Emission Reduction Trading Market, establishing a dual mechanism for green gas grid injection and carbon revenue monetisation. The project utilises agricultural waste from nearby dairy farms to produce natural gas and integrates it into the regional gas pipeline network, thereby achieving a closed-loop resource cycle.

Renewable Energy Business

The national 15th Five-Year Plan emphasises the development of a clean, low-carbon, secure and efficient new energy system, and aims to establish around 100 national-level zero-carbon industrial parks during the Plan period. These initiatives are closely aligned with the Group's business strengths. As market-based reforms continue to advance in the Chinese mainland's electricity sector, improving market mechanisms and the business environment, the Group expects that the industry will enter a new phase of higher-quality development following a period of adjustment. Photovoltaic asset management and market-based electricity sales will remain the primary drivers of the Group's future earnings growth.

As at 30th June 2026, the Group had established 128 zero-carbon smart industrial parks across 24 provincial regions on the Chinese mainland. New grid-connected distributed photovoltaic capacity for industrial and commercial customers reached 0.2 GW, bringing cumulative installed capacity to 3 GW. Photovoltaic electricity sales volume increased by 12% year-on-year to 1.32 billion kWh.

During the first half of the year, the Group increased its Assets under Management ("AuM") by 0.66 GW year-on-year to 1.5 GW. At the same time, the electricity sales business expanded rapidly by capitalising on synergies with the gas division, achieving sales of 7.23 billion kWh during the period, doubling year-on-year, and steadily strengthening its market position. Cumulative grid-connected industrial and commercial energy storage capacity reached 850 MWh. The Group is now well-positioned across three key growth areas: integrated photovoltaic-storage, standalone energy storage and direct green power supply, with its asset-light operations steadily expanding.

The Group continued to offer opportunities to project-level strategic investors to diversify their investment risks and reduce capital expenditure. These included the launch by the Group of the "New Energy Infrastructure Carbon Neutral Green Held-for-Investment Real Estate Asset-Backed Plan" ("institutional REIT") and "Zero-Carbon Smart Phase 4" asset-backed securities programme ("quasi-REIT"), raising approximately RMB900 million in financing. Cumulative financing reached RMB5.5 billion, thereby broadening its financing channels and enhancing operating cash flow while increasing investment for the development of new projects.

The Group continued to drive business transformation through innovation. To support customers' low-carbon transition, the Group introduced a new business model, the Energy as a Service ("EaaS") framework, with integrated decarbonisation solutions encompassing "photovoltaics + energy storage + electricity sales". The Group also increased investment in new technology by upgrading its smart energy management platform. Using artificial intelligence ("AI") to optimise power trading algorithms, the platform improves the operation of new energy assets and iterative trading strategies for enhanced investment returns.

Environmental, Social and Governance ("ESG")

The Group's MSCI ESG rating was upgraded to AA, reflecting international recognition of its commitment to ESG management. During the period, the Group continued to strengthen ESG governance, promote low-carbon innovation and enhance community engagement through several key initiatives:

1. Appointing Dr. Christine Loh Kung-wai, an Independent Non-executive Director, as Chairperson of the Environmental, Social and Governance Committee, and establishing a regular ESG training mechanism for the directors to further strengthen the Board's leadership and oversight of sustainability matters;

2. Launching an institutional REIT, with proceeds earmarked for investing in and constructing photovoltaic and energy storage projects, thereby promoting the integration of green finance with the new energy sector;

3. Co-launching the Cooling for Good Summer • Towngas Gentle Breeze Movement with a Hong Kong startup, i2Cool, by applying electricity-free cooling technology at Beima Primary School in Longkou, Shandong Province. This technology, which improved the campus environment through the installation of passive cooling roofs, won the Gold Award at its parent company, HKCG's 2nd TERA-Award Smart Energy Innovation Competition.

Business Outlook for 2026

The global geopolitical landscape remains volatile with recurring conflicts, which, together with a higher interest rate environment, weighs on the momentum of the global economic recovery. Against this background, digital transformation centred on AI and the green, low-carbon transition to combat climate change have been emerging as the two principal themes driving future economic development. Accordingly, the Group will build upon its solid public utilities foundation to develop and promote new growth engines while recognising that broader market challenges also create significant opportunities.

The Group will continue to build on its core "Gas+" strategy, using the national 15th Five-Year Plan and green energy policies to help it meet the comprehensive energy needs of its existing customer base.

In renewable energy, following the phased implementation of the midday valley pricing policy from the first half of 2025, downward pressure on electricity tariffs is expected to ease significantly in the second half of 2026, supporting a gradual improvement in per-kWh profitability across the industry. The Group will continue to accelerate the deployment of solar photovoltaic projects, with the aim of adding 0.8 GW of new grid-connected capacity in the second half of the year, helping to reverse the decline in power generation revenue.

The Group is committed to increasing collaboration across divisions, strengthening the integration of AI technology into its core businesses, including gas and electricity sales, and enhancing its integrated gas-and-power system. In addition, the Group will further optimise its cash flow management to support business expansion and mitigate risks, striving to deliver sustainable profit growth and reward shareholders for their long-standing trust and support.

FINANCIAL REVIEW

Revenue

For the first half of 2026, the Group actively advanced the implementation of an upstream and downstream natural gas price linkage mechanism, with cost pass-throughs confirmed for over 90% of residential customers and all industrial and commercial customers having completed the cost pass-throughs. However, the ongoing downturn in the mainland property market led to a decrease in the number of new household gas connections, resulting in a decrease in gas connection sales. The Group's revenue for the period amounted to HK$11,328 million, representing an increase of 9% over the corresponding period last year.

	Six months ended 30th June	
	2026	2025
	HK$ million	HK$ million
Sales of piped gas	9,823	8,860
Gas connection	574	624
Gas-related products and services	166	190
Gas business	10,563	9,674
Renewable energy business	765	763
Total	11,328	10,437

Total Operating Expenses

Total operating expenses of the Group included gas fuel, stores and materials used, staff costs, depreciation and amortisation, and other expenses. Total operating expenses in the first half of 2026 amounted to HK$10,568 million, representing an increase of 10% compared to the corresponding period last year. The main reasons for the increase are rising costs of gas fuel, stores and materials used.

	Six months ended 30th June	
	2026	2025
	HK$ million	HK$ million
Gas fuel, stores and materials used	8,887	7,952
Staff costs	675	675
Depreciation and amortisation	676	627
Other expenses	330	372
Total	10,568	9,626

Other Gains, Net

Net other gains decreased by 50% from HK$148 million in the corresponding period last year to HK$74 million. This was mainly attributable to the Group's restructuring of its extended business in the prior year, with the entire restructuring being fully completed during 2025.

Share of Results of Associates

The share of profits of associates increased by 28% from HK$212 million in the corresponding period last year to HK$271 million. This was mainly driven by associates actively promoting cost pass-throughs resulting in a steady improvement in the city-gas dollar margin. Renewable energy business proactively introduced strategic investors and partners, as well as the disposal of certain subsidiaries' interests to promote the expansion of light-asset services in the renewable energy business. Upon completion of the disposals, these companies are no longer subsidiaries of the Group, but since the Group still retains partial equity interests, they are recognised as associates or joint ventures.

Share of Results of Joint Ventures

The share of profits of joint ventures increased by 21% from HK$166 million in the corresponding period last year to HK$201 million. This was mainly driven by certain joint ventures actively promoting cost pass-throughs, resulting in a steady improvement in the city-gas dollar margin. In parallel, renewable energy business had proactively introduced strategic investors and partners, and through the disposal of certain subsidiaries' interests, drove the development of its renewable energy business towards an asset-light service model. Upon completion of the transactions, the relevant companies ceased to be subsidiaries of the Group. As the Group continues to hold partial equity interests, these companies are accounted for as associates or joint ventures of the Group.

Finance Costs

The finance costs of the Group decreased by 4% from HK$331 million in the corresponding period last year to HK$317 million. Stringent control of capital expenditure and successful securing of lower-interest loans have reduced the finance costs.

Profit for the period

During the first half of 2026, profit attributable to shareholders of the Company amounted to HK$690 million, representing a decrease of approximately 9 % compared to the corresponding period last year. Basic earnings per share amounted to HK18.8 cents, representing a decrease of 14% compared to the corresponding period last year.

FINANCIAL POSITION

The Group has adopted a prudent approach in financial resources management, maintaining an appropriate level of cash and cash equivalents as well as adequate financing facilities to meet the requirements of day-to-day operations and business development, while also maintaining borrowings at a healthy level.

As at 30th June 2026, the Group's total borrowings (included convertible bonds) amounted to HK$18,220 million (31st December 2025: HK$17,161 million), of which HK$8,126 million (31st December 2025: HK$6,416 million) represented borrowings due within 1 year, HK$9,897 million (31st December 2025: HK$10,534 million) represented borrowings due between 1 to 5 years, and HK$197 million (31st December 2025: HK$211 million) represented borrowings due over 5 years. HK$13,659 million (31st December 2025: HK$13,173 million) of the Group's total borrowings bore interests at fixed rates, while the Group's other borrowings were arranged on a floating interest rate basis. The maturities and interest rates of the borrowings were arranged to provide sound financial resources and stable interest costs for the Group. The businesses of the Group mainly occurred on the Chinese mainland and most transactions, assets and liabilities were stated in RMB. As a result, the Group bore currency risk from fluctuations of RMB exchange rate for non-RMB denominated deposits and borrowings. The Group's total borrowings denominated in RMB amounted to HK$16,640 million (31st December 2025: HK$15,592 million) and the remaining HK$1,580 million borrowings were denominated mainly in United States dollars ("USD") (31st December 2025: HK$1,569 million denominated mainly in USD) as at 30th June 2026. Cross-currency swap contracts were entered into hedge foreign currency risk for most of the non-RMB denominated borrowings so as to reduce risk arising from fluctuations of RMB. Apart from the total borrowings as mentioned above, the Group also has RMB loans amounted to approximately HK$56.78 million (31st December 2025: HK$17.53 million), approximately HK$9.28 million (31st December 2025: Nil), approximately HK$6.73 million (31st December 2025: HK$0.86 million) and approximately HK$15.95 million (31st December 2025: HK$15.37 million) from HKCG, associates, joint ventures, and non-controlling shareholders on a fixed interest rate basis, respectively.

In order to expand funding channels, enhance the flexibility and ability of financing and strengthen its financial position, the Group issued its fourth quasi-REIT product and first institutional REIT on the Chinese mainland in the first half of 2026, raising approximately RMB900 million in financing, with cumulative financing reached RMB5.5 billion.

As at 30th June 2026, the Group's cash and cash equivalents together with time deposits and restricted deposits amounted to HK$3,411 million (31st December 2025: HK$2,562 million), of which 99% (31st December 2025: 99%) are RMB-denominated and the rest are denominated in HK$ and USD. The gearing ratio (net debt to total equity plus net debt) of the Group as at 30th June 2026 was 34% (31st December 2025: 34%).

As at 30th June 2026, the unissued portion of the Group's MTN Programme amounted to approximately HK$12,962 million and unutilised facilities from banks and HKCG amounted to approximately HK$12,214 million.

The operating and capital expenditure of the Group is funded by cash flows from operations, internal liquidity, financing arrangements with banks, the MTN Programme, convertible bonds and equity funding. The Group maintains a strong liquidity position with its cash and cash equivalents on hand, unutilised credit facilities and MTN Programme. We have adequate financial resources to meet our contractual obligations and operating requirements. Benefiting from our good credit ratings, the Group enjoys favourable interest rates on bank loans and notes.

CREDIT RATINGS

Moody's Investors Service maintained the issuer rating of Towngas Smart Energy at "Baa1" with a "stable" outlook rating. Standard & Poor's also affirmed the long-term corporate credit rating of Towngas Smart Energy at "BBB+" and its rating outlook as "stable". In addition, China Chengxin International also maintained the credit rating of Towngas Smart Energy at "AAA" and its rating outlook as "stable". These ratings reflect the credit rating agencies' recognition of the Group's stable business and sound credit profile.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30th June 2026.

EMPLOYEE AND REMUNERATION POLICIES

As at 30th June 2026, the Group had 21,266 employees. Employee remuneration is based on individual performance, job nature and the relevant responsibilities involved. The Group provides on-the-job training as well as optimal benefits packages for employees, which include medical welfare, retirement plans, year-end bonuses and other incentives. The Group encourages employees to adopt a work-life balance, whilst improving the work environment for employees on a continuing basis so that they can realise their full potential and contribute to the Group.

INTERIM DIVIDEND

The Board has declared the payment of an interim dividend of HK5 cents per share from the share premium account of the Company payable to shareholders whose names are on the register of members of the Company on 4th September 2026.

The interim dividend will be payable in cash, with an option granted to shareholders to receive new and fully paid shares in lieu of cash in whole or in part of the interim dividend under the scrip dividend scheme (the "Scrip Dividend Scheme"). The new shares will, on issue, rank pari passu in all respects with the existing shares in issue on the date of the allotment and issue of the new shares except that they shall not be entitled to the interim dividend. The circular containing details of the Scrip Dividend Scheme and the relevant election form is expected to be sent to shareholders on or about 14th September 2026.

The Scrip Dividend Scheme is conditional upon the granting the listing of, and permission to deal in, the new shares to be issued under the Scrip Dividend Scheme by the Listing Committee of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). It is expected that the cheques for cash dividends and the share certificates to be issued under the Scrip Dividend Scheme will be sent by ordinary mail to shareholders at their own risk on or about Friday, 16th October 2026.

OTHER INFORMATION

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 2nd September 2026 to Friday, 4th September 2026, 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 Hong Kong branch share transfer office of the Company, 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 2026.**

Corporate Governance

The Company had complied with 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 (the "Listing Rules") during the six months ended 30th June 2026.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix C3 of the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the Directors. All Directors confirmed, following specific enquiries by the Company, that they had complied with the required standards set out in the Model Code throughout the six months ended 30th June 2026.

Purchases, 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 (including sale of treasury shares, if any) during the six months ended 30th June 2026.

By Order of the Board
Peter Wong Wai-yee
Executive Director and Chief Executive Officer

Hong Kong, 17th August 2026

At the date of this announcement, the Board of the Company comprises:

Non-executive Directors:
Dr. the Hon. Lee Ka-kit *(Chairman)*
Mr. Kenneth Liu Kai-lap

Independent Non-executive Directors:
Dr. the Hon. Moses Cheng Mo-chi
Mr. Brian David Li Man-bun
Dr. Christine Loh Kung-wai

Executive Directors:
Mr. Peter Wong Wai-yee *(Chief Executive Officer)*
Dr. John Qiu Jian-hang *(Chief Operating Officer – Renewable Business)*
Mr. Zhou Heng-xiang *(Chief Operating Officer – Mainland Gas Business)*