

2024

Interim Report



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

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

CORPORATE INFORMATION

Board of Directors

Non-Executive Directors

Lee Ka-kit (Chairman)
Kenneth Liu Kai-lap

Executive Directors

Peter Wong Wai-ye (Chief Executive Officer)
Martin Kee Wai-ngai
(Chief Operating Officer — Gas Business)
John Qiu Jian-hang
(Chief Operating Officer — Renewable Business)

Independent Non-Executive Directors

Moses Cheng Mo-chi
Brian David Li Man-bun
Christine Loh Kung-wai

Authorised Representatives

Peter Wong Wai-ye
Elsa Wong Lai-kin

Company Secretary

Elsa Wong Lai-kin

Board Audit and Risk Committee

Brian David Li Man-bun (Chairman)
Moses Cheng Mo-chi
Christine Loh Kung-wai

Remuneration Committee

Moses Cheng Mo-chi (Chairman)
Brian David Li Man-bun
Christine Loh Kung-wai

Nomination Committee

Lee Ka-kit (Chairman)
Moses Cheng Mo-chi
Brian David Li Man-bun
Christine Loh Kung-wai

Environmental, Social and Governance Committee

Peter Wong Wai-ye (Chairman)
Martin Kee Wai-ngai
John Qiu Jian-hang
Christine Loh Kung-wai

Auditor

Deloitte Touche Tohmatsu
*Certified Public Accountants and
Registered Public Interest Entity Auditor*
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88 Queensway
Hong Kong

Registered Office

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Grand Cayman
KY1-1104
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Stock Code : 1083
Website : www.towngassmartenergy.com

Principal Share Registrar and Transfer Office

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Gardenia Court
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Cayman Islands

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Hong Kong Branch Share Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited



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CHAIRMAN'S STATEMENT

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 30 June	
	2024	2023
Revenue, HK million dollars	10,501	9,883
Core operating profit, HK million dollars	707	449
Non-operating gains and losses, net, HK million dollars	36	666
Profit attributable to shareholders, HK million dollars	743	1,115
Basic earnings per share, HK cents	22.14	34.33
Gas sales volume, million cubic metres, natural gas equivalent*	8,741	8,226
Total photovoltaic grid connection, GW	2.1	1.1
Number of city-gas customers as at 30 June, million households*	17.22	16.36

* Inclusive of all city-gas projects of the Group

Despite better prospects for the world's economic recovery, businesses still face enormous pressure in their operations, with higher interest rates and ongoing geopolitical conflict continuing to hinder growth. In the first half of the year, the country's economic performance remained stable, with its gross domestic product ("GDP") growing by 5% year-on-year, on par with the annual target.

Given this complex and volatile business environment, the Group continued to make steady progress, focusing on the enhancement of our corporate efficiencies, enforcing strict controls on capital investment and costs, as well as adopting an asset-light strategy. This included introducing new investment partners, securing lower-interest financing through the issue of green bonds, and initiating projects in cooperation with different parties to obtain funds at lower cost, making it our goal to strengthen capital efficiency through asset structure optimisation, cost reduction and efficiency enhancement. In addition, the Company aims to create value for shareholders by enhancing synergies across our business while at the same time maximising the potential of our existing operations.

As at 30 June 2024, the Group had 657 projects in 26 provinces, autonomous regions and municipalities on the Chinese mainland, covering businesses throughout the energy spectrum from city-gas services to renewable energy. The total number of gas customers reached 17.22 million, representing an increase of 0.45 million customers compared to the end of 2023. Gas sales volume increased approximately 6% compared to the corresponding period last year to 8.74 billion cubic metres. The renewable energy segment also grew by 118 new projects during the period, and has signed contracts in an aggregate amount of 3.3GW and connected 2.1GW to the grid. We recorded a total revenue of HK\$10,501 million, representing an increase of 6.3% compared to the corresponding period last year. Core operating profit increased significantly by 57.5% to HK\$707 million (increased by 63.3% in RMB). After deducting non-operating gains and losses, the profit attributable to shareholders of the Company is HK\$743 million, representing a decrease of 33.4% compared to the corresponding period last year.

GAS BUSINESS

In response to the national policy requirements on energy conservation and emission reduction in key industries and public organisations, the Group, together with its parent company, The Hong Kong and China Gas Company Limited (“HKCG”), vigorously promoted its “Gas+” services, particularly in our gas sales to large-scale industrial and commercial customers and helping them to improve their energy efficiency. This move has driven up our energy services and resulted in an overall increase in gas sales volume. In addition, having been able to seize the development opportunities of the “new trio” industries (the production of electric vehicles, lithium-ion batteries and photovoltaic products), we recorded an overall gas sales volume of 8,741 million cubic metres during the period, representing an increase of 6%. Industrial gas sales rose by 4.6%, while commercial gas sales increased by 9.4%. As for city-gas projects, 3 new projects were added during the period, totalling 190 projects.

During this period, cost pass-throughs were facilitated by a fall in upstream natural gas prices. The average dollar margin in the first half of the year was RMB0.56 per cubic metre, representing an increase of RMB0.02 per cubic metre and a steady recovery in dollar margin compared to the city-gas average dollar margin in the first half of 2023.

Following the official establishment of gas source business segment last year, HKCG's cooperation with 3 major upstream natural gas companies, PipeChina, and large regional energy companies progressed steadily, with several strategic cooperation agreements signed. We managed a total of 1.9 billion cubic metres of gas volume in the first half of this year, which not only enhanced our natural gas guarantee capacities, but also contributed to the cost reduction and efficiency enhancement of our subordinate city-gas enterprises.

HKCG has used its gas storage facilities located in Jintan District, Changzhou City, Jiangsu Province, to achieve exchanges and connections between our gas pipeline and liquefied natural gas ("LNG") delivery systems, which has further improved the resilience of our gas source supply chain and increased its infrastructure efficiency. Additionally, the first phase of the Group's contingency peak-shaving storage base located in Weiyuan County, Sichuan Province, officially began operations in May this year. Once completed, this project will become a large-scale peak-shaving storage base for the surrounding area.

RENEWABLE ENERGY BUSINESS

Under the national "30-60" dual carbon goals and energy structure adjustment requirements, there is an increasing demand from customers for renewable energy as well as energy conservation and carbon reduction services, bringing opportunities for the Group in the renewable energy sector. To this end, we are actively leveraging the Group's and HKCG's base advantage of over 400,000 industrial customers on the mainland, aligning with national policies to promote the widespread application of renewable energy.

To seize these opportunities, the Group is vigorously developing zero-carbon smart industrial parks, providing green energy to industrial customers within these parks, and promoting "Energy as a Service" ("EaaS") to facilitate energy management for industrial customers, generating stable income. As EaaS continues to expand, the Group's "photovoltaics + energy storage + power trading" services are gradually showing competitive advantages. Among them, energy storage is becoming a major trend in the electricity market. We are thus actively developing our energy storage business to unleash the value of our photovoltaic assets through the storage of surplus photovoltaic power and comprehensive energy services integrating our "photovoltaics, storage, trading, and operation and maintenance" operations. Our aim is to provide multifaceted assistance to our customers in energy conservation and carbon reduction, bringing greater profitability to the Group in the process.

With these strategic deployments, the Group's performance in the green energy sector during the period exceeded expectations. At the same time, the development of our renewable energy business through an asset-light model has been successfully initiated, leading to rapid profit growth for the Group. The Group has implemented the development of 128 zero-carbon smart industrial parks and developed renewable energy projects in 23 provincial regions. The business covers various integrated energy service areas, including photovoltaics, energy storage, battery charging and swapping, power trading, carbon trading, engineering services, and digitalisation. The power trading business has grown significantly, increasing about seven-fold compared to the same period last year, exceeding 3.2 billion kWh. Notably, the distributed photovoltaic business achieved profitability last year and saw a significant profit increase in the first half of this year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group continue to uphold our philosophy "benefitting society through active participation in public welfare services; contributing to the community through dedicated efforts in environmental protection". To this end, we are fully committed to enhancing our Environmental, Social and Governance ("ESG") standards.

The Group has set up a Board ESG Committee at the Board level and, in conjunction with HKCG, an ESG Steering Committee and an ESG Working Committee. They are responsible for the development and implementation of specific work plans in relevant areas. During the period, the Board ESG Committee were provided with ongoing training on the development and trends of climate change and other natural risks. To strengthen management's sense of responsibility and awareness, the remuneration of relevant executive directors and senior management has also been linked to ESG management performance, which includes climate change goals, safety production performance and different ESG rating results.

Our efforts have continued to be recognised by international rating agencies. During the period, together with our parent company, HKCG, the Group was once again ranked among the "Top 1%" of Chinese enterprises in its global ESG score, while also being included in the "Sustainability Yearbook (China Edition) 2024" again. The Group has enhanced nature and biodiversity-related annual disclosures this year in order to retain this accolade for consecutive years. Additionally, the Group's ESG score from Sustainalytics improved, with the risk rating lowered to 23.7, reflecting the improved effectiveness of our ESG risk management abilities.

We also encourage our employees to lead a low-carbon life. During the period, the Group thus held a low-carbon environmental protection campaign to promote green and low-carbon living through tree planting, potted plant cultivation, and upcycling.

BUSINESS OUTLOOK FOR 2024

The Group actively promotes energy transformation. In May this year, the country released the “Action Plan for Energy Conservation and Carbon Reduction 2024-2025” to, among other things, guide natural gas consumption in an orderly manner, promote the development and utilisation of distributed new energy, and encourage the research and development as well as the application of renewable energy hydrogen production technology. These policies align with the main development direction of our business, and will bring broad development prospects for us.

The National Energy Administration also issued the “Guiding Opinions on Energy Work for 2024”, listing a number of major goals for this year, including increasing the share of installed capacity of non-fossil energy sources to about 55%, and the share of wind power and photovoltaic power generation to more than 17% of national power generation. Driven by the “30-60” dual carbon policies, China’s demand for natural gas will grow faster than its GDP, and natural gas will continue to play an important role in the country’s energy development in the years to come.

We expect the Group’s city-gas and natural gas businesses on the Chinese mainland to continue growing in the second half of the year. The Group will rely on the national pipeline network to build gas storage bases at multiple points across the country, while also coordinating gas supply sources through LNG procurement and cooperation with major regional energy companies. This strategy ensures stable gas supply whilst also reducing gas source costs. At the same time, the country has been accelerating the transition of its energy structure to help increase customer demand for renewable energy, energy conservation and carbon reduction services. We are thus highly optimistic about the continued growth of our renewable energy business and expect more new projects to be completed in the second half of the year, leading to increased profits and making this segment an important pillar for the Group’s future business development.

In the face of the complex geopolitical situation and high interest rates, the global economy recovery fell short of expectations. We will make every effort to maintain our resilience while imposing stringent controls on our investments to achieve cost reduction and efficiency enhancement in order to ensure our steady and ongoing growth.

Lee Ka-kit
Chairman

Hong Kong, 15 August 2024



TO THE BOARD OF DIRECTORS OF TOWNGAS SMART ENERGY COMPANY LIMITED

港華智慧能源有限公司

Introduction

We have reviewed the condensed consolidated financial statements of Towngas Smart Energy Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 8 to 45, which comprise the condensed consolidated statement of financial position as of 30 June 2024 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and notes to the condensed consolidated financial statements. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

15 August 2024

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2024

	NOTES	Six months ended 30 June	
		2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Revenue	3	10,500,990	9,882,711
Total operating expenses	4	(9,550,931)	(9,032,066)
		950,059	850,645
Other income		152,338	94,249
Other gains, net	5	108,969	764,349
Share of results of associates		110,949	62,411
Share of results of joint ventures		138,972	112,322
Finance costs	6	(359,423)	(409,497)
Profit before taxation	7	1,101,864	1,474,479
Taxation	8	(255,676)	(243,464)
Profit for the period		846,188	1,231,015
Profit for the period attributable to:			
Shareholders of the Company		742,714	1,115,411
Non-controlling interests		103,474	115,604
		846,188	1,231,015
		HK cents	HK cents
Earnings per share	9		
— Basic		22.14	34.33
— Diluted		19.32	30.20

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Profit for the period	<u>846,188</u>	<u>1,231,015</u>
Other comprehensive (expense) income for the period		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Exchange differences on translation from functional currency to presentation currency	(503,671)	(846,599)
Fair value change on investments in equity instruments at fair value through other comprehensive income	(95,572)	113,420
Income tax relating to items that will not be reclassified to profit or loss	23,893	(28,355)
<i>Items that may be reclassified subsequently to profit or loss</i>		
Cash flow hedge:		
Net fair value change on derivative instruments designated as cash flow hedge recorded in hedge reserve	32,926	83,564
Reclassification of fair value change on derivative instruments designated as cash flow hedge to profit or loss	<u>(42,025)</u>	<u>(159,809)</u>
	<u>(584,449)</u>	<u>(837,779)</u>
Total comprehensive income for the period	<u>261,739</u>	<u>393,236</u>
Total comprehensive income for the period attributable to:		
Shareholders of the Company	201,995	369,862
Non-controlling interests	<u>59,744</u>	<u>23,374</u>
Total comprehensive income for the period	<u>261,739</u>	<u>393,236</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	NOTES	30.6.2024 HK\$'000 (unaudited)	31.12.2023 HK\$'000 (restated)
Non-current assets			
Property, plant and equipment	11	29,023,964	28,555,243
Right-of-use assets	11	920,706	1,012,469
Intangible assets		368,084	384,994
Goodwill	12	4,693,986	4,820,508
Interests in associates		5,212,606	5,251,449
Interests in joint ventures		3,870,894	3,803,404
Loans to associates		–	47,701
Equity instruments at fair value through other comprehensive income		1,228,899	1,353,339
Other financial assets		92,715	70,628
Restricted deposits		115,451	108,691
		<u>45,527,305</u>	<u>45,408,426</u>
Current assets			
Inventories		594,682	588,608
Loans to associates		57,353	9,851
Loans to joint ventures		31,880	166,507
Trade and other receivables, deposits and prepayments	13	3,403,469	2,782,350
Amounts due from non-controlling shareholders		142,468	219,806
Other financial assets		21,768	10,708
Time deposits over three months		37,228	21,562
Bank balances and cash		3,824,245	4,080,302
		<u>8,113,093</u>	<u>7,879,694</u>
Assets classified as held for sale		<u>–</u>	<u>176,583</u>
		<u>8,113,093</u>	<u>8,056,277</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2024

	NOTES	30.6.2024 HK\$'000 (unaudited)	31.12.2023 HK\$'000 (restated)
Current liabilities			
Trade and other payables and accrued charges	15	3,842,386	3,705,656
Dividend payable		536,717	–
Contract liabilities		3,403,788	3,632,142
Lease liabilities		34,573	48,433
Amounts due to non-controlling shareholders		66,652	73,356
Taxation payable		1,344,171	1,412,241
Borrowings — amounts due within one year	16	9,023,605	5,499,842
Loan from ultimate holding company		44,056	28,453
Loan from an associate		–	24
Loans from joint ventures		324	27,467
Convertible bonds	17	1,870,432	1,952,264
		<u>20,166,704</u>	<u>16,379,878</u>
Liabilities associated with assets classified as held for sale		<u>–</u>	<u>10,090</u>
		<u>20,166,704</u>	<u>16,389,968</u>
Net current liabilities		<u>(12,053,611)</u>	<u>(8,333,691)</u>
Total assets less current liabilities		<u>33,473,694</u>	<u>37,074,735</u>
Non-current liabilities			
Lease liabilities		146,464	206,846
Borrowings — amounts due after one year	16	7,677,012	10,782,229
Deferred taxation		842,007	839,983
Loans from non-controlling shareholders		14,854	15,187
		<u>8,680,337</u>	<u>11,844,245</u>
Net assets		<u>24,793,357</u>	<u>25,230,490</u>
Capital and reserves			
Share capital	18	335,450	335,450
Reserves		22,154,954	22,511,762
Equity attributable to shareholders of the Company		<u>22,490,404</u>	<u>22,847,212</u>
Non-controlling interests		<u>2,302,953</u>	<u>2,383,278</u>
Total equity		<u>24,793,357</u>	<u>25,230,490</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to shareholders of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Hedge reserve HK\$'000	General reserve HK\$'000	Investment revaluation reserve HK\$'000	Share-based payment reserve HK\$'000	Shares held for share award scheme HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2024 (audited)	335,450	6,068,407	174,722	(92,452)	570,460	831,185	10,247	(108)	14,949,301	22,847,212	2,383,278	25,230,490
Exchange differences on translation from functional currency to presentation currency	-	-	(459,941)	-	-	-	-	-	-	(459,941)	(43,730)	(503,671)
Fair value change on investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(95,572)	-	-	-	(95,572)	-	(95,572)
Income tax relating to items that will not be reclassified to profit or loss	-	-	-	-	-	23,893	-	-	-	23,893	-	23,893
Net fair value change on derivative instruments designated as cash flow hedge recorded in hedge reserve	-	-	-	32,926	-	-	-	-	-	32,926	-	32,926
Reclassification of fair value change on derivative instruments designated as cash flow hedge to profit or loss	-	-	-	(42,025)	-	-	-	-	-	(42,025)	-	(42,025)
Profit for the period	-	-	-	-	-	-	-	-	742,714	742,714	103,474	846,188
Total comprehensive (expense) income for the period	-	-	(459,941)	(9,099)	-	(71,679)	-	-	742,714	201,995	59,744	261,739
Transfer	-	-	-	-	35,302	-	-	-	(35,302)	-	-	-
Share options lapsed (note 19)	-	-	-	-	-	-	(788)	-	788	-	-	-
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	-	(22,086)	(22,086)	(21,256)	(43,342)
Deemed disposal/disposal of subsidiaries (note 22)	-	-	-	-	-	-	-	-	-	-	(39,632)	(39,632)
Release of exchange reserve upon disposal of subsidiaries	-	-	5,454	-	-	-	-	-	(5,454)	-	-	-
Dividends declared to shareholders of the Company (note 10)	-	(536,717)	-	-	-	-	-	-	-	(536,717)	-	(536,717)
Dividends paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	(79,181)	(79,181)
	-	(536,717)	5,454	-	35,302	-	(788)	-	(62,054)	(558,803)	(140,069)	(698,872)
At 30 June 2024 (unaudited)	335,450	5,531,690	(279,765)	(101,551)	605,762	759,506	9,459	(108)	15,629,961	22,490,404	2,302,953	24,793,357

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2024

	Attributable to shareholders of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Hedge reserve HK\$'000	General reserve HK\$'000	Investment revaluation reserve HK\$'000	Share-based payment reserve HK\$'000	Shares held for share award scheme HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2023 (audited)	325,862	6,230,493	951	(102,458)	509,369	720,151	1,030	(49,825)	13,869,286	21,504,859	2,358,234	23,863,093
Exchange differences on translation from functional currency to presentation currency	-	-	(754,369)	-	-	-	-	-	-	(754,369)	(92,230)	(846,599)
Fair value change on investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	113,420	-	-	-	113,420	-	113,420
Income tax relating to items that will not be reclassified to profit or loss	-	-	-	-	-	(28,355)	-	-	-	(28,355)	-	(28,355)
Net fair value change on derivative instruments designated as cash flow hedge recorded in hedge reserve	-	-	-	83,564	-	-	-	-	-	83,564	-	83,564
Reclassification of fair value change on derivative instruments designated as cash flow hedge to profit or loss	-	-	-	(159,809)	-	-	-	-	-	(159,809)	-	(159,809)
Profit for the period	-	-	-	-	-	-	-	-	1,115,411	1,115,411	115,604	1,231,015
Total comprehensive (expense) income for the period	-	-	(754,369)	(76,245)	-	85,065	-	-	1,115,411	369,862	23,374	393,236
Transfer	-	-	-	-	20,841	-	-	-	(20,841)	-	-	-
Recognition of share-based payments upon grant of share options (note 19)	-	-	-	-	-	-	5,040	-	-	5,040	-	5,040
Issue of subscription shares (note 18)	11	418	-	-	-	-	(23)	-	-	406	-	406
Purchase of shares under share award scheme	-	-	-	-	-	-	-	(3,172)	-	(3,172)	-	(3,172)
Recognition of share-based payments upon grant of shares under share award scheme (note 19)	-	-	-	-	-	-	-	26,360	(6,538)	19,822	-	19,822
Dividends declared to shareholders of the Company (note 10)	-	(487,182)	-	-	-	-	-	-	-	(487,182)	-	(487,182)
Dividends paid to non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	(75,976)	(75,976)
	11	(486,764)	-	-	20,841	-	5,017	23,188	(27,379)	(465,086)	(75,976)	(541,062)
At 30 June 2023 (unaudited)	325,873	5,743,729	(753,418)	(178,703)	530,210	805,216	6,047	(26,637)	14,957,318	21,409,635	2,305,632	23,715,267

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	NOTES	Six months ended 30 June	
		2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Net cash generated from operating activities		919,456	455,491
Investing activities			
Purchases of property, plant and equipment		(2,048,843)	(1,919,913)
Purchase of right-of-use assets		(7,933)	(11,812)
Proceeds from disposal of property, plant and equipment		42,650	10,152
Dividends received from associates		297,199	244,823
Dividends received from equity instruments at fair value through other comprehensive income		36,947	37,236
Dividends received from joint ventures		81,182	80,266
Placement of restricted deposits		(9,141)	–
(Increase) decrease in time deposits over three months		(15,994)	5,172
Advance to an associate		(1,150)	(101)
Advances to joint ventures		(32,274)	(32,868)
Repayment of loans to joint ventures		164,426	27,693
Repayment of loans to associates		76	31,762
Acquisition of a subsidiary (net of cash and cash equivalents acquired)	22	–	(39,439)
Acquisition of assets through acquisition of subsidiaries (net of cash and cash equivalents acquired)		(57,668)	(182,274)
Acquisition of a joint venture		(656)	–
Deemed disposal/disposal of subsidiaries (net of cash and cash equivalents disposed)	22	79,736	–
Payments for acquisition of subsidiaries in prior year		(97,198)	–
Capital contribution to joint ventures		(23,089)	–
Other investing cash flows		4,155	8,218
Net cash used in investing activities		(1,587,575)	(1,741,085)
Financing activities			
New bank and other loans raised		5,109,491	10,948,704
Repayments of bank and other loans		(4,385,694)	(8,789,519)
Advances from joint ventures		13	45,033
(Repayment to) advances from associates		(24)	48
Acquisition of additional interest in subsidiaries		(43,342)	–
Loan from ultimate holding company		65,856	12,546
Repayment of lease liabilities		(92,804)	(333,839)
Repayment of loan from a non-controlling shareholder		–	(7,253)
Repayment of loan from ultimate holding company		(49,482)	(30,177)
Repayment of loans from joint ventures		(26,792)	(61,526)
Dividends paid to non-controlling shareholders of subsidiaries		(79,181)	(75,976)
Issue of subscription shares		–	406
Purchase of shares held for share award scheme		–	(3,172)
Net cash generated from financing activities		498,041	1,705,275
Net (decrease) increase in cash and cash equivalents		(170,078)	419,681
Cash and cash equivalents at beginning of the period		4,083,884	4,000,676
Effect of foreign exchange rate changes		(89,561)	(235,034)
Cash and cash equivalents at end of the period, representing bank balances and cash		3,824,245	4,185,323

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. BASIS OF PREPARATION

The Company is a public limited company incorporated in the Cayman Islands on 16 November 2000 under the Companies Law (Revised) Chapter 22 of the Cayman Islands as an exempted company with its shares listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). In the opinion of the directors of the Company (“Directors”), the Group’s parent holding company and ultimate controlling shareholder is The Hong Kong and China Gas Company Limited (“HKCG”), a limited company incorporated in Hong Kong with its shares listed on the Stock Exchange.

The functional currency of the Company is Renminbi (“RMB”). The condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$” or “HKD”). The reason for selecting HKD as its presentation currency is because the Company is a public company incorporated in the Cayman Islands with its shares listed on the Stock Exchange, where most of its investors are located in Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in the sales of piped gas, renewable energy and other types of energy, construction of gas pipelines, the sales of gas appliances and related products, and other value-added services in the People’s Republic of China (the “PRC”).

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

1. BASIS OF PREPARATION (CONTINUED)

In preparing the condensed consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that its current liabilities exceeded its current assets by approximately HK\$12,054 million as at 30 June 2024. The Group's liabilities as at 30 June 2024 included borrowings of approximately HK\$9,024 million that are repayable within one year from the end of the reporting period.

As at 30 June 2024, the Group is able to raise funds through a Medium Term Note Programme ("MTN Programme") amounting to approximately HK\$13,247 million, the remaining issuance amount under the debt financing instruments programme registered in the National Association of Financial Market Institutional Investors (the "Panda Bonds") amounting to approximately HK\$15,601 million and unutilised facilities from banks and HKCG amounting to approximately HK\$7,000 million ("Facilities"). When considering the Group's ability to continue as a going concern, the Directors considered that the Group's bank borrowings of approximately HK\$8,217 million that are repayable within one year from the end of the reporting period will be rolled over or refinanced as the Group has a good relationship with the banks and has good credibility.

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

In June 2024, the Group started to negotiate with bank for the renewal of two banking facilities with total amount of RMB4,000 million to be matured in March and June 2025 respectively. As at 30 June 2024, the outstanding amount under these facilities was approximately HK\$3,330 million which was classified as current liabilities. After the reporting period, the Group successfully obtained the commitment letter issued by the bank to extend these loans for 5 years from the original maturity dates subject to completion of administrative procedures by the bank.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are stated at fair values at the end of each reporting period as appropriate.

Other than accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2023.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendment to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

Except as described below, the application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of amendments to HKFRSs (continued)

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

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

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of amendments to HKFRSs (continued)

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

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

	30 June 2024		
	As reported HK\$'000	Reclassification HK\$'000	Without the application of the 2020 Amendments and 2022 Amendments HK\$'000
Current liabilities			
Convertible bonds	1,870,432	(1,870,432)	–
Non-current liabilities			
Convertible bonds	–	1,870,432	1,870,432
Total effect on net assets	–	–	–

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of amendments to HKFRSs (continued)

Impacts of application of amendments to HKFRSs on the condensed consolidated financial statements (continued)

	31 December 2023		
	Originally stated HK\$'000	Reclassification HK\$'000	Restated HK\$'000
Current liabilities			
Convertible bonds	–	1,952,264	1,952,264
Non-current liabilities			
Convertible bonds	1,952,264	(1,952,264)	–
Total effect on net assets	–	–	–
	1 January 2023		
	Originally stated HK\$'000	Reclassification HK\$'000	Restated HK\$'000
Current liabilities			
Convertible bonds	–	2,055,619	2,055,619
Non-current liabilities			
Convertible bonds	2,055,619	(2,055,619)	–
Total effect on net assets	–	–	–

3. SEGMENT INFORMATION

Operating segments

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

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

The Group currently organises its operations into four operating divisions, which also represent the operating segments of the Group for financial reporting purposes. The principal activities of the operating and reportable segments are as follows:

Sales of piped gas business	—	Sales of piped gas and other gas-related energy
Gas connection	—	Construction of gas pipeline networks under gas connection contracts
Renewable energy business	—	Sales of renewable energy (mainly photovoltaic power) and other related energy and services
Extended business	—	Sales of gas related household appliances and related products, and other related value-added services

During the six months ended 30 June 2023, the Executive Directors assessed the Group's business by three operating segments, namely (a) sales of piped gas and energy; (b) gas connection and (c) extended business. In the second half of 2023, the Executive Directors reassessed and restructured its businesses into (i) sales of piped gas business; (ii) gas connection; (iii) renewable energy business and (iv) extended business. The comparative information for operating segments has been restated to conform with the current period's presentation.

Segment results represent the profit before taxation earned by each segment, excluding finance costs, share of results of associates, share of results of joint ventures, other income, other gains, net and unallocated corporate expenses such as central administration costs and directors' emoluments. These are reported to the Executive Directors for the purposes of resource allocation and assessment of segment performance.

Amounts of segment assets and liabilities of the Group are not reviewed by the Executive Directors or otherwise regularly provided to the Executive Directors. Therefore, segment assets and liabilities are not presented.

3. SEGMENT INFORMATION (CONTINUED)

Operating segments (continued)

Information regarding these segments is presented below:

	Sales of piped gas business HK\$'000	Gas connection HK\$'000	Renewable energy business HK\$'000	Extended business HK\$'000	Consolidated HK\$'000
Six months ended 30 June 2024 (unaudited)					
REVENUE					
Revenue recognised at a point in time	8,672,375	626,140	754,780	259,593	10,312,888
Revenue recognised over time	–	188,102	–	–	188,102
External	<u>8,672,375</u>	<u>814,242</u>	<u>754,780</u>	<u>259,593</u>	<u>10,500,990</u>
Segment results	<u>549,222</u>	<u>313,569</u>	<u>164,467</u>	<u>37,032</u>	1,064,290
Other income					152,338
Other gains, net					108,969
Unallocated corporate expenses					(114,231)
Share of results of associates					110,949
Share of results of joint ventures					138,972
Finance costs					(359,423)
Profit before taxation					1,101,864
Taxation					(255,676)
Profit for the period					<u>846,188</u>

3. SEGMENT INFORMATION (CONTINUED)

Operating segments (continued)

Information regarding these segments is presented below: (continued)

	Sales of piped gas business HK\$'000	Gas connection HK\$'000	Renewable energy business HK\$'000	Extended business HK\$'000	Consolidated HK\$'000
Six months ended 30 June 2023 (restated and unaudited)					
REVENUE					
Revenue recognised at a point in time	8,256,290	669,882	443,262	277,226	9,646,660
Revenue recognised over time	–	236,051	–	–	236,051
External	<u>8,256,290</u>	<u>905,933</u>	<u>443,262</u>	<u>277,226</u>	<u>9,882,711</u>
Segment results	<u>580,607</u>	<u>366,786</u>	<u>8,335</u>	<u>40,171</u>	995,899
Other income					94,249
Other gains, net					764,349
Unallocated corporate expenses					(145,254)
Share of results of associates					62,411
Share of results of joint ventures					112,322
Finance costs					(409,497)
Profit before taxation					1,474,479
Taxation					(243,464)
Profit for the period					<u>1,231,015</u>

4. TOTAL OPERATING EXPENSES

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Gas fuel, stores and materials used	7,928,122	7,524,214
Staff costs	694,415	677,884
Depreciation and amortisation	603,281	531,728
Other expenses	325,113	298,240
	<u>9,550,931</u>	<u>9,032,066</u>

5. OTHER GAINS, NET

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Other gains, net include:		
Change in fair value of embedded derivative component of convertible bonds	65,779	66,328
Gain on deemed disposal/disposal of subsidiaries (<i>note 22</i>)	54,480	–
Gain on deemed partial disposal of an associate	37,230	–
Gain on exit from investment in an associate (<i>note</i>)	–	692,214
Exchange gain, net	2,297	1,447
Impairment provision of property, plant and equipment	(24,256)	–
Impairment provision of goodwill	(16,659)	–
(Loss) gain on disposal of property, plant and equipment	<u>(9,902)</u>	<u>1,106</u>

Note: Pursuant to a capital reduction agreement entered into by the Company, Shenergy (Group) Company Limited and Shanghai Gas Co., Ltd. (“Shanghai Gas”), all parties agreed to the exit by the Company from its entire investment of 25% equity interest in Shanghai Gas through a reduction of the capital of Shanghai Gas by the amount held by the Company. During the six months ended 30 June 2023, the Company recognised a gain of HK\$692,214,000 and received the consideration of RMB4,662,578,000 from Shanghai Gas in second half of 2023.

6. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest on bank and other borrowings	311,885	362,448
Effective interest expense on convertible bonds	40,550	39,416
Bank charges	4,686	2,766
Interest on lease liabilities	8,691	13,191
	<u>365,812</u>	<u>417,821</u>
Less: amounts capitalised	(6,389)	(8,324)
	<u>359,423</u>	<u>409,497</u>

7. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	8,850	9,178
Depreciation of right-of-use assets	26,132	36,798
Cost of inventories sold	8,590,388	8,066,908
Depreciation of property, plant and equipment	568,299	485,752
Staff costs (<i>note</i>)	694,415	677,884
and after crediting:		
Interest income	21,269	23,294
Dividend income from equity instruments at fair value through other comprehensive income	<u>36,947</u>	<u>37,236</u>

Note: Staff cost included HK\$24,862,000 for share-based payment for the six months ended 30 June 2023. No share-based payment expenses for the six months ended 30 June 2024.

8. TAXATION

Six months ended 30 June

2024	2023
HK\$'000	HK\$'000
(unaudited)	(unaudited)

The charge comprises:

PRC Enterprise Income Tax (“EIT”)		
— current period	209,114	220,346
Deferred taxation	46,562	23,118
	<u>255,676</u>	<u>243,464</u>

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

The EIT rates applicable for the Group’s PRC subsidiaries range from 15% to 25% (six months ended 30 June 2023: 15% to 25%).

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

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

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to shareholders of the Company for the purpose of basic earnings per share	742,714	1,115,411
Effect of dilutive potential ordinary shares:		
Interest expense on convertible bonds	40,550	39,416
Change in fair value of embedded derivative component of convertible bonds	(65,779)	(66,328)
	<u>717,485</u>	<u>1,088,499</u>
Profit for the period attributable to shareholders of the Company for the purpose of diluted earnings per share	<u>717,485</u>	<u>1,088,499</u>
Number of shares		
Six months ended 30 June		
	2024	2023
	'000	'000
Number of shares		
Weighted average number of ordinary shares in issue less shares held for share award scheme for the purpose of basic earnings per share	3,354,477	3,249,481
Effect of dilutive potential ordinary shares:		
Convertible bonds	358,854	354,268
Share options	–	1,091
Weighted average number of subscription shares	–	3
Weighted average number of subscription shares that would have issued at market	–	(3)
	<u>–</u>	<u>(3)</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>3,713,331</u>	<u>3,604,840</u>

9. EARNINGS PER SHARE (CONTINUED)

For the six months ended 30 June 2024, the computation of diluted earnings per share did not assume the exercise of the share options issued by the Company because the exercise price of those options was higher than the average market price for shares for the period.

10. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: nil). During the period, a final dividend of 16 HK cents per ordinary share (2022: 15 HK cents per ordinary share) amounting to HK\$536,717,000 was declared by the Board as for the year ended 31 December 2023 (2022: HK\$487,182,000).

The final dividend for 2023 was payable in cash but shareholders were given the option of electing to receive the final dividend in the form of new shares in lieu of cash in respect of part or all of such dividend. Subsequent to the reporting period, on 12 July 2024, the final dividend of 16 HK cents per ordinary share, which included the scrip dividend alternative offered to shareholders, was paid to shareholders whose name appear on the register of members of the Company on 6 June 2024 as the final dividend in respect of the financial year ended 31 December 2023.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group spent HK\$2,048,843,000 (six months ended 30 June 2023: HK\$3,216,401,000) on additions to property, plant and equipment, including HK\$967,571,000 (six months ended 30 June 2023: HK\$1,246,455,000) on the construction in progress of gas pipelines, nil (six months ended 30 June 2023: HK\$1,296,488,000) on the property, plant and equipment acquired through acquisition of subsidiaries and HK\$1,081,272,000 (six months ended 30 June 2023: HK\$673,458,000) on other plant and equipment.

Furthermore, during the current interim period, additions to right-of-use assets amounted to HK\$22,787,000 (six months ended 30 June 2023: HK\$375,761,000), of which HK\$7,933,000 (six months ended 30 June 2023: HK\$21,049,000) relates to acquisition of leasehold land.

Details of the impairment assessment are set out in note 12.

12. GOODWILL

	HK\$'000
At 1 January 2023 (audited)	5,296,236
Currency realignment	(142,705)
Acquisition of subsidiaries	63,148
Impairment provision recognised	(306,000)
Reclassified as held for sale	(90,171)
	<hr/>
At 31 December 2023 and 1 January 2024 (audited)	4,820,508
Currency realignment	(109,863)
Impairment provision recognised	(16,659)
	<hr/>
At 30 June 2024 (unaudited)	4,693,986
	<hr/> <hr/>

Impairment assessment

The management considered there was indication of impairment for certain cash-generating units principally engaged in sales of piped gas business, gas connection, renewable energy business and extended business, accordingly impairment assessment was conducted on the carrying amounts of the related non-current assets. Based on the result of the assessment, the Group recognised impairment losses of HK\$16,659,000 and HK\$24,256,000 in relation to goodwill and property, plant and equipment respectively.

13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30.6.2024	31.12.2023
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade receivables (net of allowance for credit losses)	1,690,766	1,464,668
Prepayments	697,922	541,501
Consideration receivable for disposal of subsidiaries	106,765	–
Other receivables and deposits (<i>note</i>)	908,016	776,181
	<hr/>	<hr/>
	3,403,469	2,782,350
	<hr/> <hr/>	<hr/> <hr/>

Note: Included in the balance of other receivables and deposits are amounts due from related companies of HK\$31,384,000 (31 December 2023: HK\$81,687,000). The amounts are unsecured, interest-free and repayable on demand.

13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Trade receivables

Included in the balance of trade and other receivables, deposits and prepayments are trade receivables with gross carrying amount of HK\$1,912,921,000 (31 December 2023: HK\$1,678,582,000) and allowance for credit losses of HK\$222,155,000 (31 December 2023: HK\$213,914,000). The Group has a policy of allowing a credit period ranging from 0 to 180 days to its customers. Longer credit period is also allowed on a case by case basis. The following is an aged analysis of trade receivables net of allowance of credit losses presented based on the invoice date, which approximated the revenue recognition date, at the end of the reporting period:

	30.6.2024	31.12.2023
	HK\$'000	HK\$'000
	(unaudited)	(audited)
0 to 90 days	1,352,152	1,039,121
91 to 180 days	141,399	224,505
Over 180 days	197,215	201,042
	<u>1,690,766</u>	<u>1,464,668</u>

Details of the impairment assessment are set out in note 14.

14. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Impairment loss recognised in respect of trade receivables, net	<u>12,302</u>	<u>24,611</u>

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2023.

15. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	30.6.2024	31.12.2023
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade payables	2,374,414	2,140,337
Consideration payable for acquisitions of subsidiaries	76,754	176,968
Other payables and accruals	1,367,813	1,385,681
Amount due to ultimate holding company (<i>note</i>)	23,405	2,670
	<u>3,842,386</u>	<u>3,705,656</u>

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

Trade payables

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

	30.6.2024	31.12.2023
	HK\$'000	HK\$'000
	(unaudited)	(audited)
0 to 90 days	1,326,811	1,100,516
91 to 180 days	406,673	376,030
181 to 360 days	361,182	299,408
Over 360 days	279,748	364,383
	<u>2,374,414</u>	<u>2,140,337</u>

16. BORROWINGS

	30.6.2024	31.12.2023
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Bank loans — unsecured	13,754,793	12,238,142
Other loans — unsecured	39,271	6,281
MTN — unsecured	806,972	825,083
Sustainability linked bonds (“SLB”) — unsecured	1,561,600	1,562,400
Panda Bonds — unsecured	537,981	1,650,165
	<u>16,700,617</u>	<u>16,282,071</u>
Carrying amount repayable:		
On demand or within one year	9,023,605	5,499,842
Within a period of more than one year but not exceeding two years	2,480,127	5,414,097
Within a period of more than two years but not exceeding five years	4,090,036	4,624,321
Within a period of more than five years	1,106,849	743,811
	<u>16,700,617</u>	<u>16,282,071</u>
Less: Amount due within one year shown under current liabilities	<u>(9,023,605)</u>	<u>(5,499,842)</u>
Amount due after one year shown under non-current liabilities	<u>7,677,012</u>	<u>10,782,229</u>

17. CONVERTIBLE BONDS

The movement of the convertible bonds during the six months ended 30 June 2024 is set out below:

	Debt component	Embedded derivative component	Total
	HK\$'000	HK\$'000	HK\$'000
As at 1 January 2024 (audited)	1,857,795	94,469	1,952,264
Currency realignment	(55,116)	(1,487)	(56,603)
Interest expense	40,550	–	40,550
Gain arising on change of fair value	–	(65,779)	(65,779)
	<u>1,843,229</u>	<u>27,203</u>	<u>1,870,432</u>
As at 30 June 2024 (unaudited)	<u>1,843,229</u>	<u>27,203</u>	<u>1,870,432</u>

At 30 June 2024, the details and terms of all the convertible bonds are the same as those disclosed in the Group's annual financial statements for the year ended 31 December 2023. With effect from 12 July 2024, the conversion price has been adjusted from HK\$6.18 to HK\$6.06 as a result of issue of scrip shares at HK\$2.90 per share made by the Company to the shareholders for the year ended 31 December 2023. Details of the adjustment to conversion price of the convertible bonds were set out in the Company's announcement dated 12 July 2024.

18. SHARE CAPITAL

Authorised shares of HK\$0.10 each

	Number of shares	HK\$'000
At 1 January 2023, 30 June 2023, 1 January 2024 and 30 June 2024	<u>5,000,000,000</u>	<u>500,000</u>

A summary of the movements in the issued and fully paid capital of the Company is as follows:

	Number of shares	HK\$'000
At 1 January 2023 (audited)	3,258,615,526	325,862
Issue of subscription shares (<i>note a</i>)	<u>110,000</u>	<u>11</u>
At 30 June 2023 (unaudited)	3,258,725,526	325,873
Issue of shares upon scrip dividend scheme (<i>note b</i>)	<u>95,775,055</u>	<u>9,577</u>
At 31 December 2023 (audited) and 30 June 2024 (unaudited)	<u>3,354,500,581</u>	<u>335,450</u>

Notes:

- (a) During the six months ended 30 June 2023, 110,000 subscription shares were allotted and issued with total proceeds of HK\$406,000. Details of the subscription shares were disclosed in the announcements of the Company dated 18 March 2022 and 6 June 2022.
- (b) On 16 March 2023, a scrip dividend scheme was proposed by the Board, which offers that the shareholders of the Company may elect to receive the dividend wholly or partly by the allotment of new shares in lieu of cash. This proposal was approved at the Company's annual general meeting held on 25 May 2023. On 11 July 2023, 95,775,055 shares of HK\$0.10 each were allotted and issued at HK\$3.49 each to shareholders who had elected to receive new shares in lieu of cash dividend in respect of the 2022 final dividend under the scrip dividend scheme.

All the shares which were issued in prior period/year rank pari passu with the then existing shares in all respects.

19. SHARE-BASED PAYMENT TRANSACTIONS

Share award scheme

On 17 August 2021, the Company adopted the share award scheme (the “Scheme”) for the purposes of (a) recognising the contributions by certain directors or employees of the Group (the “eligible participants”) and providing them with incentives in order to retain them for the continual operation and development of the Group and (b) attracting suitable personnel for the further development of the Group and to contribute to the long-term growth of the Group. Unless terminated earlier by the Board pursuant to the Scheme, the Scheme shall be valid and effective for a period of 10 years commencing on 17 August 2021. Tricor Trust (Hong Kong) Limited was appointed as a trustee of the Scheme. Subject to the terms and conditions of the Scheme and the fulfilment of all vesting conditions, the award shares held by the trustee on behalf of a selected participant shall vest in such selected participant and the trustee shall transfer the award shares to such selected participant. Details of the Scheme were disclosed in the announcement of the Company dated 17 August 2021.

At 30 June 2024, there are 24,000 shares (31 December 2023: 24,000 shares) held by the trustee. No shares were granted to the eligible participants during the six months ended 30 June 2024. The Group recognised nil amount for the six months ended 30 June 2024 (six months ended 30 June 2023: total expenses of HK\$19,822,000) in relation to shares granted to the selected eligible participants.

Share option scheme

The Company has adopted a share option scheme (the “Share Option Scheme”) pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 26 May 2022 and the Share Option Scheme was also approved by ordinary resolution of the shareholders of HKCG, the parent company of the Company, at HKCG’s annual general meeting on 6 June 2022. The participants include employees and directors of the Group, consultants and other advisors to members of the Group who are also directors and/or senior management staff of subsidiaries of HKCG. The Share Option Scheme is valid and effective for a period of 10 years commencing 26 May 2022.

The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the eligible participants, attracting and retaining persons with the right calibre and experience to work for or make contribution to the Group, fostering a sense of belonging with the Group, and allowing the participants to enjoy the results of the Company achieved through their contributions to the Group.

19. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Share option scheme (continued)

The details and terms of the Share Option Scheme are the same as those disclosed in the Group's annual financial statements for the year ended 31 December 2023. During the six months ended 30 June 2024, 900,000 share options at an exercise price of HK\$3.40 lapsed upon the retirement of a director and an amount of HK\$788,000 was transferred from share-based payment reserve to the retained earnings. At 30 June 2024, 4,050,000 (31 December 2023: 4,950,000) share options at an exercise price of HK\$3.40 were held by directors of the Company and 6,713,000 (31 December 2023: 6,713,000) share options at an exercise price of HK\$3.40 were held by other participants representing directors or senior management staff of the subsidiaries of the Company and directors of both subsidiaries of the Company and HKCG. No share options were granted by the Company during the six months ended 30 June 2024. The Group recognised nil amount for the six months ended 30 June 2024 (six month ended 30 June 2023: total expenses of HK\$5,040,000) in relation to share options granted by the Company.

20. COMMITMENTS

	30.6.2024	31.12.2023
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
— Acquisition of property, plant and equipment	<u>211,752</u>	<u>267,179</u>

21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/ liabilities	30.6.2024 (unaudited)	Fair value as at 31.12.2023 (audited)	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Listed equity investment classified as fair value through other comprehensive income	Assets — HK\$1,122,010,000	Assets — HK\$1,237,657,000	Level 1	Quoted market price	N/A
Cross currency interest rate swap classified as other financial assets	Assets — HK\$21,768,000	Assets — HK\$10,708,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable yield curves at the end of the reporting period) and yield curve of relevant interest rates and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A
Cross currency swap classified as other financial assets	Assets — HK\$92,715,000	Assets — HK\$70,628,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable yield curves at the end of the reporting period).	N/A
Unquoted equity investments classified as fair value through other comprehensive income	Assets — HK\$106,889,000	Assets — HK\$115,682,000	Level 3	Market comparable approach	Market multiples ranging from 0.1 to 1.8 (31 December 2023: 0.1 to 1.8) and discount for lack of marketability ranging from 0% to 30% (31 December 2023: 0% to 30%) (note a)
Embedded derivative component of convertible bonds	Liabilities — HK\$27,203,000	Liabilities — HK\$94,469,000	Level 3	Binomial option pricing model	Expected volatility of 39.5% (31 December 2023: 43.2%) (note b)

Notes:

- (a) The higher the market multiples, the higher the fair value, and vice versa. The higher the discount, the lower the fair value, and vice versa. A reasonably possible change in the unobservable inputs used would not result in a significantly higher or lower fair value measurement.
- (b) An increase in the expected volatility used in isolation would result in an increase in the fair value of the embedded derivative component of convertible bonds and vice versa. A 5% increase/decrease in the expected volatility holding all other variables constant would increase/decrease the fair value of the embedded derivative component of convertible bonds by HK\$16,282,000 or HK\$11,994,000 (31 December 2023: HK\$27,837,000 or HK\$27,416,000), respectively.

21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Reconciliation of Level 3 fair value measurements

	Financial assets at FVTPL HK\$'000	Unquoted equity investments HK\$'000	Embedded derivative component of convertible bonds HK\$'000
Balance at 1 January 2023 (audited)	70,064	20,511	(200,680)
Fair value change recognised in profit or loss	–	–	66,328
Additions	111,449	1,689	–
Settlements	(111,717)	–	–
Currency realignment	(2,827)	(973)	6,179
	<u>66,969</u>	<u>21,227</u>	<u>(128,173)</u>
Balance at 30 June 2023 (unaudited)	<u>66,969</u>	<u>21,227</u>	<u>(128,173)</u>
Balance at 1 January 2024 (audited)	–	115,682	(94,469)
Fair value change recognised in profit or loss	–	–	65,779
Fair value change recognised in other comprehensive income	–	(6,294)	–
Currency realignment	–	(2,499)	1,487
	<u>–</u>	<u>106,889</u>	<u>(27,203)</u>
Balance at 30 June 2024 (unaudited)	<u>–</u>	<u>106,889</u>	<u>(27,203)</u>

The fair value gain recognised in profit or loss relating to embedded derivative component of convertible bonds of HK\$65,779,000 (six months ended 30 June 2023: HK\$66,328,000) is included in “other gains, net” line item.

21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Fair value measurements and valuation processes

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management reports the findings to the Directors half yearly to explain the cause of fluctuations in the fair value of the assets and liabilities.

There were no transfers between Level 1, 2 and 3 during both periods.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The Directors consider that the carrying amounts of financial assets and financial liabilities (except for debt component of convertible bonds, SLB and Panda Bonds) recorded at amortised cost in the condensed consolidated financial statements approximate their fair values. For debt component of convertible bonds, SLB and Panda Bonds, the fair values at 30 June 2024 amounted to HK\$1,864,240,000, HK\$1,475,681,000 and HK\$549,349,000 (31 December 2023: HK\$1,865,465,000, HK\$1,500,029,000 and HK\$1,654,912,000), respectively.

22. ACQUISITION/DISPOSAL OF SUBSIDIARIES

For the period ended 30 June 2024

(i) *Deemed disposal of a gas company*

On 22 November 2023, Chao Sheng Investments Limited (“Chaosheng”), a wholly-owned subsidiary of the Company which held 60% equity interest in Chaozhou Fengxi Hong Kong and China Gas Co., Ltd. (“Fengxi Gas”), entered into a joint venture agreement with an independent third party and two wholly-owned subsidiaries of HKCG. Pursuant to the joint venture agreement, each of the shareholders agreed to contribute the initial registered capital by cash and additional capital by equity interests in certain subsidiaries. Chaosheng contributed RMB149,500 in cash as initial registered capital of the joint venture company and further contributed 60% equity interest in Fengxi Gas to the joint venture company and held an equity interest of 14.95% in the joint venture company. At 31 December 2023, the related assets (including goodwill) and liabilities were classified as assets classified as held for sale and liabilities associated with assets classified as held for sale. On 7 March 2024, the transaction has been completed and Fengxi Gas ceased to be a subsidiary of the Company.

Analysis of assets and liabilities over which control was lost:

	HK\$'000 (unaudited)
Property, plant and equipment	53,862
Right-of-use assets	33
Goodwill	89,268
Inventories	1,435
Trade and other receivables	26,968
Bank balances and cash	1,588
Trade and other payables	(5,223)
Contract liabilities	(1,638)
Deferred tax liabilities	(304)
	<hr/>
	165,989
	<hr/> <hr/>
Gain on deemed disposal of a subsidiary:	
Retained interest in an associate	139,958
Net assets disposed of	(165,989)
Non-controlling interests	30,810
	<hr/>
	4,779
	<hr/> <hr/>
Net cash outflow on deemed disposal:	
Bank balances and cash disposed	(1,588)
	<hr/> <hr/>

22. ACQUISITION/DISPOSAL OF SUBSIDIARIES (CONTINUED)

For the period ended 30 June 2024 (continued)

(ii) Disposal of renewable energy companies

During the six months ended 30 June 2024, the Group has disposed of partial equity interests in certain subsidiaries which are principally engaged in the renewable energy business, at the aggregate consideration of RMB193,630,000 (equivalent to HK\$209,468,000). Upon completion of the disposal, these entities ceased to be the subsidiaries but remained as associates or joint ventures of the Company. The disposals are individually immaterial and therefore presented on an aggregated basis.

Analysis of assets and liabilities over which control was lost:

	HK\$'000 (unaudited)
Property, plant and equipment	363,638
Trade and other receivables	54,646
Bank balances and cash	21,379
Trade and other payables	(81,692)
Bank borrowings	(24,752)
	<u>333,219</u>
Gain arising on disposal:	
Consideration received	102,703
Consideration receivable for disposal of subsidiaries	106,765
Retained interests in associates and joint ventures	164,630
Net assets disposed of	(333,219)
Non-controlling interests	8,822
	<u>49,701</u>
Net cash inflow on disposal:	
Consideration received	102,703
Bank balances and cash disposed	(21,379)
	<u>81,324</u>

22. ACQUISITION/DISPOSAL OF SUBSIDIARIES (CONTINUED)

For the period ended 30 June 2023

(i) *Acquisition of assets through acquisition of renewable energy companies*

During the six months ended 30 June 2023, the Group has acquired 100% interests in numerous entities which are principally engaged in the business of photovoltaics in the PRC, at the aggregate consideration of RMB394,906,000 (equivalent to HK\$446,272,000). The primary reason for the acquisition is for the expansion of the Group's renewable energy business and to increase returns to its shareholders. The acquisitions are individually immaterial and therefore presented on an aggregated basis.

The net identifiable assets acquired in the acquisition are as follows:

	HK\$'000 (unaudited)
Property, plant and equipment	1,263,344
Right-of-use assets	327,131
Trade and other receivables	308,409
Bank balances and cash	27,094
Trade and other payables	(930,406)
Taxation payable	(10,484)
Contract liabilities	(276)
Bank borrowings	(149,227)
Lease liabilities	(389,313)
	<u>446,272</u>
Result on the acquisition:	
Consideration paid	209,368
Deposits paid at 31 December 2022	183,409
Consideration payable for acquisition of subsidiaries	53,495
Acquirees' fair values of net identifiable assets	(446,272)
	<u>–</u>
Net cash outflow on acquisition:	
Consideration paid	(209,368)
Bank balances and cash acquired	27,094
	<u>(182,274)</u>

The Group elected to apply the optional concentration test for these acquisitions in accordance with HKFRS 3 "Business Combinations" and concluded that the photovoltaic equipment together with the in-place lease are considered a single identifiable asset. Consequently, the Group determined that substantially all of the fair values of the gross assets acquired are concentrated in property, plant and equipment and concluded that the acquired set of activities and assets are not businesses.

22. ACQUISITION/DISPOSAL OF SUBSIDIARIES (CONTINUED)

For the period ended 30 June 2023 (continued)

(ii) Acquisition of a gas company

During the six months ended 30 June 2023, the Group acquired 100% equity interest in 達茂港華燃氣有限公司(“達茂港華”) at a consideration of RMB70,000,000 (equivalent to HK\$79,945,000). RMB35,000,000 (equivalent to HK\$39,972,000) was settled during the period while the remaining amount of RMB35,000,000 (equivalent to HK\$39,973,000) was recorded as consideration payable. 達茂港華 is principally engaged in the provision for natural gas and related services.

The net identifiable assets acquired in the acquisition are as follows:

	HK\$'000 (unaudited)
Property, plant and equipment	33,144
Right-of-use asset	9,237
Inventories	143
Trade and other receivables	4,843
Bank balances and cash	533
Trade and other payables	(21,428)
Contract liabilities	(1,848)
Taxation payable	(166)
Bank borrowings	(6,772)
	<u>17,686</u>
Goodwill arising on acquisition:	
Consideration paid	39,972
Consideration payable for acquisition of a subsidiary	39,973
Acquirees' fair values of net identifiable assets	(17,686)
	<u>62,259</u>
Net cash outflow on acquisition:	
Consideration paid	(39,972)
Bank balances and cash acquired	533
	<u>(39,439)</u>

No proforma information of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2023 is presented as contributions are insignificant.

23. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in the condensed consolidated financial statements, the Group has the following transactions with related parties:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Transactions with fellow subsidiaries (<i>note a</i>):		
Purchase of goods and services	244,293	131,517
Sale of goods and services	100,251	29,580
Transactions with associates of ultimate controlling shareholder (<i>note b</i>):		
Purchase of goods and services	22,185	21,462
Sale of goods and services	8,854	2,973
Transactions with a joint venture (<i>note c</i>):		
Purchase of goods	39,574	24,639
Transactions with associates (<i>note d</i>):		
Purchase of goods	81,444	41,136
Sale of goods	7,281	6,838

Notes:

- (a) HKCG has controlling interests in these companies.
- (b) HKCG has significant influences in these companies.
- (c) The Group jointly controlled this company with an independent third party.
- (d) The Group has significant influences in these companies.

23. RELATED PARTY TRANSACTIONS (CONTINUED)

On 8 December 2023, the Group entered into a transfer agreement with a wholly-owned subsidiary of HKCG to acquire its entire equity interests of 50% in Shanghai Electric & Towngas Energy Technology Co., Ltd. (“Shanghai Electric”), 50% in Jilin Electric Power & Towngas Smart Energy (Jinan) Co., Ltd. (“Jilin Electric”) and 100% in Suqian Towngas China Photovoltaic Co., Ltd. (“Suqian Towngas”) for the consideration of RMB7,372,000, RMB604,000 and RMB53,118,000 (equivalent to HK\$8,003,000, HK\$656,000 and HK\$57,668,000), respectively. The transfer of Shanghai Electric is in progress and capital expenditure for investment of HK\$8,003,000 is contracted for as capital commitment as at 30 June 2024. The transfer of Jilin Electric and Suqian Towngas were completed on 5 February 2024 and 16 January 2024, respectively. Details are set out in the announcement of the Company dated 8 December 2023.

During the six months ended 30 June 2023, Towngas China Energy Investment Limited entered into a transfer agreement with a wholly-owned subsidiary of HKCG to acquire all issued shares in Towngas Renewable Energy (HK) Company Limited (“Towngas Renewable Energy (HK)”) and the loan owing to the HKCG Group by Towngas Renewable Energy (HK) from a wholly-owned subsidiary of HKCG at cash consideration of HK\$27,507,000. The acquisition was completed during second half of 2023. Details are set out in the announcement of the Company dated 21 June 2023.

FINANCIAL REVIEW

Revenue

For the first half of 2024, the Group's consolidated gas sales volume amounted to 2,593 million cubic metres, representing an increase of 9.3% from the corresponding period last year. The cost pass-throughs of piped gas were further improved, with cost pass-throughs having already been achieved among the majority of the industrial and commercial customers and with residential cost pass-throughs realised in multiple cities where the Group's city-gas projects are located. Meanwhile, the real estate sector on the Chinese mainland remained in doldrums, leading to a decrease in household gas connection. On the consolidated basis, the Group had 165,000 new household connections, representing a decrease of 9.2% from the corresponding period last year, leading to a decrease in gas connection revenue. The Group's total revenue in the first half of 2024 amounted to HK\$10,501 million, representing an increase of 6.3% compared to the corresponding period last year.

Business Segments

	Six months ended 30 June	
	2024 HK\$ million	2023 HK\$ million (restated)
Sales of piped gas business	8,672	8,256
Gas connection	814	906
Renewable energy business	755	443
Extended business	260	278
Total	10,501	9,883

Total Operating Expenses

Total operating expenses of the Group included gas fuel, stores and materials used, staff costs, depreciation and amortisation, and other expenses. Total operating expenses in the first half of 2024 amounted to HK\$9,551 million, representing an increase of 5.7% compared to the corresponding period last year.

	Six months ended 30 June	
	2024	2023
	HK\$ million	HK\$ million
Gas fuel, stores and materials used	7,928	7,524
Staff costs	695	678
Depreciation and amortisation	603	532
Other expenses	325	298
Total	9,551	9,032

Total operating expenses and its ratio to total revenue remained constant as compared to the corresponding period last year.

Other Gains, Net

Other gains, net decreased by 85.7% to HK\$109 million as compared to HK\$764 million in the corresponding period last year, mainly due to the increase of gain on deemed disposal/disposal of subsidiaries and partial interest of an associate of HK\$92 million and the gain on exit from the equity interest in Shanghai Gas of HK\$692 million in the corresponding period last year.

Share of Results of Associates

The share of results of associates increased by 77.8% from HK\$62 million in the corresponding period last year to HK\$111 million, which mainly due to the Group's share of loss of Shanghai Gas amounted to HK\$92 million in the corresponding period last year.

Share of Results of Joint Ventures

The share of results of joint ventures increased by 23.7% from HK\$112 million in the corresponding period last year to HK\$139 million, which mainly due to the increase of gas gross profit brought by steady advancement from cost pass-throughs.

Finance Costs

The finance costs of the Group decreased by 12.2% from HK\$409 million in the corresponding period last year to HK\$359 million. Strengthened capital expenditure control and the securing of lower interest financing has reduced the finance costs.

Profit for the Period

During the first half of 2024, profit attributable to shareholders of the Company amounted to HK\$743 million, representing a decrease of 33.4% compared to the corresponding period last year. Deducting non-operating gains and losses (i.e. gain from change in fair value of embedded derivative component of convertible bonds of HK\$66 million and assets impairment attributable to the shareholders of the Company totaling HK\$30 million) (2023 corresponding period: gain from change in fair value of embedded derivative component of convertible bonds of HK\$66 million and net gain of HK\$600 million on exit from the equity interest in Shanghai Gas and share of its results), core operating profit amounted to HK\$707 million (2023 corresponding period: HK\$449 million), increased significantly by 57.5% (increased by 63.3% in RMB). Basic earnings per share amounted to 22.14 HK cents, representing a decrease of 35.5% compared to the corresponding period last year.

FINANCIAL POSITION

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

As at 30 June 2024, the Group's borrowings amounted to HK\$16,701 million (31 December 2023: HK\$16,282 million), of which HK\$9,024 million (31 December 2023: HK\$5,500 million) represented borrowings due within 1 year, HK\$6,570 million (31 December 2023: HK\$10,038 million) represented borrowings due between 1 to 5 years, and HK\$1,107 million (31 December 2023: HK\$744 million) represented borrowings due over 5 years. Other than the HK\$12,178 million (31 December 2023: HK\$12,392 million) in borrowings which bore interests at fixed rates, the Group's other borrowings were arranged on a floating interest rate basis. The maturities and interest rates of the borrowings were arranged to provide sound financial resources and stable interest costs for the Group. The businesses of the Group mainly occurred on the Chinese mainland and most transactions, assets and liabilities were stated in RMB. As a result, the Group bore currency risk from fluctuations of RMB exchange rate for non-RMB denominated deposits and borrowings. The Group's borrowings denominated in RMB amounted to HK\$14,735 million (31 December 2023: HK\$14,323 million) and the remaining HK\$1,966 million borrowings were denominated mainly in United States dollars ("USD") (31 December 2023: HK\$1,959 million) as at the end of the period. Cross currency swaps contracts were made to hedge foreign currency risk for most of the non-RMB denominated borrowings so as to reduce risk arising from fluctuations of RMB. Apart from the borrowings as mentioned above, the Group also has RMB loans amounted to approximately HK\$44 million (31 December 2023: HK\$28 million), approximately HK\$0.32 million (31 December 2023: HK\$27 million) and approximately HK\$15 million (31 December 2023: HK\$15 million) from the parent company HKCG, joint ventures, and non-controlling shareholders on a fixed interest rate basis, respectively.

In June 2024, the Group started to negotiate with bank for the renewal of two banking facilities with total amount of RMB4,000 million to be matured in March and June 2025 respectively. As at 30 June 2024, the outstanding amount under these facilities was approximately HK\$3,330 million which was classified as current liabilities. After the reporting period, the Group successfully obtained the commitment letter issued by the bank to extend these loans for 5 years from the original maturity dates subject to completion of administrative procedures by the bank.

As if the above mentioned banking facilities were renewed by 30 June 2024, the net current liabilities of the Group would become HK\$8,724 million.

As at 30 June 2024, the Group's cash and cash equivalents together with time deposits and restricted deposits amounted to HK\$3,977 million (31 December 2023: HK\$4,214 million), of which 99% (31 December 2023: 99%) are RMB-denominated and the rest are denominated in HK\$ and USD. The gearing ratio (net debt to total equity plus net debt) of the Group as at 30 June 2024 was 37.1% (31 December 2023: 35.8%).

As at 30 June 2024, the Group is able to raise approximately HK\$13,247 million under the MTN Programme, the remaining issuance amount of the Panda Bonds approximately HK\$15,601 million and unutilised facilities from banks and HKCG amounting to approximately HK\$7,000 million.

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

CREDIT RATINGS

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

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2024.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2024, the Group had 24,171 employees (as at 30 June 2023: 23,856). Employee remuneration is based on individual performance, job nature and the relevant responsibilities involved. The Group provides on-the-job training as well as optimal benefits packages for employees, which include medical welfare, retirement plans, year-end bonuses and other incentives. The Group encourages employees to adopt a work-life balance, whilst improving the work environment for employees on a continuing basis so that they can realise their full potential and contribute to the Group.

INTERIM DIVIDEND

The Board has taken account of the Company's dividend policy and resolved at the Board meeting on 15 August 2024 not to declare an interim dividend (2023: nil).

OTHER INFORMATION

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 30 June 2024.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix C3 of the Listing Rules 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 30 June 2024.

Board Audit and Risk Committee

The Company has established a board audit and risk committee (the “Board Audit and Risk Committee”) in accordance with requirements under the Listing Rules for the purposes of reviewing and supervising the Group’s financial reporting processes, risk management and internal control systems.

A meeting of the Board Audit and Risk Committee was held on 8 August 2024 to review the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2024. Deloitte Touche Tohmatsu, the Group’s external auditor, had carried out a review of the unaudited condensed consolidated financial statements for the six months ended 30 June 2024 in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

Purchases, Sale or Redemption of the Company’s Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2024.

Directors' Interests or Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2024, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were required pursuant to: (a) Divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”); (b) Section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in Shares and underlying Shares

Name of Company	Name of Director	Capacity	Interest in shares			Number of underlying shares pursuant to share options (Note 1)	Aggregate interest	Approximate percentage of the number of issued shares of the Company or its associated corporation as at 30.06.2024
			Personal interest	Family interest	Other interest			
Towngas Smart Energy Company Limited	Lee Ka-kit (Note 2)	Discretionary beneficiary of discretionary trusts	-	-	2,379,921,776	-	2,379,921,776	70.95%
	Peter Wong Wai-yee (Note 3)	Beneficial owner	7,532,000	-	-	1,800,000	9,332,000	0.28%
	Martin Kee Wai-ngai	Beneficial owner	1,800,000	-	-	900,000	2,700,000	0.08%
	John Qiu Jian-hang	Beneficial owner	2,700,000	-	-	1,350,000	4,050,000	0.12%
The Hong Kong and China Gas Company Limited (“HKCG”)	Lee Ka-kit (Note 4)	Discretionary beneficiary of discretionary trusts	-	-	7,748,692,715	-	7,748,692,715	41.53%

Notes:

1. These underlying shares (being regarded for the time being as unlisted physically settled equity derivatives) represent share options granted by the Company under its existing share option scheme. Details of the share options are set out in the section headed "Share Option Scheme" below.
2. Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick") as trustees of respective discretionary trusts, held units in a unit trust ("Unit Trust"). Hopkins (Cayman) Limited ("Hopkins") as trustee of the Unit Trust owned all the issued ordinary shares of Henderson Development Limited ("Henderson Development"). Henderson Development was entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of Henderson Land Development Company Limited ("Henderson Land Development"). On 28 June 2024, HKCG's subsidiaries submitted election forms with the Company by electing to receive new shares in lieu of cash dividend pursuant to the Company's scrip dividend scheme. Dr. the Hon. Lee Ka-kit, as one of the discretionary beneficiaries of the discretionary trusts, is deemed under the SFO to be interested in 41.53% of the total number of issued shares in HKCG and 2,379,921,776 shares of the Company representing approximately 70.95% of the total number of issued shares of the Company as at 30 June 2024. Subsequent to the allotment and issue of 124,440,353 new shares by the Company to HKCG's subsidiaries pursuant to the scrip dividend scheme on 12 July 2024, the percentage figure of the number of issued shares of the Company as held by HKCG's subsidiaries was 68.38%.
3. Upon Mr. Peter Wong Wai-yee's submission of an election form with the Company electing to receive new shares in lieu of cash dividend pursuant to the Company's scrip dividend scheme on 28 June 2024 and the subsequent allotment and issue of 393,000 new shares by the Company on 12 July 2024, Mr. Peter Wong Wai-yee had personal interest of 9,332,000 shares and underlying shares of the Company, representing approximately 0.27% of the number of issued shares of the Company as at the date of this report.
4. Hopkins owned all the issued ordinary shares which carry the voting rights in the share capital of Henderson Development as trustee of the Unit Trust. Rimmer and Riddick, as trustees of 2 discretionary trusts, respectively, held units in the Unit Trust. Dr. the Hon. Lee Ka-kit as one of 2 discretionary beneficiaries of the discretionary trusts, was taken to have duties of disclosure in relation to these 7,748,692,715 shares by virtue of Part XV of the SFO.

Save as stated above, as at 30 June 2024, there were no other interests or short positions of the Directors and the chief executive in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

The Company has adopted a share option scheme (the “Share Option Scheme”) pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 26 May 2022 (the “SOS Adoption Date”) and the Share Option Scheme was also approved by ordinary resolution of the shareholders of HKCG, the parent company of the Company, at HKCG’s annual general meeting on 6 June 2022. The eligible participants include any (i) director, chief executive or employee (whether full-time or part-time) of each member of the Group; and (ii) consultant and other adviser to each member of the Group who is also a director and/or senior management staff of subsidiary(ies) of HKCG. The Share Option Scheme is valid and effective for a period of 10 years commencing on the SOS Adoption Date.

For further details of the Share Option Scheme including a summary of the principal terms of the Share Option Scheme, please refer to the Company’s circular dated 14 April 2022 and the Company’s 2023 Annual Report.

Details and movements of share options that were granted under the Share Option Scheme or remained outstanding during the period ended 30 June 2024 are as follows:

Grantees	Date of Grant	Exercise Period	Vesting Date (Note 1)	Exercise price (HK\$)	Number of share options				
					Outstanding as at 01.01.2024	Granted during the period	Cancelled/lapsed during the period	Exercised during the period	Outstanding as at 30.06.2024
Category 1: Directors									
Peter Wong Wai-yee	25.11.2022	25.11.2023 – 24.11.2025	25.11.2023	3.40	1,800,000	-	-	-	1,800,000
John Ho Hon-ming (retired with effect from 1 January 2024) (Note 2)	25.11.2022	25.11.2023 – 24.11.2025	25.11.2023	3.40	900,000	-	(900,000)	-	-
Martin Kee Wai-ngai	25.11.2022	25.11.2023 – 24.11.2025	25.11.2023	3.40	900,000	-	-	-	900,000
John Qiu Jian-hang	25.11.2022	25.11.2023 – 24.11.2025	25.11.2023	3.40	1,350,000	-	-	-	1,350,000
Category 2: Others									
(i) directors or senior management staff of the subsidiaries of the Company; and	25.11.2022	25.11.2023 – 24.11.2025	25.11.2023	3.40	6,713,000	-	-	-	6,713,000
(ii) directors of both subsidiaries of the Company and of HKCG									
Total					11,663,000	-	(900,000)	-	10,763,000

Notes:

1. The vesting period of the share options fell on the first anniversary of the date of grant, i.e. 25 November 2023.
2. The 900,000 share options held by Mr. John Ho Hon-ming were lapsed on 1 January 2024 upon his retirement as Director.
3. The closing price of the shares immediately before the date of grant was HK\$3.42 per share.
4. The weighted average closing price of the shares immediately before the vesting date was HK\$3.33 per share.

Save as disclosed above, no share options were granted, vested, exercised, lapsed and/or cancelled, and no share options granted were in excess of the 1% individual limit under the Share Option Scheme during the six months ended 30 June 2024.

The number of share options available for grant under the Share Option Scheme as at 1 January 2024 and 30 June 2024 was 304,326,534 and 305,226,534 respectively. No service provider submit was set under the Share Option Scheme.

The number of shares that may be issued in respect of options granted under the Share Option Scheme during the six months ended 30 June 2024 was 10,763,000, representing approximately 0.32% of the weighted average number of shares of the Company in issue for the period.

Share Award Scheme

The Company adopted a share award scheme (the “Share Award Scheme”) on 17 August 2021 (the “Adoption Date”) for the purposes of (a) recognising the contributions by certain directors or employees of the Group (the “eligible participants”) and providing them with incentives in order to retain them for the continual operation and development of the Group; and (b) attracting suitable personnel for the further development of the Group and to contribute to the long-term growth of the Group. The Share Award Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date. Further details of the Share Award Scheme have been disclosed in the Company’s announcement dated 17 August 2021.

Tricor Trust (Hong Kong) Limited was appointed as a trustee of the Share Award Scheme. Subject to the terms and conditions of the Share Award Scheme and the fulfilment of all vesting conditions, the Award Shares held by the trustee on behalf of a selected participant shall vest in such selected participant and the trustee shall transfer the Award Shares to such selected participant.

During the six months ended 30 June 2024, no Award Shares were granted, vested, lapsed and/or forfeited under the Share Award Scheme, and no Award Shares granted were in excess of the 0.1% of the total number of issued shares.

Arrangements to Purchase Shares or Debentures

Other than the Share Option Scheme and Share Award Scheme as mentioned above, at no time during the period was the Company, its holding company, fellow subsidiaries or any of its subsidiaries a party to any arrangements to enable the Directors (including their spouses and children under the age of 18) to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders

As at 30 June 2024, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders (other than the Directors or chief executive of the Company as disclosed above) had notified the Company of relevant interests and short positions in the issued shares of the Company (the “Shares”):

Long Positions in Shares

Name of shareholder	Capacity	Aggregate interest in Shares	Approximate percentage of the number of Shares as at 30.06.2024
Lee Shau-kee	Interest of controlled corporations	2,379,921,776 (Note 1)	70.95%
Rimmer	Trustee	2,379,921,776 (Note 2)	70.95%
Riddick	Trustee	2,379,921,776 (Note 2)	70.95%
Hopkins	Interest of controlled corporations	2,379,921,776 (Note 2)	70.95%
Henderson Development	Interest of controlled corporations	2,379,921,776 (Note 2)	70.95%
Henderson Land Development	Interest of controlled corporations	2,379,921,776 (Note 2)	70.95%
Faxson Investment Limited (“Faxson”)	Interest of controlled corporations	2,379,921,776 (Note 2)	70.95%
HKCG	Interest of controlled corporations	2,379,921,776 (Note 3)	70.95%
Towngas International Company Limited (“TICL”)	Interest of controlled corporation	2,174,914,524 (Note 3)	64.84%
Hong Kong & China Gas (China) Limited (“HK&CG (China)”)	Beneficial owner	2,174,914,524 (Note 3)	64.84%
Towngas Investment Company Limited (“TICL-HK”)	Interest of controlled corporations	205,007,252 (Note 3)	6.11%

Name of shareholder	Capacity	Aggregate interest in Shares	Approximate percentage of the number of Shares as at 30.06.2024
Planwise Properties Limited (“Planwise”)	Beneficial owner	201,577,233 (Note 3)	6.01%
Tang Kok Yew	Interest of controlled corporations	471,050,984 (Note 4)	14.04%
Capstar Holdings (“Capstar”)	Interest of controlled corporations	471,050,984 (Note 4)	14.04%
Affinity Fund V General Partner Limited (“Affinity Fund V”)	Interest of controlled corporations	471,050,984 (Note 4)	14.04%
Converging Worldview Investments Pte. Ltd. (“Converging Worldview”)	Interest of controlled corporations	471,050,984 (Note 4)	14.04%
Clean Energy Ecosystem Pte. Ltd. (“Clean Energy Ecosystem”)	Beneficial owner	471,050,984 (Note 4)	14.04%
Central Huijin Investment Ltd. (“Central Huijin”)	Interest of controlled corporations	350,350,000 (Note 5)	10.44%
Industrial and Commercial Bank of China Limited (“ICBC”)	Interest of controlled corporations	350,350,000 (Note 5)	10.44%
ICBC International Holdings Limited (“ICBC International”)	Interest of controlled corporations	350,350,000 (Note 5)	10.44%
ICBC International Investment Management Limited (“ICBC International Management”)	Interest of controlled corporations	350,350,000 (Note 5)	10.44%
Victory Ride Holdings Limited (“Victory Ride”)	Interests held jointly with another person	350,350,000 (Note 5)	10.44%

Notes:

1. The entire issued share capital of Rimmer, Riddick and Hopkins were owned by Dr. the Hon. Lee Shau-kee. Dr. the Hon. Lee Shau-kee was therefore taken to be interested in the same 2,379,921,776 Shares as set out in Notes 2 and 3 below by virtue of Part XV of the SFO.
2. Rimmer and Riddick as trustees of respective discretionary trusts, held units in a Unit Trust. Hopkins as trustee of the Unit Trust owned all the issued ordinary shares of Henderson Development. Henderson Development was entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of Henderson Land Development. Henderson Land Development through its subsidiaries (including Faxson) was entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of HKCG. Each of Rimmer, Riddick, Hopkins, Henderson Development, Henderson Land Development and Faxson was therefore taken to be interested in the same 2,379,921,776 Shares which HKCG is deemed interested in as described in Note 3 below by virtue of Part XV of the SFO.

3. As HK&CG (China) was a wholly-owned subsidiary of TIGL, which in turn was a wholly-owned subsidiary of HKCG, each of TIGL and HKCG was therefore taken to be interested in the 2,174,914,524 Shares held by HK&CG (China) by virtue of Part XV of the SFO. In addition, as Planwise and Superfun Enterprises Limited (“Superfun”) were wholly-owned subsidiaries of TIGL-HK, which in turn was a wholly-owned subsidiary of HKCG, each of TIGL-HK and HKCG was therefore taken to be interested in 205,007,252 Shares, which included (a) the 201,577,233 Shares held by Planwise; and (b) the 3,430,019 Shares held by Superfun by virtue of Part XV of the SFO. Subsequent to the allotment and issue of a total 124,440,353 new Shares to HK&CG (China), Planwise and Superfun by the Company on 12 July 2024, the approximate percentage figures of interest of (i) HKCG, (ii) TIGL and HK&CG (China), (iii) TIGL-HK and (iv) Planwise in the Shares were therefore adjusted to (i) 68.38%, (ii) 62.49%, (iii) 5.89% and (iv) 5.79%, respectively, as at 12 July 2024.
4. Mr. Tang Kok Yew was taken to be interested in the Shares which were held by Clean Energy Ecosystem through his controlled corporations Capstar, Affinity Fund V and Converging Worldview, including (i) 116,783,333 Shares (representing approximately 3.48% of the number of issued Shares as at 30 June 2024); and (ii) unlisted convertible bonds of the Company (“Unlisted Convertible Bonds”), which may be fully converted into 358,853,640 Shares based on the adjusted conversion price (as adjusted after the allotment and issue of scrip shares pursuant to the scrip dividend scheme of the Company on 12 July 2022 and 11 July 2023) of HK\$6.18 per convertible Share. Following the allotment and issue of scrip shares pursuant to the scrip dividend scheme of the Company on 12 July 2024, the Unlisted Convertible Bonds may be fully converted into 365,959,653 Shares based on the adjusted conversion price of HK\$6.06 per convertible Share as disclosed in the announcement of the Company dated 12 July 2024.
5. Central Huijin was taken to have acquired a security interest in these unlisted Convertible Bonds, which might be fully converted into 350,350,000 Shares through its controlled corporations, ICBC, ICBC International, ICBC International Management and Victory Ride. Victory Ride held these security interests of unlisted Convertible Bonds jointly with another person. The interests were disclosed according to the disclosure of interest filing made by each of Victory Ride, Central Huijin, ICBC, ICBC International and ICBC International Management on 17 August 2022.

Save for the shareholders as disclosed herein, the Directors are not aware of any persons who, as at 30 June 2024, were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

Short positions in Shares and Underlying Shares

As at 30 June 2024, the Company had not been notified of any short positions being held by any substantial shareholder in the Shares or underlying Shares.

Other Persons

Save as disclosed above, as at 30 June 2024, the Company had not been notified of any other person who had interest or short position in the Shares or underlying Shares, which are required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO and the Listing Rules.

Equity-linked Agreements

Issue of New Shares and Convertible Bonds under General Mandate

On 18 November 2021, the Company issued (a) 116,783,333 subscription shares at the aggregate subscription price of HK\$583,916,665 (equivalent to HK\$5.00 per subscription share) (the “Share Issue”); and (b) the 1% unsecured convertible bonds due 2026 in the principal amount of RMB1,835,603,119.35 (the “Convertible Bonds”) (equivalent to HK\$2,217,715,500 at the exchange rate agreed with Clean Energy Ecosystem Pte. Ltd. (the “Investor”)) (the “Convertible Bonds Issue”) to the Investor pursuant to the subscription agreement dated 25 October 2021 entered into between the Company and the Investor. Based on the adjusted conversion price of HK \$6.18 per Conversion Share subsequent to the adjustment events on 12 July 2022 and 11 July 2023, a maximum number of 358,853,640 Conversion Shares may be allotted and issued by the Issuer upon full conversion of the Convertible Bonds. No application has been or will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

As a result of the completion of issue of scrip shares at the value of HK\$2.90 per Share pursuant to the scrip dividend scheme of the Company (as detailed in the relevant circular of the Company dated 13 June 2024) on 12 July 2024, the conversion price of the Convertible Bonds has been further adjusted from HK\$6.18 per Share to HK\$6.06 per Share and the maximum number of Shares to be issued by the Company upon full conversion of the Convertible Bonds has been further increased from 358,853,640 Shares to 365,959,653 Shares when compared to the adjustment made in 2023. As at 30 June 2024, none of the Convertible Bonds were converted.

For further details, please refer to the Company’s announcements dated 25 October 2021, 18 November 2021, 12 July 2022, 11 July 2023 and 12 July 2024.

The aggregate gross proceeds from the Share Issue and the Convertible Bonds Issue were approximately HK\$2,802,000,000 and the aggregate net proceeds were approximately HK\$2,800,000,000. As at 30 June 2024, none of the Convertible Bonds were converted. The net proceeds raised from the Share Issue and the Convertible Bonds Issue have been fully utilised by the Company for business expansion – including investment in smart energy business in years 2021 and 2022. There were no remaining unutilized net proceeds as at 30 June 2024.

Other than the Convertible Bonds Issue as mentioned above, no equity-linked agreements were entered into by the Group, or existed during the six months ended 30 June 2024.

Changes in Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information on Directors are as follows:

Changes in Directors' biographical details

Dr. the Hon. Lee Ka-kit *GBM, GBS, JP, DBA (Hon),
Chairman and Non-Executive Director*

Dr. Lee was awarded the Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region on 1 July 2024.

Changes in Directors' emoluments

With effect from 1 July 2024, the monthly basic salary payable to Mr. Peter Wong Wai-yee as Executive Director and Chief Executive Officer, Mr. Kee Wai-ngai as Executive Director and Chief Operating Officer – Gas Business, and Dr. Qiu Jianhang as Executive Director and Chief Operating Officer – Renewable Business of the Company, respectively, has increased by approximately 4% which was an adjustment to basic salaries made by the Company in July 2024, in addition to their entitlement of performance and discretionary bonus, share-based payments and other benefits to be determined by the Remuneration Committee and the Board after the end of the year.