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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)

2026 INTERIM RESULTS ANNOUNCEMENT

RESULTS HIGHLIGHTS

Utility Businesses maintain steady development
Growth Businesses demonstrate strong momentum

- In the first half of this year, facing international energy market volatility and economic challenges, the Group's utility businesses demonstrated strong resilience through improved efficiency and business restructuring; meanwhile, growth businesses achieved breakthrough progress, with operating profit during the period surging by 3 times year-on-year. Overall, the Group recorded a rise of 19% in operating profit after tax for the period to HK$4.746 billion, while profit attributable to shareholders grew by 23% to HK$3.64 billion.

- In the **Hong Kong utility business**, the supply of feedstocks for gas production remained unaffected by the external environment. Benefitting from the gradual recovery of the tourism sector, gas consumption among commercial customers, including the catering and hospitality industries, recorded a modest increase. However, high temperatures and a surge in outbound tourism among local residents weighed on residential gas sales. As of the end of June, Hong Kong gas sales reached 14.4 billion MJ (equivalent to approximately 410 million cubic metres of natural gas), down 3.5% year-on-year. The Group had adjusted its standard town gas tariff and the monthly maintenance charge, effective from 1st August 2026.

- In the **mainland utility businesses**, amid the economic slowdown, the impact of a mild winter, and property market adjustments, the Group actively capitalised on policy tailwinds in energy transition, urban renewal and ageing pipeline network upgrades, while pressing ahead with its "Gas+" integrated energy business, driving a rise in gas sales volume. Cost pass-through arrangements were steadily implemented during the period, bringing the dollar margin for city gas to RMB0.55 per cubic metre, a further improvement of RMB0.01 per cubic metre year-on-year, driving steady profit growth in the overall gas business. The water and environmental businesses delivered sustainable growth, with water sales and sewage treatment volume reaching 800 million tonnes, up 2%, and solid waste treatment volume reaching 830,000 tonnes, an increase of 5%.

- In **sustainable aviation fuel ("SAF")**, EcoCeres, Inc. ("EcoCeres"), incubated by the Group, which remains a strategic shareholder, successfully commenced trial production at its Malaysia plant in 2025. Sales in the first half of 2026 were strong, reaching 320,000 tonnes, approximately double the level recorded a year earlier. EcoCeres successfully extended its SAF supply agreement with British Airways until the end of 2030. Furthermore, it signed an investment letter of intent with the Dongguan Municipal Government to establish a complete SAF and hydrotreated vegetable oil ("HVO") value chain in the Greater Bay Area with annual capacity of about 450,000 tonnes. This will bring EcoCeres's total annual capacity to 1.22 million tonnes.

- In **green methanol**, VENEX, a joint venture under the Group, actively expanded its production capacity; the Inner Mongolia project is ramping up capacity to 300,000 tonnes following its retrofitting. Construction of new Foshan Plant will commence this year with planned capacity of 200,000 tonnes, establishing a strategic dual-base footprint spanning northern and southern China, with total planned capacity of 500,000 tonnes. In the first half of 2026, VENEX successfully completed Hong Kong's first container terminal bunkering, completing a fully integrated supply chain from northern China to Hong Kong. VENEX also received one of the first certifications under the Country's Global Sustainable Transport Certification (GSTC) scheme.

- 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 year-on-year to 1.5 GW, and the Group remains well-positioned across three key growth areas: integrated PV-storage, independent energy storage and direct green power supply.

- In the **extended businesses**, Towngas Lifestyle, a Group's subsidiary, accelerated its transformation into a "home concierge service" model by leveraging the massive market opportunities presented by the Group's 47 million city-gas customers and unified its kitchen appliance brand under Mia Cucina. On the mainland, trade-in sales for the smart kitchen appliance business grew 17% year-on-year to RMB200 million, while the heating engineering business grew 14% year-on-year to RMB120 million. In Hong Kong, smart kitchen revenue in the first half reached HK$870 million, up 7% year-on-year.

- The year 2026 marks the opening year of the national 15th Five-Year Plan, with green fuels included in the national strategy for the first time. In close alignment with national strategic objectives, the Group will capitalise on its competitive advantages to strategically deploy its advanced technologies and management excellence across the Greater Bay Area, as well as in Central Asia and other countries along the Belt and Road, to expand its international new energy footprint.

- The Board recommended maintaining an interim dividend of HK12 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	**29,526**	27,514
Group operating after-tax profit, HK million dollars	**4,746**	3,996
Core operating profit, HK million dollars	**3,957**	3,233
Non-operating gains and losses, net, HK million dollars	**(317)**	(269)
Profit attributable to shareholders, HK million dollars	**3,640**	2,964
Basic earnings per share, HK cents	**19.5**	15.9
Interim dividend per share, HK cents	**12.0**	12.0
Town Gas Sold in Hong Kong, million MJ	**14,414**	14,935
Gas Sold by City-gas Business on the Chinese mainland, million cubic metres, natural gas equivalent*	**18,598**	18,583
Number of Customers in Hong Kong as at 30th June, thousand	**2,071**	2,042
Number of City-gas Customers on the Chinese mainland as at 30th June, thousand*	**44,955**	43,474

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

INTERIM 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 2026, being the record date for determining shareholders' entitlement to the interim dividend. The Register of Members will be closed from Wednesday, 2nd September 2026 to Thursday, 3rd September 2026 (both days), during which period no share transfers will be effected. Dividend warrants will be posted to shareholders on Friday, 11th September 2026.

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, PricewaterhouseCoopers.

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

	Note	**2026 HK$M (unaudited)**	2025 HK$M (unaudited)
Revenue	3	**29,526.1**	27,514.2
Total operating expenses	4	**(25,095.8)**	(22,877.4)
		4,430.3	4,636.8
Other gains/(losses), net	5	**43.5**	(38.7)
Interest expense		**(975.0)**	(985.5)
Share of results of associates		**1,404.4**	534.8
Share of results of joint ventures		**336.1**	359.4
Profit before taxation		**5,239.3**	4,506.8
Taxation	6	**(1,040.1)**	(1,054.4)
Profit for the period		**4,199.2**	3,452.4
Attributable to:			
Shareholders of the Company		**3,640.3**	2,964.0
Non-controlling interests		**558.9**	488.4
		4,199.2	3,452.4
Dividends	7	**2,239.2**	2,239.2
Earnings per share – basic, HK cents	8	**19.5**	15.9
Earnings per share – diluted, HK cents	8	**19.5**	15.8

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

	2026 **HK$M** **(unaudited)**	2025 HK$M (unaudited)
Profit for the period	**4,199.2**	3,452.4
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Movement in reserve of equity investments at fair value through other comprehensive income	**(106.3)**	(61.7)
Share of other comprehensive income of an associate	**44.2**	18.6
Exchange differences	**342.9**	309.2
Items that may be reclassified subsequently to profit or loss:		
Movement in reserve of debt investments at fair value through other comprehensive income	**(1.1)**	(1.0)
Change in fair value of cash flow hedges	**14.0**	(10.6)
Share of other comprehensive (loss)/income of associates	**(8.5)**	1.6
Exchange differences	**1,462.4**	1,610.0
Other comprehensive income for the period, net of tax	**1,747.6**	1,866.1
Total comprehensive income for the period	**5,946.8**	5,318.5
Total comprehensive income attributable to:		
Shareholders of the Company	**5,082.9**	4,532.3
Non-controlling interests	**863.9**	786.2
	5,946.8	5,318.5

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2026

	Note	**At 30th June 2026 HK$M (unaudited)**	At 31st December 2025 HK$M (audited)
Non-current assets			
Property, plant and equipment		**73,457.2**	71,946.7
Investment property		**964.6**	964.6
Right-of-use assets		**2,023.3**	2,052.1
Intangible assets		**4,538.9**	4,463.5
Associates		**41,386.5**	39,556.1
Joint ventures		**10,721.9**	10,278.8
Financial assets at fair value through other comprehensive income		**1,519.1**	1,611.0
Financial assets at fair value through profit or loss		**1,719.7**	1,989.6
Derivative financial instruments		**52.8**	92.3
Retirement benefit assets		**187.3**	187.3
Other non-current assets		**5,845.3**	6,370.3
		142,416.6	139,512.3
Current assets			
Inventories		**3,401.1**	3,007.3
Trade and other receivables	9	**8,861.9**	9,881.3
Loan and other receivables from associates		**1,016.6**	936.8
Loan and other receivables from joint ventures		**1,708.1**	1,626.2
Loan and other receivables from non-controlling shareholders		**144.1**	141.6
Financial assets at fair value through profit or loss		**1,444.2**	1,391.7
Derivative financial instruments		**9.3**	2.2
Time deposits over three months		**297.9**	71.1
Time deposits up to three months, cash and bank balances		**8,227.3**	6,547.9
		25,110.5	23,606.1
Assets held-for-sale		**467.2**	436.7

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

	Note	**At 30th June 2026 HK$M (unaudited)**	At 31st December 2025 HK$M (audited)
Current liabilities			
Trade payables and other liabilities	10	**(20,114.5)**	(20,199.8)
Loan and other payables to associates		**(79.1)**	(70.9)
Loan and other payables to joint ventures		**(131.5)**	(168.9)
Loan and other payables due to non-controlling shareholders		**(113.0)**	(110.0)
Provision for taxation		**(1,105.3)**	(819.1)
Borrowings		**(16,669.8)**	(16,828.7)
Derivative financial instruments		**-**	(16.5)
		(38,213.2)	(38,213.9)
Liabilities directly associated with assets held-for-sale		**(77.5)**	(59.5)
Total assets less current liabilities		**129,703.6**	125,281.7
Non-current liabilities			
Deferred taxation		**(7,331.6)**	(7,349.4)
Borrowings		**(45,856.5)**	(42,871.9)
Derivative financial instruments		**(41.6)**	(40.3)
Loan from a joint venture		**(355.7)**	(320.5)
Other non-current liabilities		**(3,417.5)**	(3,310.3)
		(57,002.9)	(53,892.4)
Net assets		**72,700.7**	71,389.3
Capital and reserves			
Share capital		**5,474.7**	5,474.7
Reserves		**54,683.7**	53,876.4
Shareholders' funds		**60,158.4**	59,351.1
Non-controlling interests		**12,542.3**	12,038.2
Total equity		**72,700.7**	71,389.3

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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" as issued by the Hong Kong Institute of Certified Public Accountants.

As at 30th June 2026, 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$12.7 billion, which included the borrowings of approximately HK$16.7 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.

The financial information relating to the year ended 31st December 2025 that is included in the condensed consolidated interim financial information for the six months ended 30th June 2026 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 2025 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 2025.

The Group has adopted the following amendments to standards and annual improvements which are effective for the Group's financial year beginning 1st January 2026 and relevant to the Group.

Amendments to HKFRS 9 and HKFRS 7	Classification and Measurement of Financial Instruments
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature – dependent Electricity
HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	Annual Improvements to HKFRS Accounting Standards – Volume 11
Amendments to HKFRS 7, HKFRS 18, HKAS 1, HKAS 8, HKAS 36 and HKAS 37	Disclosures about Uncertainties in the Financial Statements

The adoption of the amendments to standards and annual improvements 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 2025.

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 2025. There have been no changes in the risk management policies since year end.

Certain of 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 liability that are measured at fair value at 30th June 2026 and 31st December 2025.

	Level 1		**Level 2**		**Level 3**		**Total**	
HK$M	**At 30th June 2026 (unaudited)**	At 31st December 2025 (audited)	**At 30th June 2026 (unaudited)**	At 31st December 2025 (audited)	**At 30th June 2026 (unaudited)**	At 31st December 2025 (audited)	**At 30th June 2026 (unaudited)**	At 31st December 2025 (audited)
Financial assets								
Financial assets at fair value through profit or loss								
- Equity investments	**1,183.0**	1,352.0	**-**	-	**1,980.9**	2,029.3	**3,163.9**	3,381.3
Derivative financial instruments	**-**	-	**62.1**	94.5	**-**	-	**62.1**	94.5
Financial assets at fair value through other comprehensive income								
- Debt securities	**15.7**	16.0	**-**	-	**-**	-	**15.7**	16.0
- Equity investments	**1,065.7**	1,190.3	**-**	-	**437.7**	404.7	**1,503.4**	1,595.0
Total financial assets	**2,264.4**	2,558.3	**62.1**	94.5	**2,418.6**	2,434.0	**4,745.1**	5,086.8
Financial liability								
Derivative financial instruments	**-**	-	**41.6**	51.1	**-**	5.7	**41.6**	56.8
Total financial liability	**-**	-	**41.6**	51.1	**-**	5.7	**41.6**	56.8

There were no changes in valuation techniques during the period.

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

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

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

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- The fair value of cross currency swaps is calculated as the present value of the estimated future cash flows based on observable foreign exchange rates and yield curves.

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

- The fair value of forward foreign exchange contracts is calculated as the present value of future cash flows based on the forward exchange rates at the end of the reporting period.

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

- As at 30th June 2026, financial assets include a total of approximately HK$1.4 billion (31st December 2025: approximately HK$1.4 billion) of an unlisted equity investment and its related derivatives, which are considered entirely as financial assets at fair value through profit or loss. The fair value is determined based on a market trending analysis, the binomial and the Black-Scholes models, adjusted for a discount for lack of control and a probability of enforceability of the related guarantee mechanism at the end of the reporting period. Both are considered as the significant unobservable inputs. The fair value increases with a decrease in the discount for lack of control or an increase in the probability of the enforceability of the related guarantee mechanism.

- Financial assets include unlisted equity investments of approximately HK$1.0 billion (31st December 2025: approximately HK$1.0 billion), the fair values of which are determined with reference to their attributable net assets values and recent comparable transaction price, where available, being significant unobservable inputs. The fair value increases with the increase in the attributable net assets value and recent comparable transaction price, where available.

- As at 31st December 2025, financial liability includes embedded derivative component of convertible bonds of approximately HK$5.7 million, the fair value of which is determined based on binomial option pricing model. The significant unobservable inputs include share price expected volatility of 26.8%. The fair value of embedded derivative component of convertible bonds increases with the increase in the share price expected volatility.

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

The following table presents the changes in level 3 instruments of the Group for the period ended 30th June 2026 and year ended 31st December 2025:

HK$M	Financial assets		Financial liability	
	Six months ended 30th June 2026 (unaudited)	Year ended 31st December 2025 (audited)	**Six months ended 30th June 2026 (unaudited)**	Year ended 31st December 2025 (audited)
At beginning of period/year	**2,434.0**	656.4	**5.7**	17.3
Additions	**-**	327.6	**-**	-
Change in fair value	**(108.6)**	19.7	**(5.9)**	(12.1)
Exchange differences	**93.2**	38.6	**0.2**	0.5
Transfer from level 2	**-**	1,391.7	**-**	-
At end of period/year	**2,418.6**	2,434.0	**-**	5.7

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 and related products or services, water supply and waste treatment, renewable energy businesses, extended businesses and advanced fuels businesses ("Green Fuels") in Hong Kong and the Chinese mainland. The revenue comprises the following:

	Six months ended 30th June	
	2026 HK$M (unaudited)	2025 HK$M (unaudited)
Gas sales before fuel cost adjustment	**22,624.7**	20,847.1
Fuel cost adjustment	**747.5**	632.1
Gas sales after fuel cost adjustment	**23,372.2**	21,479.2
Gas connection income	**868.1**	974.2
Equipment sales and maintenance services	**1,992.6**	1,779.0
Water, waste treatment and related sales	**801.5**	827.7
Renewable energy businesses	**762.7**	762.5
Other sales	**1,729.0**	1,691.6
	29,526.1	27,514.2

3. Segment information (Continued)

The chief operating decision-maker has been identified as the executive management members (the “EMM”) 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 and waste treatment, renewable energy, extended businesses and related businesses; (b) Green Fuels and (c) property business. Gas, water and waste treatment, renewable energy, extended businesses 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 2026 and 2025 provided to the EMM for the reportable segments is as follows:

2026 HK$M (unaudited)	**Gas, water and waste treatment, renewable energy, extended businesses and related businesses**		**Green Fuels**	**Property**	**Other segments**	**Total**
	Hong Kong	**Chinese mainland**				
Revenue recognised at a point in time	**6,037.9**	**22,373.5**	**-**	**-**	**21.0**	**28,432.4**
Revenue recognised over time	**3.6**	**289.2**	**-**	**-**	**467.2**	**760.0**
Finance and rental income	**301.5**	**-**	**-**	**32.2**	**-**	**333.7**
	6,343.0	**22,662.7**	**-**	**32.2**	**488.2**	**29,526.1**
Adjusted EBITDA	**3,244.4**	**3,225.4**	**(57.5)**	**18.9**	**(39.1)**	**6,392.1**
Depreciation and amortisation	**(445.9)**	**(1,362.6)**	**(0.4)**	**-**	**(112.9)**	**(1,921.8)**
Unallocated expenses						**(40.0)**
						4,430.3
Other gains, net (note 5)						**43.5**
Interest expense						**(975.0)**
Share of results of associates (note (a))	**-**	**654.3**	**553.0**	**197.1**	**-**	**1,404.4**
Share of results of joint ventures	**-**	**361.4**	**(31.1)**	**5.7**	**0.1**	**336.1**
Profit before taxation						**5,239.3**
Taxation						**(1,040.1)**
Profit for the period						**4,199.2**

100% (2025: 98%) of the gas fuel, stores and materials costs are incurred by gas, water and waste treatment, renewable energy, extended businesses and related businesses.

Notes

(a) There is no change in the valuation of the Group’s shared investment properties at the International Financial Centre complex for the period (2025: no change).

3. Segment information (Continued)

2025 HK$M (unaudited)	Gas, water and waste treatment, renewable energy, extended businesses and related businesses		Green Fuels	Property	Other segments	Total
	Hong Kong	Chinese mainland				
Revenue recognised at a point in time	5,880.8	20,337.1	365.8	-	19.9	26,603.6
Revenue recognised over time	3.5	305.8	-	-	289.0	598.3
Finance and rental income	280.6	-	-	31.7	-	312.3
	6,164.9	20,642.9	365.8	31.7	308.9	27,514.2
Adjusted EBITDA	3,469.0	2,988.2	1.4	18.2	24.1	6,500.9
Depreciation and amortisation	(431.6)	(1,204.5)	(54.8)	-	(128.8)	(1,819.7)
Unallocated expenses						(44.4)
						4,636.8
Other losses, net (note 5)						(38.7)
Interest expense						(985.5)
Share of results of associates	-	560.4	(210.2)	177.8	6.8	534.8
Share of results of joint ventures	-	354.0	-	5.4	-	359.4
Profit before taxation						4,506.8
Taxation						(1,054.4)
Profit for the period						3,452.4

3. Segment information (Continued)

The segment assets at 30th June 2026 and 31st December 2025 are as follows:

30th June 2026 HK$M (unaudited)	Gas, water and waste treatment, renewable energy, extended businesses and related businesses Hong Kong	 Chinese mainland	Green Fuels	Property	Other segments	Total
Segment assets	**22,747.5**	**109,590.0**	**8,023.4**	**16,306.0**	**6,027.8**	**162,694.7**
Unallocated assets:						
Financial assets at fair value through other comprehensive income						**1,519.1**
Financial assets at fair value through profit or loss						**3,163.9**
Time deposits, cash and bank balances excluded from segment assets						**223.0**
Others (note (b))						**393.6**
Total assets						**167,994.3**

3. Segment information (Continued)

31st December 2025 HK$M (audited)	Gas, water and waste treatment, renewable energy, extended businesses and related businesses		Green Fuels	Property	Other segments	Total
	Hong Kong	Chinese mainland				
Segment assets	22,778.2	103,919.6	7,296.2	16,276.9	7,205.5	157,476.4
Unallocated assets:						
Financial assets at fair value through other comprehensive income						1,611.0
Financial assets at fair value through profit or loss						3,381.3
Time deposits, cash and bank balances excluded from segment assets						663.0
Others (note (b))						423.4
Total assets						163,555.1

Notes (Continued)

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

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

The Company is domiciled in Hong Kong. The Group's revenue from external customers in Hong Kong for the six months ended 30th June 2026 is HK$6,827.6 million (2025: HK$6,470.6 million), and the revenue from external customers in the Chinese mainland and other geographical locations is HK$22,698.5 million (2025: HK$21,043.6 million).

At 30th June 2026, the total of non-current assets other than financial instruments located in Hong Kong is HK$35,801.5 million (31st December 2025: HK$36,281.9 million), and the total of non-current assets other than financial instruments located in the Chinese mainland and other geographical locations is HK$103,323.5 million (31st December 2025: HK$99,539.0 million).

4. Total operating expenses

	Six months ended 30th June	
	2026	2025
	HK$M	HK$M
	(unaudited)	(unaudited)
Gas fuel, stores and materials used	**18,511.9**	16,173.4
Manpower costs	**2,046.3**	1,954.5
Depreciation and amortisation	**1,921.8**	1,831.4
Other operating items	**2,615.8**	2,918.1
	25,095.8	22,877.4

5. Other gains/(losses), net

	Six months ended 30th June	
	2026	2025
	HK$M	HK$M
	(unaudited)	(unaudited)
Gain on deemed disposal/disposal of subsidiaries	**66.1**	52.9
Gain on disposal of a non-current financial asset (note)	**234.5**	-
Impairment losses for assets	**(130.4)**	-
Net investment losses, including exchange differences	**(126.6)**	(91.5)
Change in fair value of embedded derivative component of convertible bonds	-	(0.6)
Others	**(0.1)**	0.5
	43.5	(38.7)

Note

During the six months ended 30th June 2026, the Group entered into a financing arrangement at a cash consideration of HK$1.0 billion.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

6. Taxation

	Six months ended 30th June	
	2026	2025
	HK$M	HK$M
	(unaudited)	(unaudited)
Current taxation	**955.4**	992.5
Deferred taxation relating to the origination and reversal of temporary differences and withholding tax	**84.7**	61.9
	1,040.1	1,054.4

The prevailing income tax rates of Hong Kong, the Chinese mainland and Thailand are 16.5% (2025: 16.5%), 15% to 25% (2025: 15% to 25%) and 50% (2025: 50%) respectively.

The Group is within the scope of the Organisation of Economic Co-operation and Development Pillar Two model rules. Under the model rules, the Group may be subject to a top-up tax if the effective tax rate of a jurisdiction is below 15%.

The Group applies the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to HKAS 12 issued in July 2023.

Based on the Group's assessment, no material top-up tax exposure is expected for the period ended 30th June 2026.

7. Dividends

	Six months ended 30th June	
	2026	2025
	HK$M	HK$M
	(unaudited)	(unaudited)
2025 Final, paid, of HK23 cents per ordinary share (2024 Final: HK23 cents per ordinary share)	**4,291.8**	4,291.8
2026 Interim, proposed, of HK12 cents per ordinary share (2025 Interim: HK12 cents per ordinary share)	**2,239.2**	2,239.2
	6,531.0	6,531.0

8. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK$3,640.3 million (2025: HK$2,964.0 million) and the weighted average of 18,659,870,098 shares (2025: 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	
	2026	2025
	HK$M	HK$M
	(unaudited)	(unaudited)
Earnings		
Profit attributable to shareholders for the purpose of basic earnings per share	**3,640.3**	2,964.0
Effect of dilutive potential ordinary shares of a subsidiary (note):		
Interests on convertible bonds, attributable to shareholders	-	28.5
Change in fair value of embedded derivative component of convertible bonds, attributable to shareholders	-	0.4
Reduction in share of a subsidiary’s profits	-	(52.1)
Profit attributable to shareholders for the purpose of diluted earnings per share	**3,640.3**	2,940.8

Note

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

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

9. Trade and other receivables

	At 30th June 2026 HK$M (unaudited)	At 31st December 2025 HK$M (audited)
Trade receivables (note)	**5,367.5**	5,385.2
Payments in advance	**1,536.0**	1,442.5
Other receivables	**1,958.4**	3,053.6
	8,861.9	9,881.3

Note

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

	At 30th June 2026 HK$M (unaudited)	At 31st December 2025 HK$M (audited)
0 - 30 days	**3,843.1**	4,012.5
31 - 60 days	**193.8**	294.4
61 - 90 days	**135.8**	152.8
Over 90 days	**1,194.8**	925.5
	5,367.5	5,385.2

10. Trade payables and other liabilities

	At 30th June 2026 HK$M (unaudited)	At 31st December 2025 HK$M (audited)
Trade payables (note (a))	**4,809.7**	4,689.6
Other payables and accruals (note (b))	**6,683.5**	6,183.7
Contract liabilities (note (c))	**8,558.4**	9,226.2
Lease liabilities	**62.9**	100.3
	20,114.5	20,199.8

Notes

(a) Based on the invoice date, the aging analysis of the trade payables is as follows:

	At 30th June 2026 HK$M (unaudited)	At 31st December 2025 HK$M (audited)
0 - 30 days	**1,734.9**	2,081.6
31 - 60 days	**419.0**	559.1
61 - 90 days	**670.4**	438.0
Over 90 days	**1,985.4**	1,610.9
	4,809.7	4,689.6

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2026, the Group's traditional utility businesses and growth businesses maintained steady development. Despite intense volatility in international energy markets and a challenging economic environment, the Group demonstrated resilience, recording an after-tax operating profit for the period of HK$4.746 billion, representing a 19% increase year-on-year.

Utility Businesses

Hong Kong Gas Business

Hong Kong's tourism sector has been gradually recovering, allowing the catering and hospitality industries to maintain stable operations. This trend has provided a supportive backdrop for the Group's gas business. The Group is also actively pursuing multiple hotel renovation and refurbishment projects, including hot-water systems, steam supply and integrated energy efficiency upgrade solutions. In addition, several student hostel projects are scheduled for completion in the next one to two years to meet the demand driven by the ongoing influx of students pursuing higher education in Hong Kong. These hostels will create new opportunities for the Group with their strong demand for centralised hot-water systems.

The Group's gas business remained broadly stable. Commercial gas consumption stood at 5,590 million MJ, while industrial gas consumption amounted to 782 million MJ. In the catering sector, performance in the first half of the year remained steady and improving. Despite broader market headwinds from shifting consumption patterns and rising operating costs, gas consumption among the Group's catering customers recorded modest growth. On the residential side, high temperatures and a surge in outbound tourism weighed on gas sales, which fell by 544 million MJ to 8,042 million MJ.

As at 30th June 2026, total town gas sales in Hong Kong had reached 14,414 million MJ (equivalent to approximately 410 million cubic metres of natural gas), down 3.5% year-on-year. The customer base stood at approximately 2.07 million, an increase of nearly 15,000 from year-end 2025.

In the public services sector, several new government hospitals came on stream. New customers included Kai Tak Hospital, the redeveloped Kwai Chung Hospital and the expanded United Christian Hospital. For these customers, the Group has been promoting the adoption of gas-powered dehumidification systems, including the operating theatres and medical records rooms at Hong Kong Baptist Hospital. This technology allows hospitals to reduce the energy share attributable to cooling significantly as they move towards low-carbon operations. The Group also began providing gas services to the central food production centre of Food Angel, a social enterprise.

The Group continued to develop low-carbon gas solutions tailored to the needs of industrial customers, helping them in their energy transition. Recently, the Group replaced the diesel boilers at the plants of a local beverage manufacturer and a well-known Japanese food manufacturer with gas boilers. In addition to lowering customers' operating costs, these projects are expected to reduce carbon emissions by approximately 180 tonnes per year, which is equivalent to the carbon absorption of around 7,400 trees.

The Group adjusted its standard town gas tariff and monthly maintenance charge with effect from 1st August 2026. The adjustment takes into account operating costs, customer affordability and the need to support gas network construction in new development areas such as the Northern Metropolis. This tariff adjustment will provide healthy and stable operating conditions for future business development.

Mainland Gas Business

Data from the National Development and Reform Commission showed that apparent natural gas consumption on the Chinese mainland declined by 2.4% year-on-year in the first half of 2026. Due to a warmer-than-usual winter, heating-related gas demand was subdued, putting pressure on overall industry performance. By capitalising on national policies supporting the energy transition, urban renewal and upgrades of ageing pipeline networks, the Group was able to seize opportunities to enhance the quality of existing infrastructure, expand integrated energy services, and pursue green, low-carbon development. The Group also strengthened coordination of gas supply resources and enhanced cross-segment synergies, allowing its operations to remain broadly stable.

As at 30th June 2026, the Group's city-gas projects on the Chinese mainland, including the Group's subsidiary Towngas Smart Energy Company Limited ("Towngas Smart Energy", stock code: 1083.HK), totalled 325 across 23 provincial regions. During the period, 690,000 new customers were added, bringing the total to 44.96 million. Total gas sales volume for the first half reached 18.6 billion cubic metres, broadly flat year-on-year. By customer segment, residential gas accounted for 4.81 billion cubic metres (26%); commercial gas, 2.73 billion cubic metres (15%); industrial gas, 7.7 billion cubic metres (41%); and distribution and power generation, 3.36 billion cubic metres (18%).

Cost pass-throughs were fully completed for industrial and commercial users, while the pass-through ratio for residential users exceeded 90%. With cost pass-throughs now largely in place, the dollar margin for city gas was RMB0.55 per cubic metre in the first half of the year, a further improvement of RMB0.01 per cubic metre year-on-year.

During the period, the Group coordinated and dispatched 2.84 billion cubic metres of gas, accounting for 15% of gas sales. The Group strengthened its strategic cooperation with the three major national petroleum corporations and provincial gas platforms, by adopting a model of centralised negotiation and decentralised signing to secure medium- to long-term procurement contracts. Simultaneously, the Group broadened access to coalbed methane and liquefied natural gas ("LNG") resources from Shaanxi, Shanxi and Ningxia to diversify supply channels and hedge against market volatility.

The Group pressed ahead with its core "Gas+" strategy, accelerating its transformation from a traditional city-gas enterprise into an integrated energy services provider. In the first half of the year, the "Gas+" integrated energy business focused on unlocking value from the existing customer base by precisely addressing the needs of industrial and commercial customers. Through continuous refinement of its business framework and product portfolio, the business achieved energy sales of 1.63 billion kWh, driving associated natural gas sales of 110 million cubic metres.

In the biomethane operation, the Group currently operates 12 projects across Jiangsu, Zhejiang, Shandong, Sichuan and other provinces. In the first half of 2026, newly integrated gas volume reached 10 million cubic metres, bringing the cumulative total to 44.5 million cubic metres. Separately, the Bringing Hydrogen into Households project in Weifang, Shandong Province, is expected to commence trial operations shortly. In its industrial hydrogen-blending operation, the Group has built the Chinese mainland's first integrated testing and verification platform for hydrogen-blended combustion at industrial end-users in Zhangjiagang, Jiangsu Province.

The Group is also capitalising on its extensive customer base by creating synergies with its extended businesses and renewable energy segments. Internally, the Group is sharing marketing channels, building a unified smart online service platform and upgrading door-to-door safety inspection services. Externally, it has launched electricity intermediary services and jointly developed carbon quota and carbon asset projects for the mutual benefits of the Group's businesses.

Water and Environmental Businesses

In the first half of the year, the water and environmental businesses delivered resilient growth. Water sales and sewage treatment volume reached 800 million tonnes, up 2% year-on-year, while solid waste treatment volume reached 830,000 tonnes, a year-on-year increase of 5%, driving a steady rise in profits.

Drawing on its industry-leading operational and management capabilities, the Group seized the opportunity presented by the country's rising environmental governance standards to expand technical services, operational trusteeship and other value-added businesses through an asset-light model that has created new profit growth drivers. The Group has successfully exported its intelligent pipeline leakage management and water quality testing services to industry peers; developed integrated trusteeship services covering water supply operations and maintenance for industrial and commercial customers, pre-treatment of wastewater, and solid waste collection and disposal; and provided municipal services such as territory-wide water quality monitoring and waste collection and disposal for local governments. It has also expanded used cooking oil collection, opening up channels to monetise organic waste and building a comprehensive "technology + services + operations" revenue model.

At the same time, the Group has aligned with the national "AI+" industrial upgrade strategy by integrating its capabilities in risk early warning, intelligent leakage management, drone inspections, smart dispatch and customer service into its core productive forces. This has contributed to raising service standards, streamlining workforce requirements and improving operational efficiency. Wujiang Hua Yan, a subsidiary of the Group, saw its pipeline leakage management project recognised as a national typical case of AI application scenarios, which has been developed into a standardised product for external distribution. With regard to the low-carbon transition front, Suzhou Qingyuan Hua Yan became the first water company in Jiangsu Province to be awarded "Green Factory" status for its support of Suzhou's zero-carbon smart industrial park initiative.

Growth Businesses

The national 15th Five-Year Plan explicitly encourages and promotes renewable and green energy, including distributed photovoltaics, zero-carbon smart industrial parks, green methanol, sustainable aviation fuel and hydrogen energy. Furthermore, the European Union and many countries worldwide have also set carbon reduction targets, all of which provide strong support for the development of the Group's growth businesses.

Renewable Energy Business

National policies emphasise the development of a clean, low-carbon, secure and efficient new energy system, with the aim of establishing around 100 national-level zero-carbon smart industrial parks during the 15th Five-Year Plan period, which aligns closely with the Group's business strengths. As market-based reforms in the Chinese mainland's electricity sector continue to optimise the market and the overall development environment, the Group expects the industry to transition towards higher-quality development. Photovoltaic asset management and market-based electricity sales are the core drivers of the Group's future earnings growth.

As at 30th June 2026, the Group's subsidiary Towngas Smart Energy 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 increased by 0.2 GW, bringing cumulative installed capacity to 3 GW. Photovoltaic electricity sales volume grew 12% year-on-year to 1.32 billion kWh.

During the first half, the Group leveraged its Assets under Management ("AuM") strategy, increasing AuM by 0.66 GW year-on-year to 1.5 GW. By capitalising on synergies with the gas sector, the electricity sales business grew rapidly, recording sales of 7.23 billion kWh (double that of the same period in 2025), and steadily strengthening its market position. Additionally, cumulative grid-connected industrial and commercial energy storage capacity reached 850 MWh. The Group is now strategically positioned across three high-growth segments, namely 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 Towngas Smart Energy 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.

Sustainable Aviation Fuel

EcoCeres, Inc. ("EcoCeres"), a company incubated by the Group and in which it remains a strategic shareholder, commenced trial production at its Malaysia plant in 2025. In the first half of the year, overall sales volume of green fuels including sustainable aviation fuel ("SAF") recorded strong growth, reaching 320,000 tonnes, approximately doubled year-on-year. During the period, EcoCeres also extended its SAF supply agreement with British Airways through to the end of 2030. This renewal is expected to help British Airways reduce an additional 198,000 tonnes of lifecycle carbon emissions, equivalent to the total emissions of 341,000 economy-class round trips between London and New York.

Under the leadership of the HKSAR Government, EcoCeres and the Dongguan Municipal Government signed an investment letter of intent in Hong Kong to establish the Greater Bay Area's first complete SAF value chain. The project is expected to produce approximately 450,000 tonnes of SAF and hydrotreated vegetable oil ("HVO") annually as part of an end-to-end value chain collaboration model. Under this model, biomass waste will be collected in the Greater Bay Area, refined in Dongguan, and blended, bunkered and traded in Hong Kong. This will bring EcoCeres's total annual capacity to 1.22 million tonnes.

EcoCeres is also actively exploring new application scenarios for its products. The company's HVO is now being used as an alternative fuel for data centre backup generators and has been deployed in the first pilot projects using HVO-powered backup generators on the Chinese mainland (with GDS Holdings) and in Southeast Asia (with Bridge Data Centres in Singapore).

Green Fuels and Chemicals

VENEX, a joint venture under the Group's green fuels and chemicals business, achieved multiple breakthroughs in the first half of 2026. Its production capacity is concentrated on three major port clusters. At its project in Inner Mongolia, the company is ramping up capacity to 300,000 tonnes, primarily serving North China ports. In Foshan, a new project is progressing steadily towards its expected 2028 commissioning, when it will have an anticipated capacity of 200,000 tonnes to serve ports in South China, Hong Kong and Southeast Asia. Together, these facilities establish a strategic dual-base footprint across northern and southern China, with total planned capacity of 500,000 tonnes. There are also plans to establish a new plant in East China, for which VENEX is currently seeking domestic and overseas partners.

In terms of market supply chains and sales, following sales of 16,400 tonnes in 2025 and the expansion of coverage to major domestic ports as well as overseas markets such as Singapore and South Korea, the company completed Hong Kong's first container terminal bunkering operation during the period. The green methanol sold was transported from the Inner Mongolia plant to Hong Kong using cross-boundary logistics, marking the completion of a fully integrated supply chain from northern China to Hong Kong and laying the groundwork for the Hong Kong market.

During the period, the Group also received one of the first certifications under the country's Global Sustainable Transport Certification (GSTC) scheme, adding to its existing international ISCC and ISO product carbon footprint certifications. The Group will work closely with the HKSAR Government to support Hong Kong's development as an international green fuel bunkering centre.

Hydrogen Energy

Hong Kong's first hydrogen-powered EV charging system in a commercial building was officially launched in April this year. Using hydrogen for powering vehicle charging infrastructure bypasses the need for large-scale electrical upgrades, thus providing additional technical support for green mobility and green transport in Hong Kong. Then, in May, the Group signed a memorandum of understanding with 10 local and international enterprises to further develop Hong Kong's hydrogen energy ecosystem on a joint basis. Key objectives include producing green hydrogen from biogas collected at landfills and deploying and promoting hydrogen commercial vehicles and hydrogen generators in Hong Kong.

The Group is also promoting the application of hydrogen power generation at construction sites and charging facilities. Its second-generation hydrogen generator offers three times the power output of the first generation and will be adopted at Central Yards, a Henderson Land commercial development in Central, using green hydrogen produced from landfill biogas. This will make the construction site the first in Hong Kong to use green hydrogen for power generation and marks a new milestone for hydrogen technology in the local construction industry.

The Group will continue to advance government-approved hydrogen fuel technology trial projects, including extracting hydrogen from the existing town gas network at the Shau Kei Wan site to generate electricity for site offices. In addition, Hong Kong's first green hydrogen project, which is being developed at the Tseung Kwan O New Territories South East Landfill Extension, is expected to commence production in the fourth quarter of this year.

Hydrogen energy in Hong Kong remains at an early stage, with policy, regulation, technical standards and business models gradually maturing. In the near term, the focus will remain on demonstration and pilot projects to validate the technology, safety standards and application scenarios. As Hong Kong's hydrogen-related regulations mature and technology costs decline over time, the Group expects to achieve commercially viable hydrogen projects and unlock new growth opportunities.

Extended Businesses

The Group operates in a vast market of 47 million city-gas customers across Hong Kong and the Chinese mainland. Capitalising on this opportunity, Towngas Lifestyle, a subsidiary of the Group, has been accelerating its transformation into a service-driven one-stop home concierge service model. It is focused on three core business pillars: smart kitchens, insurance and home safety. By increasing engagement with its existing customer base, Towngas Lifestyle is improving conversion rates and driving progressively faster business growth.

In the first half of the year, Towngas Lifestyle delivered continued growth, with revenue reaching HK$2.2 billion, up 11% year-on-year, and net profit of HK$307 million, up 19% year-on-year.

In Hong Kong, Towngas Lifestyle launched a brand campaign promoting its one-stop home concierge service covering design, renovation and after-sales care, then made its debut at the In-Home Expo in June. It also achieved strong appliance sales due to the increased intake for new public housing estates and active transactions in the secondary property market. Smart kitchen revenue in the first half of the year reached HK$870 million, up 7% year-on-year, with retail contributing HK$770 million, an increase of 19%. For project-based kitchen cabinets, contracts for 2,471 new sets were secured in the first half of the year, achieving 82% of the annual target. White goods sales exceeded 7,500 units, ahead of expectations and representing 62% of the full-year target, with progress well on track.

On the Chinese mainland, trade-in sales of the smart kitchen appliances business rose 17% year-on-year. The heating engineering business grew 14% year-on-year to RMB120 million, and a dedicated Heating, Ventilation, and Air Conditioning ("HVAC") company was established to provide one-stop Integrated HVAC solutions. In the insurance business, the share of home property comprehensive insurance in total insurance sales rose to 82%. Smart device connections reached 440,000 households. In the first half of the year, the Group launched a subscription-based safety platform service to address diverse consumer needs for home safety, achieving a 7% conversion rate. After opening community service stations in Hangzhou and Zhongshan, the Group will continue to extend these stations to more cities nationwide with a view to forming a proprietary community service network, bringing services to more customers.

Towngas Lifestyle has also been fully embracing AI technologies, upgrading its Towngas Cloud Platform and artificial intelligence of things ("AIoT") ecosystem. By promoting the use of integrated AI agents in home scenarios, Towngas Lifestyle is enabling its 47 million household customers to enjoy higher-quality smart services.

Environmental, Social and Governance

The Group was included in the Dow Jones Best-in-Class Asia Pacific Index for the fourth consecutive year, reflecting international recognition of the Group's efforts in ESG management. During the period, the Group continued to improve its ESG governance, promote low-carbon innovation and strengthen community engagement. Key initiatives included:

1. Appointing Independent Non-executive Director Professor Anna Wong Wai-kwan as Chairwoman of the Board Environmental, Social and Governance Committee, and establishing a regular ESG training mechanism for directors to further strengthen the Board's leadership and oversight of sustainability matters;

2. Partnering with the E&M Youth Ambassador Programme to organise the Towngas Green Flame Hydrogen City Design Competition, and promoting low-carbon energy and STEAM education in line with our commitment to nurturing the next generation;

3. Collaborating with the Housing Department to provide and install 700 free multi-functional thermo ventilators for vulnerable elderly households in need across public housing estates, improving their home living quality and bathing safety;

4. Continuing to support the Home and Youth Affairs Bureau's Scheme on Corporate Summer Internship on the Mainland and Overseas for the sixth consecutive year, helping youths broaden their horizons and explore career opportunities in the energy sector.

Business Outlook for 2026

The US-Iran conflict has laid bare the fragility of the global fossil energy supply chain, while underscoring the strategic importance of the Group's commitment to green and smart energy. The Group will continue to leverage its strong and stable utility businesses to incubate and advance new growth engines.

The Group maintains a cautiously optimistic outlook on its overall Hong Kong business performance and will keep a close watch on weather patterns and consumer market trends in the second half. Full-year gas sales volume is expected to remain broadly stable. The town gas tariff adjustment effective from August 2026 will support the healthy development of the Hong Kong business. At the same time, the Group will continue to develop new customers and proactively engage major catering groups on the Chinese mainland to increase market penetration and deepen customer relationships. It will also offer customers diversified energy management solutions and appliance incentive programmes to improve energy efficiency and support the Group's long-term business development.

For the development of the Northern Metropolis, the Group will continue to advance pipeline network construction and provide gas equipment at several key projects, including the Microelectronics Centre ecosystem at the Yuen Long Innovation Park, the Shenzhen-Hong Kong Innovation and Technology Park in the Lok Ma Chau Loop, and the San Tin Technopole. As the development of the Northern Metropolis progresses, the Group expects it to provide sustained momentum for future gas demand and sales volume growth.

On the Chinese mainland, national gas consumption growth is likely to remain under pressure in the second half of the year. The Group will respond by utilising its diversified gas sources and improving coordination between its gas and electricity businesses. Key initiatives will include fostering closer collaboration across business segments, strengthening the integration of AI technology with core businesses such as gas and electricity sales, and further refining its integrated gas-and-power service system. Through digital and intelligent technologies, the Group will enhance operational efficiency, optimise the customer service experience and continue to drive quality improvement and efficiency gains. In the water and environmental businesses, the Group will pursue smart and green development as twin engines in the second half of the year, accelerating its strategic transformation from a traditional water operator to an integrated provider of green and intelligent environmental services.

In renewable energy, following the phased implementation of the midday valley pricing policy since the first half of 2025, downward pressure on electricity tariffs is expected to ease significantly during the second half of 2026, allowing per-kWh profitability across the industry to recover gradually. The Group will also continue to accelerate the deployment of solar photovoltaic projects, targeting an expected 0.8 GW of new grid-connected capacity for the second half of the year to reverse the decline in power generation revenue.

At the same time, the Group will continue to develop its green fuels business across maritime, land and aviation applications, which is anticipated to deliver significant growth. Building on the continued expansion of hydrogen energy applications, the Group will seek to attract leading global universities, research institutions, innovative enterprises and industry organisations to strengthen industry-academia-research collaboration, promote the development of a high-quality hydrogen industry and build an open and mutually beneficial hydrogen energy ecosystem.

In the second half of the year, Towngas Lifestyle will focus on customer engagement. By accelerating the nationwide rollout of best practices from cities such as Hong Kong, Hangzhou and Yixing, this business aims to increase average household spend, further drive community innovation and upgrade services. Beyond these initiatives, it will collaborate with business partners to explore a new AI-driven smart concierge while developing short-, medium- and long-term business strategies.

The year 2026 marks the opening year of the national 15th Five-Year Plan. In close alignment with national strategic objectives, the Group will capitalise on its competitive advantages to strategically deploy its advanced technologies and management excellence across the Guangdong-Hong Kong-Macao Greater Bay Area, as well as in Central Asia and other countries along the Belt and Road, as it expands its international new energy footprint.

FINANCIAL REVIEW

Revenue

For the first half of 2026, the Group's turnover was affected by multiple factors, including the continued improvement in cost pass-throughs of piped gas on the Chinese mainland and appreciation of Renminbi of about 6% against the Hong Kong dollar year-on-year. Yet the ongoing sluggish Chinese mainland property market has led to a decrease in new household gas connection and high temperatures and a surge in outbound tourism in Hong Kong which impacted the residential gas sales volume. Combining with abovementioned factors, the Group recorded consolidated revenue of HK$29,526.1 million, representing an increase of 7% compared to last year.

	Six months ended 30th June	
	2026	2025
	HK$M	HK$M
Gas sales after fuel cost adjustment	**23,372.2**	21,479.2
Gas connection income	**868.1**	974.2
Equipment sales and maintenance services	**1,992.6**	1,779.0
Water, waste treatment and related sales	**801.5**	827.7
Renewable energy businesses	**762.7**	762.5
Other sales	**1,729.0**	1,691.6
Total	**29,526.1**	27,514.2

Total Operating Expenses

Total operating expenses of the Group included gas fuel, stores and materials used, manpower costs, depreciation and amortisation and other operating items. Total operating expenses in the first half of 2026 amounted to HK$25,095.8 million, representing an increase of 10% compared to the corresponding period last year, mainly due to the increase in gas fuel, stores and materials used.

	Six months ended 30th June	
	2026	2025
	HK$M	HK$M
Gas fuel, stores and materials used	**18,511.9**	16,173.4
Manpower costs	**2,046.3**	1,954.5
Depreciation and amortisation	**1,921.8**	1,831.4
Other operating items	**2,615.8**	2,918.1
Total	**25,095.8**	22,877.4

Other Gains/(Losses), Net

	Six months ended 30th June	
	2026	2025
	HK$M	HK$M
Gain on deemed disposal/disposal of subsidiaries	**66.1**	52.9
Gain on disposal of a non-current financial asset	**234.5**	-
Impairment losses for assets	**(130.4)**	-
Net investment losses, including exchange differences	**(126.6)**	(91.5)
Change in fair value of embedded derivative component of convertible bonds	-	(0.6)
Others	**(0.1)**	0.5
Total	**43.5**	(38.7)

The increase in other gains/(losses), net is mainly due to gain on disposal of a non-current financial asset of HK$234.5 million (2025: Nil), reduction in exchange losses by HK$117.0 million as compared to the corresponding period last year, offset by impairment losses for assets of HK$130.4 million (2025: Nil) and an increase in unrealised fair value losses on financial assets of HK$170.0 million compared to the corresponding period last year.

Interest Expense

The interest expense of the Group decreased by 1% from HK$985.5 million for the corresponding period last year to HK$975.0 million. Stringent control of capital expenditure and successful securing of lower interest loans have reduced the finance costs.

Share of Results of Associates

The share of profits of associates increased by 1.6 times to HK$1,404.4 million as compared to HK$534.8 million for the corresponding period last year, mainly driven by the significant increase in the profit contribution from the advanced biofuel business in the first half of 2026.

Share of Results of Joint Ventures

The share of profits of joint ventures decreased by 6% to HK$336.1 million as compared to HK$359.4 million for the corresponding period last year. This was mainly due to the transfer of a city-gas joint venture to an associate in December 2025.

Profit for the Period

For the first half of 2026, profit attributable to shareholders of the Company amounted to HK$3,640.3 million, representing an increase of 23% compared to the corresponding period last year. Basic earnings per share amounted to 19.5 HK cents, an increase of 23% as compared to the corresponding period last year.

FINANCIAL RESOURCES REVIEW

Liquidity and capital resources

As at 30th June 2026, the Group had a net current borrowings position of HK$8,145 million (31st December 2025: HK$10,210 million) and long-term borrowings of HK$45,857 million (31st December 2025: HK$42,872 million). In addition, banking facilities available for use amounted to HK$38,300 million (31st December 2025: HK$37,300 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 Programmes 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 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$1.4 billion, with an average tenor of 6 years, have been issued so far in 2026. In line with the Group's long-term business development, as at 30th June 2026, the total nominal amount of medium term notes issued has reached HK$25.3 billion with tenors ranging from 3 to 40 years, mainly at fixed interest rates with an average of 3.4% per annum and an average tenor of 12.6 years. In addition, our listed subsidiary 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 2026, the total nominal amount of SLB and medium term notes issued by Towngas Smart Energy has reached RMB2.3 billion, mainly at fixed interest rates with an average of 3.8% per annum and an average tenor of 4.3 years. The carrying value of the issued notes in Renminbi ("RMB"), Japanese yen ("JPY"), United States dollar ("USD") and Hong Kong dollar under the Programmes (the "MTNs") as at 30th June 2026 was HK$27,832 million (31st December 2025: HK$28,782 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, raising a total of RMB1.5 billion with an average interest rate of 3.27% per annum. Among them is the first sustainability-linked Panda Bond issued by a Hong Kong enterprise on the Chinese mainland. The 1-year RMB1 billion and 3-year RMB0.5 billion Panda Bonds were repaid on 12th June 2024 and 12th June 2026 respectively.

Additionally, to enhance the flexibility and ability of financing and strengthen its financial position, Towngas Smart Energy 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.

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 2026 was HK$2,217 million (31st December 2025: HK$2,027 million).

As at 30th June 2026, the Group's borrowings amounted to HK$62,526 million (31st December 2025: HK$59,701 million). The maturity profile was 27% up to 1 year, 16% over 1 to 2 years, 39% over 2 to 5 years and 18% over 5 years (31st December 2025: 28% up to 1 year, 16% over 1 to 2 years, 40% over 2 to 5 years and 16% over 5 years). The notes and CB mentioned above together with some bank and other loans had fixed interest rate, while the remaining bank and other loans amounted to HK$21,813 million (31st December 2025: HK$18,408 million) had a floating interest rate.

As at 30th June 2026, the JPY note issued and the USD SLB issued by Towngas Smart Energy are hedged to Hong Kong dollar and Renminbi respectively by cross 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 dollar borrowings: HK$39,093 million; Renminbi borrowings: HK$1,121 million).

The gearing ratio [net borrowings / (total equity + net borrowings)] for the Group as at 30th June 2026 was 43% (31st December 2025: 43%).

Guarantee

As at 30th June 2026 and 31st December 2025, 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.

CREDIT RATINGS

Moody's Investors Service maintained the issuer rating of The Hong Kong and China Gas Company Limited at "A1". Standard & Poor's also affirmed the long-term corporate credit rating of The Hong Kong and China Gas Company Limited at "A-".

EMPLOYEES AND PRODUCTIVITY

As at 30th June 2026, the number of employees engaged in the town gas business (including 184 employees engaged in gas production-related work) and related extended businesses in Hong Kong totalled 2,120 (30th June 2025: 2,155). The number of customers was 2,070,539, and each employee served the equivalent of 977 customers. 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 2,326 at the end of June 2026 compared to 2,400 at the end of June 2025. 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 51,750 as at 30th June 2026 compared to approximately 53,120 at the end of June 2025. 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.

OTHER INFORMATION

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 2nd September 2026 to Thursday, 3rd September 2026 (both days), 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 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 of Hong Kong Limited (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 to 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.

Purchase, Sale or Redemption of 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
Managing Director

Hong Kong, 18th August 2026

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
Prof. 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
Prof. Anna Wong Wai-kwan

Executive Directors:
Mr. Peter Wong Wai-yee *(Managing Director)*
Mr. Yeung Lui-ming *(Chief Financial Officer)*
Mr. Chan Ying-lung *(Chief Investment Officer)*