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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)

PRELIMINARY ANNOUNCEMENT OF 2023 INTERIM RESULTS

OVERVIEW OF BUSINESS OPERATIONS DURING THE FIRST HALF OF 2023

- The economic recovery for the first half of 2023 fell short of expectations. The Group had taken various measures to increase its resilience and competitiveness, and its businesses maintained steady growth.

- Gas sales in Hong Kong were stable and recorded a total volume of 14,966 million MJ, a slight increase of 0.6 per cent compared to the same period last year. Driven by the recovery of the tourism and catering sectors, the volume of commercial and industrial gas sales increased faster.

- Projects operating in 29 provincial regions on the Chinese mainland encompass upstream, midstream and downstream natural gas, renewable energy, water and environment. Among them, the total volume of gas sales was approximately 17,500 million cubic metres, an increase of nearly 9 per cent compared to the same period last year.

- The distributed photovoltaic business of the renewable energy segment progressed smoothly, with 91 zero-carbon smart park projects secured for development, and cumulatively, agreements for more than 2.20 GW had been signed, and more than 1.12 GW had been connected to the grid in terms of photovoltaic installed capacity.

- After amicable negotiations, the Group exited its investment of 25% equity interest in Shanghai Gas Co., Ltd. and received its fund of RMB4,663 million on 2nd August. Both parties will continue to establish more solid strategic relationships in the fields of, among others, natural gas resources, renewable energy, services and technologies.

FINANCIAL HIGHLIGHTS

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

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

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

Inclusive of all mainland city-gas projects of the Group

TOWN GAS BUSINESS IN HONG KONG

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

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

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

BUSINESSES ON THE CHINESE MAINLAND

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

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

UTILITY BUSINESSES

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

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

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

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

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

RENEWABLE ENERGY BUSINESS

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

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

EXTENDED BUSINESSES

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

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

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

EMERGING ENVIRONMENTALLY-FRIENDLY ENERGY BUSINESSES

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

TELECOMMUNICATIONS BUSINESSES

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

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

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

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

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

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

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

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

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

DIVIDEND

The Directors have declared an interim dividend of HK12 cents per share payable to shareholders whose names are on the Register of Members of the Company as at 31st August 2023. The Register of Members will be closed from Wednesday, 30th August 2023 to Thursday, 31st August 2023, during which period no share transfers will be effected. Dividend warrants will be posted to shareholders on Friday, 8th September 2023.

BUSINESS OUTLOOK FOR 2023

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

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

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

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

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

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

Hong Kong, 15th August 2023

FINANCIAL INFORMATION

Highlights of the Group's interim financial statements for the first six months ended 30th June 2023 are shown below. The unaudited interim financial statements have been reviewed by the Company's Board Audit and Risk Committee and external auditor, PricewaterhouseCoopers.

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

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

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30TH JUNE 2023

	Note	**At 30th June 2023 HK$M**	At 31st December 2022 HK$M
Assets			
Non-current assets			
Property, plant and equipment		**67,336.9**	71,818.8
Investment property		**996.5**	996.5
Right-of-use assets		**2,392.3**	2,813.3
Intangible assets		**5,010.2**	5,340.2
Associates		**34,719.2**	34,178.1
Joint ventures		**10,523.0**	11,163.0
Financial assets at fair value through other comprehensive income		**1,774.7**	1,763.3
Financial assets at fair value through profit or loss		**1,915.8**	4,715.3
Derivative financial instruments		**88.9**	298.4
Retirement benefit assets		**134.7**	134.7
Other non-current assets		**5,811.7**	6,536.7
		130,703.9	139,758.3
Current assets			
Inventories		**2,591.5**	3,426.3
Trade and other receivables	9	**14,113.5**	10,662.8
Loan and other receivables from associates		**386.9**	415.6
Loan and other receivables from joint ventures		**660.6**	612.8
Loan and other receivables from non-controlling shareholders		**163.9**	224.0
Financial assets at fair value through profit or loss		**1,424.1**	70.1
Derivative financial instruments		**1.0**	5.9
Time deposits over three months		**45.8**	52.3
Time deposits up to three months, cash and bank balances		**10,755.3**	13,241.2
		30,142.6	28,711.0
Assets held-for-sale		**1,204.6**	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED) (Continued)
AS AT 30TH JUNE 2023

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim financial statements, which do not constitute the Group's statutory consolidated financial statements, have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in compliance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

As at 30th June 2023, the Group was in a net current liabilities (including assets held-for-sale and liabilities directly associated with assets held-for-sale) position of approximately HK$7.0 billion. This is mainly because of management utilisation of the relatively favourable short term borrowings under which amounted to HK$18.5 billion as at 30th June 2023. Taking into consideration the Group's available facilities, history of obtaining external financing and the Group's expected cash flows from operations, management believes that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due. Accordingly, these condensed consolidated interim financial statements have been prepared on a going concern basis.

The financial information relating to the year ended 31st December 2022 that is included in the condensed consolidated interim financial information for the six months ended 30th June 2023 as comparative information does not constitute the Group's statutory annual consolidated financial statements for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) (the "Companies Ordinance") is as follows:

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

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

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

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

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's consolidated financial statements for the year ended 31st December 2022.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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

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

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31st December 2022. There have been no changes in the risk management policies since year end.

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

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

The following table presents the Group's financial assets and financial liabilities that are measured at fair value at 30th June 2023 and 31st December 2022.

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

There are 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.

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

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

- Financial liabilities include contingent consideration of approximately HK$0.2 billion (2022: approximately HK$0.2 billion), which is resulted by the further acquisition of a subsidiary in 2015 under other payables in level 3. The fair value is determined based on discounted cash flow model. The significant unobservable inputs include discount rate of 3.1 per cent (2022: 3.1 per cent) and the rate of probability on the outflow of resources will be required to settle the obligation. The fair value movement, if any, was caused by the change in the discount rate and the changes in the rate of probability.

- Financial liabilities also include embedded derivative component of convertible bonds of approximately HK$0.1 billion (2022: approximately HK$0.2 billion), the fair value of which is determined based on binomial option pricing model. The significant unobservable inputs include share price expected volatility of 42.7 per cent (2022: 39.9 per cent). The fair value of convertible bonds increases with the increase in the share price expected volatility.

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

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

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

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

3. Segment information

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

3. Segment information (Continued)

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

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

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

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

Note

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

3. Segment information (Continued)

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

3. Segment information (Continued)

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

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

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

Note

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

3. Segment information (Continued)

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

The Company is domiciled in Hong Kong. The Group's revenue from external customers in Hong Kong for the six months ended 30th June 2023 is HK$6,391.5 million (2022: HK$6,354.3 million), and the revenue from external customers in the Chinese mainland and other geographical locations is HK$22,786.1 million (2022: HK$23,366.7 million).

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

4. Total operating expenses

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

5. Other gains, net

	Six months ended 30th June	
	2023	2022
	HK$M	HK$M
Business restructuring (note a)		
Net gain on disposal of subsidiaries	**4,677.2**	-
Impairment losses for assets	**(2,007.7)**	-
Remeasurement loss on assets classified as held-for-sale	**(659.4)**	-
Realised losses on an equity investment and related derivatives	**(1,757.8)**	-
	252.3	-
Towngas Smart Energy Company Limited's ("Towngas Smart Energy") exit of Shanghai Gas Co., Ltd.		
Gain on disposal of an associate	**692.2**	-
Other items		
Impairment losses on goodwill (note b)	**(212.2)**	-
Gain on disposal of an associate engaged in water business	**89.4**	-
Change in fair value of embedded derivative component of convertible bonds	**66.3**	522.0
Net investment gains	**386.4**	99.5
Others	**(5.4)**	(1.5)
	324.5	620.0
	1,269.0	620.0

5. Other gains, net (Continued)

Notes:

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

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

In June 2023, the Group reached an agreement to dispose an unlisted equity investment, which principally owns a coking coal mine and related coke production and coke-gas conversion facility, resulting in realised losses on financial assets and related derivatives of HK$1,757.8 million and impairment losses of loan receivables and prepayment of HK$858.6 million for the six months ended 30th June 2023.

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

6. Taxation

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

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

7. Dividends

	Six months ended 30th June	
	2023	2022
	HK$M	HK$M
2022 Final, paid, of HK23 cents per ordinary share (2021 Final: HK23 cents per ordinary share)	**4,291.8**	4,291.8
2023 Interim, proposed, of HK12 cents per ordinary share (2022 Interim: HK12 cents per ordinary share)	**2,239.2**	2,239.2
	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$3,614.4 million (2022: HK$3,314.7 million) and the weighted average of 18,659,870,098 shares (2022: 18,659,870,098 shares) in issue during the period. As there were no dilutive potential ordinary shares of the Company outstanding during the period, the weighted average number of shares used in calculating diluted earnings per share is the same as calculating basic earnings per share.

	Six months ended 30th June	
	2023	2022
	HK$M	HK$M
Earnings		
Profit attributable to shareholders for the purpose of basic earnings per share	**3,614.4**	3,314.7
Effect of dilutive potential ordinary shares:		
Interests on convertible bonds, attributable to shareholders	**26.2**	25.4
Change in fair value of embedded derivative component of convertible bonds, attributable to shareholders	**(44.0)**	(343.9)
Reduction in share of Towngas Smart Energy's profits	**(71.5)**	(35.5)
Profit attributable to shareholders for the purpose of diluted earnings per share	**3,525.1**	2,960.7

9. Trade and other receivables

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

Notes

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

	At 30th June 2023 HK$M	At 31st December 2022 HK$M
0 - 30 days	**3,196.1**	3,924.7
31 - 60 days	**135.0**	132.2
61 - 90 days	**194.5**	95.1
Over 90 days	**196.0**	283.6
	3,721.6	4,435.6

(b) The consideration receivables was received subsequently after the period end in August 2023.

10. Trade payables and other liabilities

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

Notes

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

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

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

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

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

	At 30th June 2023 HK$M	At 31st December 2022 HK$M
Within 1 year	**109.9**	154.2
Over 1 year #	**261.7**	274.0
	371.6	428.2

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

(e) The interest expense on lease liabilities for the period amounting to HK$19.5 million (2022: HK$9.4 million) is included in the profit or loss.

(f) As at 31st December 2022, balance represented the carrying value of preferred shares issued by EcoCeres, Inc., a non-wholly owned subsidiary of the Group. The subsidiary has become an associate during the period and is therefore equity-accounted for.

EMPLOYEES AND PRODUCTIVITY

As at 30th June 2023, the number of employees engaged in the town gas business in Hong Kong was 2,100 (30th June 2022: 2,076), the number of customers was 2,005,023, and each employee served the equivalent of 955 customers, a slight increase compared to the same period last year. Inclusive of employees engaged in businesses such as telecommunications, liquefied petroleum gas vehicular refilling stations and engineering contractual works, the total number of the Group's employees engaged in businesses in Hong Kong was 2,325 as at the end of June 2023 compared to 2,379 as at the end of June 2022. Related manpower costs amounted to HK$619 million for the first half of 2023, an increase of HK$4 million compared to the same period last year. The Group will continue to offer employees rewarding careers based on their capabilities and performance and arrange a variety of training programmes in order to constantly enhance the quality of its customer services.

Exclusive of businesses in Hong Kong, the total number of the Group's employees on the Chinese mainland and other places outside Hong Kong was approximately 53,760 as at the end of June 2023, an increase of approximately 70 compared to the same period last year.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 30th August 2023 to Thursday, 31st August 2023, both days inclusive, during which period no transfer of shares will be registered. **In order to qualify for the interim dividend**, **all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 29th August 2023.**

FINANCIAL RESOURCES REVIEW

Liquidity and capital resources

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

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

Financing structure

In May 2009, the Group established a US$1 billion Medium Term Note Programme (the "Programme") which gives the Group the flexibility to issue notes at favourable terms and timing. In June 2021, the Programme was updated with the size increased to US$5 billion. Medium term notes totalling HK$808 million, with a tenor of 3 years, have been issued so far in 2023. In line with the Group's long-term business investments, as at 30th June 2023, the total nominal amount of medium term notes issued has reached HK$22.5 billion with tenors ranging from 2 to 40 years, mainly at fixed interest rates with an average of 3.1 per cent per annum and an average tenor of 14 years. In addition, our major listed subsidiary company Towngas Smart Energy Company Limited ("Towngas Smart Energy") also established its Medium Term Note Programme of US$2 billion in June 2021, which adds flexibility and capacity to its financing, and thus strengthening its financial position. In April 2022, Towngas Smart Energy issued its first 5-year Sustainability-Linked Bond (the "SLB") and raised a total of US$200 million at a coupon rate at 4.0 per cent per annum. As at 30th June 2023, the total nominal amount of medium term notes issued has reached RMB2.0 billion, mainly at fixed interest rates with an average of 4.2 per cent per annum and an average tenor of 4 years. As at 30th June 2023, the Group issued notes in the total nominal amount of HK$24,915 million (31st December 2022: HK$24,107 million) with maturity terms ranging from 2 to 40 years in Renminbi, Australian dollar, Japanese yen, United States dollar and Hong Kong dollar under the two Programmes (the "MTNs"). The carrying value of the issued MTNs as at 30th June 2023 was HK$24,490 million (31st December 2022: HK$23,850 million).

To further diversify the funding sources, Towngas Smart Energy issued its first 1-year and 3-year panda bonds on the Chinese mainland in June 2023 (the "Panda Bonds"), raising a total of RMB1.5 billion with an average annual interest rate of 3.27%. Among them is the first sustainability-linked Panda Bond issued by a Hong Kong enterprise on the Chinese mainland. The carrying value of the Panda Bonds as at 30th June 2023 was HK$1,620 million.

As at 30th June 2023, the Group's borrowings amounted to HK$60,504 million (31st December 2022: HK$59,304 million). Convertible bonds ("CB") of nominal amount at RMB1,836 million were issued by Towngas Smart Energy to a strategic investor in November 2021 and the carrying value of the debt component of the issued CB as at 30th June 2023 was HK$1,798 million (31st December 2022: HK$1,855 million). While the vast majority of the MTNs, Panda Bonds and CB mentioned above together with the bank and other loans of HK$12,296 million (31st December 2022: HK$11,860 million) had fixed interest rate and were unsecured, the remaining bank and other loans were unsecured and had a floating interest rate, of which HK$10,935 million (31st December 2022: HK$8,295 million) were long-term bank loans and HK$9,365 million (31st December 2022: HK$13,444 million) had maturities within one year on revolving credit or term loan facilities. As at 30th June 2023, the maturity profile of the Group's borrowings was 31 per cent within 1 year, 21 per cent within 1 to 2 years, 30 per cent within 2 to 5 years and 18 per cent over 5 years (31st December 2022: 33 per cent within 1 year, 13 per cent within 1 to 2 years, 36 per cent within 2 to 5 years and 18 per cent over 5 years).

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

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

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

Guarantee

As at 30th June 2023 and 31st December 2022, the Group did not provide any guarantee in respect of bank borrowing facilities made available to any associates, joint ventures or third parties.

Currency profile

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

Group's financial investments in securities

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

OTHER INFORMATION

Corporate governance

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

Model code for dealing in securities by Directors

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

Purchase, sale or redemption of listed securities

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

Saved as mentioned above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June 2023.

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

Hong Kong, 15th August 2023

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

Non-executive Directors:	Dr. Lee Ka-kit (Chairman), Dr. Lee Ka-shing (Chairman), Dr. Colin Lam Ko-yin and Mr. Andrew Fung Hau-chung
Independent Non-executive Directors:	Dr. the Hon. Sir David Li Kwok-po, Prof. the Hon. Poon Chung-kwong and Dr. the Hon. Moses Cheng Mo-chi
Executive Directors:	Mr. Peter Wong Wai-yee and Mr. John Ho Hon-ming