

# 2023

# 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*)

LIU Kai Lap Kenneth

#### Executive Directors

Peter Wong Wai-ye (*Chief Executive Officer*)

John Ho Hon-ming (*Company Secretary*)

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

James Kwan Yuk-choi

LOH Kung Wai Christine

### Authorised Representatives

Peter Wong Wai-ye

John Ho Hon-ming

### Company Secretary

John Ho Hon-ming

### Board Audit and Risk Committee

Brian David Li Man-bun (*Chairman*)

Moses Cheng Mo-chi

James Kwan Yuk-choi

### Remuneration Committee

Moses Cheng Mo-chi (*Chairman*)

Brian David Li Man-bun

James Kwan Yuk-choi

LOH Kung Wai Christine

### Nomination Committee

Lee Ka-kit (*Chairman*)

Moses Cheng Mo-chi

Brian David Li Man-bun

James Kwan Yuk-choi

LOH Kung Wai Christine

### Environmental, Social and Governance Committee

Peter Wong Wai-ye (*Chairman*)

John Ho Hon-ming

Martin Kee Wai-ngai

John Qiu Jian-hang

LOH Kung Wai Christine

### Auditor

Deloitte Touche Tohmatsu

*Certified Public Accountants and*

*Registered Public Interest Entity Auditor*

35/F, One Pacific Place

88 Queensway

Hong Kong

### Registered Office

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Ugland House

Grand Cayman

KY1-1104

Cayman Islands

### Head Office and Principal Place of Business

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North Point, Hong Kong

Telephone : (852) 2963 3298

Facsimile : (852) 2561 6618

Stock Code : 1083

Website : [www.towngassmartenergy.com](http://www.towngassmartenergy.com)

### Principal Share Registrar and Transfer Office

Suntera (Cayman) Limited

Suite 3204, Unit 2A

Block 3, Building D

P.O. Box 1586

Gardenia Court

Camana Bay

Grand Cayman, KY1-1100

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<br>Six months ended 30 June |        |
|---|---------------------------------------|--------|
|   | 2023                                  | 2022   |
| Revenue, HK million dollars   | <b>9,883</b>                          | 10,160 |
| Operating profit attributable to shareholders,<br>HK million dollars                                      | <b>449</b>                            | 520    |
| Change in fair value of embedded derivative component of<br>convertible bonds, HK million dollars         | <b>66</b>                             | 522    |
| Net gain on exit from the equity interest in Shanghai Gas<br>and share of its results, HK million dollars | <b>600</b>                            | –      |
| Profit attributable to shareholders, HK million dollars   | <b>1,115</b>                          | 1,042  |
| Basic earnings per share, HK cents  | <b>34.33</b>                          | 33.04  |
|   |                                       |        |
| Gas sales volume, million cubic metres; natural gas equivalent*   | <b>8,226</b>                          | 7,541  |
| Number of city gas customers as at 30 June, million households*   | <b>16.36</b>                          | 15.50  |

\* Inclusive of all city gas projects of the Group

### Review of Operations

In the first half of this year, as the world gradually returned to normal with the receding of the COVID-19 epidemic, the Chinese mainland market showed steady recovery. Industrial production, business operations and everyday life, also showed improvement, yet less favourable than expected. The global economy continues to be plagued by severe inflation, persistently high interest rate policies formulated by central banks around the world, as well as the ongoing Russia-Ukraine war. Thus, despite the overall market improved after the debilitating impact of the epidemic, economic recovery on the Chinese mainland still faces challenges in the second half of the year due to the constraints of the international situation.

Given this challenging and volatile business environment, the Group, responding to calls from the Chinese mainland's 2023 Government Work Report, devised a business plan under two main themes – “energy safety and security” and “clean transition”. This strategy actively seeks to develop renewable energy projects and expedite the construction of a new energy system. At the same time, in response to the demand for low-carbon technology in the country's socio-economic development, we cooperated with a number of well-known partners in the industry to expand our service offerings, working with them to convert 200 high-emission industrial parks into zero-carbon smart industrial parks by 2025.

As at 30 June 2023, the Group had 449 projects in 24 provinces, autonomous regions and municipalities on the Chinese mainland, including city gas and renewable energy, etc. The gas sales volume for the period increased by approximately 9.1% compared to the corresponding period last year. As at 30 June 2023, the total number of customers of the Group reached 16.36 million, representing an increase of 0.43 million customers. The renewable energy segment is developing rapidly, with 83 new projects obtained during the period. For the six months ended 30 June 2023, the Group recorded a total revenue of HK\$9,883 million, representing a slight decrease of 2.7% compared to the corresponding period last year. Profit attributable to shareholders of the Company amounted to HK\$1,115 million, increased by 7.1% compared to that of the corresponding period last year. Basic earnings per share amounted to 34.33 HK cents, increased by 3.9% compared to that of the corresponding period last year.

### **Renewable Energy Business**

In 2021, the Group announced the development blueprint for the distributed photovoltaic market, and as at 30 June 2023, the Group with its parent company, The Hong Kong and China Gas Company Limited (“HKCG”), had developed renewable energy projects in 22 provinces, autonomous regions and municipalities to industrial and commercial customers, together with the development of 91 zero-carbon smart industrial parks to provide integrated energy services, including photovoltaics, multi-energy supply (cooling, heating, electricity), energy storage, battery charging and swapping stations, carbon trading, green electricity trading, engineering services, energy saving, digitalisation and other related diversified businesses, fully commercialising the operations. As at 30 June 2023, the Group had signed contracts in an aggregate amount of 2.20GW photovoltaic capacity and connected more than 1.12GW to the grid.

Photovoltaic silicon is one of the most important parts of the upstream industrial chain. In the past two years, driven by the Chinese government's "dual carbon" goals for carbon peak and carbon neutrality and the relatively low cost of integrated photovoltaic power generation, demand for photovoltaic modules has grown rapidly. This unfortunately resulted in a bottleneck in supply as well as a sharp rise in raw material prices. With the easing of supply and demand pressures of photovoltaic silicon, its price this year fell back to the level of around two years ago. As such, the development of photovoltaics has gained rapid momentum.

In the first half of this year, Towngas Energy Academy under the Group was officially established in the Shenzhen-Hong Kong Innovation and Technology Cooperation Zone in the Loop in Futian District, Shenzhen. Established both by the Group and our parent company, HKCG, the Academy has actively engaged in the research and development of cutting-edge clean energy technologies together with industrial investment and incubation. As the first clean energy application research institute established by a Hong Kong-funded enterprise in Shenzhen, the Academy will take advantage of its establishment in the Loop to actively cultivate high-end scientific research talent. Leveraging our smart energy projects on the Chinese mainland as a research platform, the Academy will focus on five major research and development fields – hydrogen energy, energy storage, energy digital intelligence, renewable energy as well as low-carbon energy saving, to promote the upgrading of Hong Kong and Shenzhen's scientific and technological innovation capabilities and to facilitate the development of new areas for economic growth.

Leveraging our strengths in zero-carbon smart industrial parks, customer resources and battery technologies, the Group continued to join hands with industry giants to develop leading-edge technologies, including the joint establishment of Towngas CATL Smart Energy Technology (Suzhou) Company Limited (港華時代智慧能源科技(蘇州)有限公司) with Contemporary Amperex (CATL). It was instrumental in independently developing the latest liquid-cooling technology, which focuses on commercial and industrial user needs. Its new generation of energy storage products has been validated in a number of provincial demonstration projects. It has been commercialised for sale, with real-time monitoring as well as stringent product management through a self-owned energy storage cloud.

In May 2023, we successfully organised the "TERA TOUR – Shenzhen" event under the guidance of the Shenzhen Development and Reform Commission and the People's Government of Futian District, Shenzhen. Under the theme "Building a Dream in the Greater Bay Area Towards a Zero-Carbon Smart Future", the event brought together more than 500 guests from the political and business sectors, sharing Shenzhen's forward-looking vision in the zero-carbon field. At the event, we showcased our seven service areas in the renewable energy sector, including zero-carbon technology, intelligent operation and maintenance, low-carbon factories, energy storage in industrial parks, virtual power plants, carbon management and trading, as well as green electricity trading.

In June 2023, together with the Shenzhen Municipal Government, the Group hosted the International Digital Energy Expo 2023 – Hong Kong, showcasing the products, technologies and scenario-based solutions of the relevant enterprises in the digital energy sector on the Chinese mainland, especially those in the Greater Bay Area, in a bid to foster the connection with the international market and other resources, while at the same time, expand and enhance the global influence of the country's digital energy enterprises.

## **Utility Business**

In the first half of this year, despite the impact of the warm winter and international geopolitics, overall gas sales volumes recorded a considerable increase. While upstream gas prices continued to rise, the Group's cost pass-throughs were effective, with multiple cities on the Chinese mainland achieving cost pass-throughs for residential customers. We also worked hard to optimise our portfolio of city gas projects, proactively developing high-quality projects, with a view to increasing our gas sales volume and gross sales margins.

The Group recorded an increase in gas sales during the period with total gas sales volume rose 9.1% to approximately 8,226 million cubic metres. The industrial gas sales volume increased 6.0%, accounting for 48% of total gas sales volume. The residential gas sales volume remained similar to that of the corresponding period last year, accounting for 21% of total gas sales volume. The wholesale and other gas sales volume increased 36.9%, representing 19% of total gas sales volume. Commercial gas sales recorded a 3.5% increase and accounting for 12% of total gas sales volume.

By the end of June 2023, the Group held a total of 185 city gas projects (inclusive of corporate reinvestment projects) in 20 provinces/municipalities/autonomous regions on the Chinese mainland, with total number of customers reached around 16.36 million.

In the first half of this year, the Group established a more comprehensive system for securing gas supply through a unified procurement approach. This will enhance the coordination of the internal and external gas supply of our trading operations and consolidate our business resources. In the first half of 2023, together with our parent company, we coordinated a total of approximately 0.9 billion cubic metres of gas, which, with centralised coordination and dispatching, reduced the cost per cubic metre of gas by approximately RMB0.1. With our parent company, we have also proactively upgraded the capacity of our gas storage facilities, adding approximately 60 million cubic metres of new working gas capacity at the existing Jintan gas storage facility in Changzhou City, Jiangsu Province. This brings our total storage capacity to nearly 0.4 billion cubic metres. The emergency peak shaving storage and distribution base in Weiyuan County, Sichuan Province will also be commencing operations in the near future, while the storage tanks at the receiving terminal in Caofeidian District, Tangshan City, Hebei Province are due for completion in 2024. This will greatly enhance the Group's peak shaving capacities in the various regions.

We have continued to develop our “Gas+” integrated energy services layout, actively developing our heating business to tap into the demand for integrated energy services from commercial and industrial gas users. This service provides a one-stop solution through heating and cooling, hot water, steam, consulting and planning, energy saving and energy efficiency enhancement, among others. Driven by this “Gas+” strategy, we recorded double-digit growth in the relevant revenue, energy sales volumes and operating profit compared to corresponding period last year. The cumulative number of projects signed has also increased significantly, including various use case scenarios, such as government agencies, industrial and commercial sites, hotels, hospitals and schools, etc. These positive advances demonstrate the huge potential for development in this area.

In March this year, the Company announced that it exited its 25% shareholding in Shanghai Gas Co., Ltd. (“Shanghai Gas”) after amicable negotiations with Shenergy (Group) Company Limited (“Shenergy Group”) and Shanghai Gas. On 23 May 2023, the Company entered into a capital reduction agreement with Shanghai Gas and Shenergy Group to exit from its entire 25% equity investment in Shanghai Gas, and the consideration of RMB4,663 million had been received by the Company on 2 August 2023. At the same time, the Company entered into a termination agreement with Shanghai Gas and Shenergy Group, under which all parties agreed to terminate the southbound subscription when the capital reduction agreement becomes effective. This exit gives Shanghai Gas more room and flexibility for its operations at this critical and important moment following the challenges of the epidemic. The exit will not affect the further establishment of an in-depth strategic partnership between the Company, Shenergy Group and Shanghai Gas. The parties will establish deep and solid strategic relationships in the fields of, among others, natural gas resources and supply chain management, the renewable energy business, extended business, as well as and low-carbon technology.

The Group continued to tap into the growing potential of our extended businesses, in a bid to facilitate the synergistic development of various business segments and continue to deliver new business growth. With “Towngas Lifestyle” as our unified platform and brand entity, the Group with its parent company HKCG provide one-stop solutions for users by focusing on smart kitchens, which include smart and high-end kitchen equipment, gas services, safety management and insurance. In the first half of the year, we launched our “One-stop Kitchen Renewal” campaign based on our Bauhinia gas appliances and Mia Cucina cabinet products, combined with a digital platform and professional service system, to help users get a speedy makeover of their kitchens.

The first RISC-V Internet of Things (IoT) security chip in the industry, Towngas Security Chips (TGSE Chips), jointly developed by Towngas Lifestyle, StarFive Technology and ChinaFive, features low power consumption, high security and a very high price/performance ratio, making it an excellent choice for gas metre security chips. Currently, smart gas metres embedded with TGSE Chips have been widely used in many cities on the Chinese mainland. In the future, we plan to further apply the chip to a wide range of energy IoT applications.



## Environmental, Social and Governance

With the global trend towards low-carbon transition, we have been actively enhancing our environmental, social and governance (ESG) performance, and endeavouring to incorporate ESG concepts into our development strategy for sustainable development.

Towngas Smart Energy is currently included in six major international ESG ratings, including MSCI, CDP, FTSE Russell, Sustainalytics, S&P Global and the Hang Seng Corporate Sustainability Index. Of note, S&P Global has upgraded our ESG score to 68, making us the top-ranked gas utility business in the Greater China region. Together with our parent company, HKCG, we were ranked top 1% of Chinese enterprises in terms of ESG globally, while also included in the first-ever S&P Global Sustainability Yearbook (China Edition) 2023. Additionally, Towngas Smart Energy was the only company in our sector to be recognised as the “Industry Mover”, a testament to our significant improvement in various ESG areas. This includes the integration of ESG concepts into our corporate development strategy, biodiversity issues, as well as our excellent performance in climate change-related risk, its management and safety practices.

With regard to environmental protection, the Group successfully issued 1-year and 3-year Panda Bonds for the first time on the Chinese mainland in June this year, raising a total of RMB1.5 billion with an average interest rate of 3.27% per annum. Among them is the first sustainability-linked Panda Bonds, issued by a Hong Kong enterprise on the Chinese mainland. The market response was enthusiastic with an oversubscription of 1.6 times. The Group not only aligns the business development with national policies, but also capitalises on the opportunities of sustainable finance to facilitate the low-carbon transition of our business.

In addition to these corporate strategies, the Group also encourage employees to reduce carbon levels on an individual basis. In January this year, the Group officially launched the Towngas Tan Hui Platform, our self-developed inclusive carbon platform for employees which covers two major scenarios. Focusing on a low-carbon lifestyle and green office practices, our staff can earn green energy points in their daily environmental protection activities, allowing them to redeem vouchers from the Group’s “Moment+” mall, as well as obtain green certificates.

Together with our parent company, we launched the low-carbon environmental initiative this year under the theme “Forging a Green and Low-Carbon Future”, to encourage staff practice a green and healthy lifestyle and support it with actual action. Over 100 project companies participated in this activity, with more than 7,000 trees planted.

In respect of corporate governance, the Group continued to maintain a high level of corporate governance and business integrity, building a significant competitive edge in terms of sustainability. To this end, the remuneration of relevant executive directors and senior management is linked to ESG management performances to strengthen their accountability to achieving ESG management targets. This demonstrates the commitment and determination of management towards ESG objectives.

This year marks the 10th anniversary of our signature community campaign, the Gentle Breeze Movement. This initiative supports schools suffering from a lack of resources, both through school renovation projects as well as the donation of books and other school supplies. Our aim is to improve the learning environment for students and alleviate the burdens endured by underprivileged families. In June this year, we paid a visit to Lushunkou District, Dalian City, Liaoning Province, where we built libraries for five local primary schools and donated sports and education supplies.

### **Employee and Remuneration Policies**

As at 30 June 2023, the Group had 23,856 employees, 99% of whom worked on the Chinese mainland. 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.

### **BUSINESS OUTLOOK FOR 2023**

The country has been implementing its dual goals of carbon peak and carbon neutrality in 2023, with provinces and municipalities in the country proactively promoting carbon peak implementation plans, advancing clean heating, implementing “coal-to-gas” conversions, supporting regional integrated energy services, as well as developing natural gas cogeneration and distributed energy station projects. New market opportunities from carbon peak and carbon neutrality unlocked by national and local policies have been driving our transformation into a greener and smarter business. The synergies between natural gas and renewable energy will help the community use energy more efficiently and reduce carbon emissions. Following the strategic directions of integration, decarbonisation and digitalisation, the Group will continue to consolidate and optimise our business in the natural gas sector, and at the same time, vigorously develop and pursue renewable energy options.

The Blue Book of China’s Natural Gas Industry Annual Operation Report (2022-2023) released in April this year highlighted the fact that the key to building a new energy system is to ensure energy safety, high efficiency and low-carbon operations. Thus natural gas, with its numerous advantages, ranging from its flexibility and cleanliness to its high efficiencies, will play a transitional and significant bridging role in this new phase of energy transformation. Looking back at 2022, natural gas accounted for merely 8.4% of primary energy consumption on the Chinese mainland, much lower than the world average of 24%. As such, natural gas will continue to play a pivotal role in the future.

For the city gas business, the “Gas+” integrated energy service the Group heavily promoted serves as a one-stop solution to meet the multiple energy needs of customers, thereby helping the Group capture more high-yield customer groups and business segment and regional energy projects in the long term. In addition, the Group’s efforts in optimising gas source structure and strengthening its coordination and deployment ability contribute to the continuous reduction of operating costs. The country is also planning to introduce a new policy on the linkage of natural gas prices to rationalise the cost-planning mechanisms for city gas enterprises, with a focus on promoting the linkage of residential gas prices. Autonomous regions, provinces and municipalities, such as Inner Mongolia, Guizhou, Sichuan, Chongqing, Jiangsu and Hebei, have already issued relevant policies, and it is expected that more provinces and municipalities will follow suit, helping us improve gas price differentials and maintain the sustainable and healthy development of our business.

After the large-scale development in the renewable energy market on the Chinese mainland, the market is now moving into a stage of high quality with rapid leaps in service and technology. According to the China Renewable Energy Development Report (2022), the projection is for renewable energy to continue to grow rapidly during the “14th Five-Year Plan” period, with the electricity generated by renewable energy accounting for about 33% of total electricity consumption. During this time, more than half of the country’s installed power is expected to come from photovoltaic and wind power. In view of this huge development potential in the distributed photovoltaic market, the Group will leverage our large industrial and commercial customer base to continually promote the investment, construction and operation of energy infrastructures, such as distributed photovoltaics, energy storage, battery charging and swapping stations, and multi-energy combined supply, as well as to provide value-added smart services. This will include services such as energy efficiency management, carbon management and green electricity trading, and the use of “Tera Planet”, a smart energy ecological platform, to realise “source-grid-load-storage” integration and the digital and smart upgrade of energy management.

As the COVID-19 epidemic recedes, we are seeing signs of recovery in every walk of life throughout the country. The Chinese mainland’s economy has shown relatively stronger recovery momentum. This is expected to drive steady growth in the Group’s various business lines on a continuous basis. However, faced with the uncertainty of interest rate hikes in the global economy, international trade tensions and geopolitical risks, the Group will continue to respond cautiously to these challenges and adhere to a prudent business strategy to ensure the healthy development of the Group in the long term.

**Lee Ka-kit**

*Chairman*

Hong Kong, 14 August 2023



**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 11 to 45, which comprise the condensed consolidated statement of financial position as of 30 June 2023 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 certain explanatory notes. 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

14 August 2023

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2023

|  | NOTES | Six months ended 30 June        |                                 |
|--|-------|---------------------------------|---------------------------------|
|  |       | 2023<br>HK\$'000<br>(unaudited) | 2022<br>HK\$'000<br>(unaudited) |
| Revenue                                | 3     | <b>9,882,711</b>                | 10,160,287                      |
| Total operating expenses               | 4     | <b>(9,032,066)</b>              | (9,230,228)                     |
|  |       | <b>850,645</b>                  | 930,059                         |
| Other income                           |       | <b>94,249</b>                   | 94,135                          |
| Other gains, net                       | 5     | <b>764,349</b>                  | 521,603                         |
| Share of results of associates         |       | <b>62,411</b>                   | 114,909                         |
| Share of results of joint ventures     |       | <b>112,322</b>                  | 158,572                         |
| Finance costs                          | 6     | <b>(409,497)</b>                | (371,728)                       |
| Profit before taxation                 | 7     | <b>1,474,479</b>                | 1,447,550                       |
| Taxation                               | 8     | <b>(243,464)</b>                | (277,872)                       |
| Profit for the period                  |       | <b>1,231,015</b>                | 1,169,678                       |
| Profit for the period attributable to: |       |                                 |                                 |
| Shareholders of the Company            |       | <b>1,115,411</b>                | 1,041,609                       |
| Non-controlling interests              |       | <b>115,604</b>                  | 128,069                         |
|  |       | <b>1,231,015</b>                | 1,169,678                       |
|  |       | <b>HK cents</b>                 | HK cents                        |
| Earnings per share                     | 9     |                                 |                                 |
| – Basic                                |       | <b>34.33</b>                    | 33.04                           |
| – Diluted                              |       | <b>30.20</b>                    | 15.93                           |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

|   | Six months ended 30 June |                       |
|---|--------------------------|-----------------------|
|   | 2023                     | 2022                  |
|   | HK\$'000                 | HK\$'000              |
|   | (unaudited)              | (unaudited)           |
| Profit for the period   | <u>1,231,015</u>         | <u>1,169,678</u>      |
| Other comprehensive income (expense) 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                           | (846,599)                | (1,028,369)           |
| Fair value change on investments in equity instruments at fair value through other comprehensive income         | 113,420                  | (142,870)             |
| Income tax relating to items that will not be reclassified to profit or loss                                    | (28,355)                 | 35,717                |
| <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         | 83,564                   | 65,947                |
| Reclassification of fair value change on derivative instruments designated as cash flow hedge to profit or loss | <u>(159,809)</u>         | <u>(105,289)</u>      |
|   | <u>(837,779)</u>         | <u>(1,174,864)</u>    |
| Total comprehensive income (expense) for the period   | <u><u>393,236</u></u>    | <u><u>(5,186)</u></u> |
| Total comprehensive income (expense) for the period attributable to:  |                          |                       |
| Shareholders of the Company   | 369,862                  | (75,743)              |
| Non-controlling interests   | <u>23,374</u>            | <u>70,557</u>         |
| Total comprehensive income (expense) for the period   | <u><u>393,236</u></u>    | <u><u>(5,186)</u></u> |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

|  | NOTES | 30.6.2023<br>HK\$'000<br>(unaudited) | 31.12.2022<br>HK\$'000<br>(audited) |
|--|-------|--------------------------------------|-------------------------------------|
| <b>Non-current assets</b>  |       |                                      |                                     |
| Property, plant and equipment  | 11    | 25,073,776                           | 23,500,341                          |
| Right-of-use assets  | 11    | 1,129,341                            | 845,134                             |
| Intangible assets  |       | 384,835                              | 413,533                             |
| Goodwill   | 12    | 5,120,303                            | 5,296,236                           |
| Interests in associates  | 13    | 4,926,898                            | 9,760,067                           |
| Interests in joint ventures  |       | 3,488,802                            | 3,574,969                           |
| Loans to associates  |       | 46,835                               | 49,000                              |
| Equity instruments at fair value through<br>other comprehensive income |       | 1,295,333                            | 1,239,653                           |
| Other financial assets   |       | 81,524                               | 16,927                              |
| Deposits paid for acquisition of subsidiaries                          |       | –                                    | 178,662                             |
|  |       | <u>41,547,647</u>                    | <u>44,874,522</u>                   |
| <b>Current assets</b>  |       |                                      |                                     |
| Inventories  |       | 710,139                              | 682,235                             |
| Loans to associates  |       | 20,468                               | 53,197                              |
| Loans to joint ventures  |       | 168,451                              | 171,042                             |
| Trade and other receivables, deposits and<br>prepayments               | 14    | 2,764,226                            | 2,912,168                           |
| Consideration receivable for exit from investment<br>in an associate   | 13    | 5,036,269                            | –                                   |
| Amounts due from non-controlling shareholders                          |       | 135,386                              | 174,422                             |
| Financial assets at fair value through profit or loss                  |       | 66,969                               | 70,064                              |
| Time deposits over three months  |       | –                                    | 5,650                               |
| Bank balances and cash   |       | 4,185,323                            | 4,000,676                           |
|  |       | <u>13,087,231</u>                    | <u>8,069,454</u>                    |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2023

|  | NOTES | 30.6.2023<br>HK\$'000<br>(unaudited) | 31.12.2022<br>HK\$'000<br>(audited) |
|--|-------|--------------------------------------|-------------------------------------|
| <b>Current liabilities</b>                         |       |                                      |                                     |
| Trade and other payables and accrued charges       | 16    | 3,315,655                            | 3,067,180                           |
| Dividend payable                                   |       | 487,182                              | –                                   |
| Contract liabilities                               |       | 3,526,219                            | 3,850,134                           |
| Lease liabilities                                  |       | 30,968                               | 23,687                              |
| Amounts due to non-controlling shareholders        |       | 60,782                               | 82,298                              |
| Taxation payable                                   |       | 1,379,682                            | 1,532,249                           |
| Borrowings – amounts due within one year           | 17    | 7,720,752                            | 9,018,808                           |
| Loan from ultimate holding company                 |       | 43,124                               | 62,816                              |
| Loans from non-controlling shareholders            |       | –                                    | 7,379                               |
| Loans from joint ventures                          |       | 810                                  | 17,404                              |
| Loan from an associate                             |       | 46                                   | –                                   |
|  |       | <u>16,565,220</u>                    | <u>17,661,955</u>                   |
| <b>Net current liabilities</b>                     |       | <u>(3,477,989)</u>                   | <u>(9,592,501)</u>                  |
| <b>Total assets less current liabilities</b>       |       | <u>38,069,658</u>                    | <u>35,282,021</u>                   |
| <b>Non-current liabilities</b>                     |       |                                      |                                     |
| Lease liabilities                                  |       | 143,880                              | 64,162                              |
| Borrowings – amounts due after one year            | 17    | 11,554,028                           | 8,563,734                           |
| Deferred taxation                                  |       | 715,081                              | 719,637                             |
| Loans from non-controlling shareholders            |       | 14,911                               | 15,601                              |
| Other financial liabilities                        |       | –                                    | 175                                 |
| Convertible bonds                                  | 18    | 1,926,491                            | 2,055,619                           |
|  |       | <u>14,354,391</u>                    | <u>11,418,928</u>                   |
| <b>Net assets</b>                                  |       | <u>23,715,267</u>                    | <u>23,863,093</u>                   |
| <b>Capital and reserves</b>                        |       |                                      |                                     |
| Share capital                                      | 19    | 325,873                              | 325,862                             |
| Reserves   |       | 21,083,762                           | 21,178,997                          |
|  |       | <u>21,409,635</u>                    | <u>21,504,859</u>                   |
| Equity attributable to shareholders of the Company |       | <u>21,409,635</u>                    | <u>21,504,859</u>                   |
| Non-controlling interests                          |       | <u>2,305,632</u>                     | <u>2,358,234</u>                    |
| <b>Total equity</b>                                |       | <u>23,715,267</u>                    | <u>23,863,093</u>                   |



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

|   | Attributable to shareholders of the Company |                           |                              |                           |                              |  |   |  |                               |                   |                                       |                   |
|---|---|---------------------------|------------------------------|---------------------------|------------------------------|--|---|--|-------------------------------|-------------------|---------------------------------------|-------------------|
|   | Share capital<br>HK\$'000                   | Share premium<br>HK\$'000 | Exchange reserve<br>HK\$'000 | Hedge reserve<br>HK\$'000 | General reserves<br>HK\$'000 | Investment revaluation reserve<br>HK\$'000 | Share-based payment reserve<br>HK\$'000 | Shares held for share award scheme<br>HK\$'000 | Retained earnings<br>HK\$'000 | Total<br>HK\$'000 | Non-controlling interests<br>HK\$'000 | Total<br>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 20)                                       | -   | -                         | -                            | -                         | -                            | -  | 5,040                                   | -  | -                             | 5,040             | -                                     | 5,040             |
| Issue of subscription shares (note 19)  | 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 20)                     | -   | -                         | -                            | -                         | -                            | -  | -                                       | 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 CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2022

|   | Attributable to shareholders of the Company |                           |                              |                           |                              |  |   |  |                               |                   |                                       |                   |
|---|---|---------------------------|------------------------------|---------------------------|------------------------------|--|---|--|-------------------------------|-------------------|---------------------------------------|-------------------|
|   | Share capital<br>HK\$'000                   | Share premium<br>HK\$'000 | Exchange reserve<br>HK\$'000 | Hedge reserve<br>HK\$'000 | General reserves<br>HK\$'000 | Investment revaluation reserve<br>HK\$'000 | Share-based payment reserve<br>HK\$'000 | Shares held for share award scheme<br>HK\$'000 | Retained earnings<br>HK\$'000 | Total<br>HK\$'000 | Non-controlling interests<br>HK\$'000 | Total<br>HK\$'000 |
| At 1 January 2022 (audited)   | 315,989                                     | 6,315,127                 | 2,041,619                    | 4,019                     | 466,044                      | 825,049                                    | -                                       | (19,928)                                       | 12,947,133                    | 22,895,052        | 2,277,706                             | 25,172,758        |
| Exchange differences on translation from functional currency to presentation currency                           | -   | -                         | (970,857)                    | -                         | -                            | -  | -                                       | -  | -                             | (970,857)         | (57,512)                              | (1,028,369)       |
| Fair value change on investments in equity instruments at fair value through other comprehensive income         | -   | -                         | -                            | -                         | -                            | (142,870)                                  | -                                       | -  | -                             | (142,870)         | -                                     | (142,870)         |
| Income tax relating to items that will not be reclassified to profit or loss                                    | -   | -                         | -                            | -                         | -                            | 35,717                                     | -                                       | -  | -                             | 35,717            | -                                     | 35,717            |
| Net fair value change on derivative instruments designated as cash flow hedge recorded in hedge reserve         | -   | -                         | -                            | 65,947                    | -                            | -  | -                                       | -  | -                             | 65,947            | -                                     | 65,947            |
| Reclassification of fair value change on derivative instruments designated as cash flow hedge to profit or loss | -   | -                         | -                            | (105,289)                 | -                            | -  | -                                       | -  | -                             | (105,289)         | -                                     | (105,289)         |
| Profit for the period   | -   | -                         | -                            | -                         | -                            | -  | -                                       | -  | 1,041,609                     | 1,041,609         | 128,069                               | 1,169,678         |
| Total comprehensive (expense) income for the period   | -   | -                         | (970,857)                    | (39,342)                  | -                            | (107,153)                                  | -                                       | -  | 1,041,609                     | (75,743)          | 70,557                                | (5,186)           |
| Transfer  | -   | -                         | -                            | -                         | 29,261                       | -  | -                                       | -  | (29,261)                      | -                 | -                                     | -                 |
| Recognition of share-based payments upon grant of subscription shares   | -   | -                         | -                            | -                         | -                            | -  | 4,941                                   | -  | -                             | 4,941             | -                                     | 4,941             |
| Issue of subscription shares (note 19)  | 480   | 18,975                    | -                            | -                         | -                            | -  | (1,739)                                 | -  | -                             | 17,716            | -                                     | 17,716            |
| Purchase of shares under share award scheme   | -   | -                         | -                            | -                         | -                            | -  | -                                       | (29,897)                                       | -                             | (29,897)          | -                                     | (29,897)          |
| Capital contribution from non-controlling shareholders of subsidiaries  | -   | -                         | -                            | -                         | -                            | -  | -                                       | -  | -                             | -                 | 96,323                                | 96,323            |
| Dividends declared to shareholders of the Company (note 10)   | -   | (473,419)                 | -                            | -                         | -                            | -  | -                                       | -  | -                             | (473,419)         | -                                     | (473,419)         |
| Dividends paid to non-controlling shareholders of subsidiaries  | -   | -                         | -                            | -                         | -                            | -  | -                                       | -  | -                             | -                 | (75,521)                              | (75,521)          |
|   | 480   | (454,444)                 | -                            | -                         | 29,261                       | -  | 3,202                                   | (29,897)                                       | (29,261)                      | (480,659)         | 20,802                                | (459,857)         |
| At 30 June 2022 (unaudited)   | 316,469                                     | 5,860,683                 | 1,070,762                    | (35,323)                  | 495,305                      | 717,896                                    | 3,202                                   | (49,825)                                       | 13,959,481                    | 22,338,650        | 2,369,065                             | 24,707,715        |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

|   | NOTE | Six months ended 30 June        |                                 |
|---|------|---------------------------------|---------------------------------|
|   |      | 2023<br>HK\$'000<br>(unaudited) | 2022<br>HK\$'000<br>(unaudited) |
| Net cash generated from operating activities  |      | <b>455,491</b>                  | 191,527                         |
| Investing activities  |      |                                 |                                 |
| Purchases of property, plant and equipment  |      | <b>(1,919,913)</b>              | (1,357,577)                     |
| Dividends received from associates  |      | <b>244,823</b>                  | 390,349                         |
| Dividends received from equity instruments at fair value through other comprehensive income           |      | <b>37,236</b>                   | 38,756                          |
| Dividends received from joint ventures  |      | <b>80,266</b>                   | –                               |
| Proceeds from disposal of right-of-use assets   |      | –                               | 35,848                          |
| Repayment of loans to joint ventures  |      | <b>27,693</b>                   | 31,148                          |
| Repayment of loans to associates  |      | <b>31,762</b>                   | 9,588                           |
| Proceeds from disposal of property, plant and equipment   |      | <b>10,152</b>                   | 2,740                           |
| Decrease in time deposits over three months   |      | <b>5,172</b>                    | 2,268                           |
| Acquisition of a subsidiary (net of cash and cash equivalents acquired)                               | 23   | <b>(39,439)</b>                 | 17,017                          |
| Acquisition of assets through acquisition of subsidiaries (net of cash and cash equivalents acquired) | 23   | <b>(182,274)</b>                | –                               |
| Deemed disposal of a subsidiary (net of cash and cash equivalents disposed)                           | 23   | –                               | (68,368)                        |
| Purchase of right-of-use assets   |      | <b>(11,812)</b>                 | (5,658)                         |
| Advance to an associate   |      | <b>(101)</b>                    | (6,116)                         |
| Advances to joint ventures  |      | <b>(32,868)</b>                 | (38,100)                        |
| Other investing cash flows  |      | <b>8,218</b>                    | 29,966                          |
| Net cash used in investing activities   |      | <b>(1,741,085)</b>              | (918,139)                       |
| Financing activities  |      |                                 |                                 |
| New bank and other loans raised   |      | <b>10,948,704</b>               | 8,068,792                       |
| Repayments of bank and other loans  |      | <b>(8,789,519)</b>              | (7,426,312)                     |
| Capital contribution from non-controlling shareholders of subsidiaries                                |      | –                               | 96,323                          |
| Advances from joint ventures  |      | <b>45,033</b>                   | 36,605                          |
| Advances from associates  |      | <b>48</b>                       | 24,178                          |
| Issue of subscription shares  |      | <b>406</b>                      | 17,716                          |
| Loan from ultimate holding company  |      | <b>12,546</b>                   | 17,919                          |
| Repayment of lease liabilities  |      | <b>(333,839)</b>                | (13,230)                        |
| Repayment of loan from a non-controlling shareholder  |      | <b>(7,253)</b>                  | (12,410)                        |
| Repayment of loan from ultimate holding company   |      | <b>(30,177)</b>                 | –                               |
| Purchase of shares held for share award scheme  |      | <b>(3,172)</b>                  | (29,897)                        |
| Repayment of loans from joint ventures  |      | <b>(61,526)</b>                 | (36,163)                        |
| Dividends paid to non-controlling shareholders of subsidiaries  |      | <b>(75,976)</b>                 | (75,521)                        |
| Net cash generated from financing activities  |      | <b>1,705,275</b>                | 668,000                         |
| Net increase (decrease) in cash and cash equivalents  |      | <b>419,681</b>                  | (58,612)                        |
| Cash and cash equivalents at beginning of the period  |      | <b>4,000,676</b>                | 4,071,107                       |
| Effect of foreign exchange rate changes   |      | <b>(235,034)</b>                | (145,795)                       |
| Cash and cash equivalents at end of the period, representing bank balances and cash                   |      | <b>4,185,323</b>                | 3,866,700                       |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

### 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 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 and other types of energy, construction of gas pipelines, the sale 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 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

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\$3,478 million as at 30 June 2023. The Group’s liabilities as at 30 June 2023 included borrowings of approximately HK\$7,721 million that are repayable within one year from the end of the reporting period.

## **1. BASIS OF PREPARATION (CONTINUED)**

As at 30 June 2023, the Group has unutilised source of fund from a Medium Term Note Programme (“MTN Programme”) amounting to approximately HK\$13,296 million and debt financing instruments registered in the National Association of Financial Market Institutional Investors (the “Panda Bonds”) of approximately HK\$14,582 million and unutilised facilities from banks and ultimate controlling shareholder amounting to approximately HK\$6,317 million (“Facilities”). When considering the Group’s ability to continue as a going concern, the Directors considered that the Group’s borrowings of approximately HK\$7,721 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/creditors and has good credibility.

Taking into account of the internally generated funds, unutilised source of fund from MTN Programme and 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.

## **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”), and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2022.

## 2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 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 2023 for the preparation of the Group's condensed consolidated financial statements:

|  |  |
|--|--|
| HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17) | Insurance Contracts  |
| Amendments to HKAS 8   | Definition of Accounting Estimates   |
| Amendments to HKAS 12  | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |

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.

#### ***Impacts on application of Amendments to HKAS 8 "Definition of Accounting Estimates"***

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements.

### 3. SEGMENT INFORMATION

#### Operating segments

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

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

The Group currently organises its operations into three 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 – Sales of piped gas (mainly natural gas) and other types of energy and energy
- Gas connection – Construction of gas pipeline networks under gas connection contracts
- Extended business – Sales of gas related household appliances and related products, and other related value-added services

Segments 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' salaries. 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<br>piped gas<br>and energy<br>HK\$'000 | Gas<br>connection<br>HK\$'000 | Extended<br>business<br>HK\$'000 | Consolidated<br>HK\$'000 |
|--|---|-------------------------------|----------------------------------|--------------------------|
| <b>Six months ended 30 June 2023 (unaudited)</b> |   |                               |                                  |                          |
| <b>REVENUE</b>                                   |   |                               |                                  |                          |
| Revenue recognised at a point<br>in time         | 8,631,055                                       | 669,882                       | 345,723                          | 9,646,660                |
| Revenue recognised over time                     | –   | 236,051                       | –                                | 236,051                  |
| External   | <u>8,631,055</u>                                | <u>905,933</u>                | <u>345,723</u>                   | <u>9,882,711</u>         |
| Segment results                                  | <u>582,286</u>                                  | <u>366,786</u>                | <u>46,827</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                                    |   |                               |                                  | <u>(409,497)</u>         |
| Profit before taxation                           |   |                               |                                  | 1,474,479                |
| Taxation   |   |                               |                                  | <u>(243,464)</u>         |
| Profit for the period                            |   |                               |                                  | <u>1,231,015</u>         |



### 3. SEGMENT INFORMATION (CONTINUED)

#### Operating segments (continued)

Information regarding these segments is presented below: (continued)

|   | Sales of<br>piped gas<br>and energy<br>HK\$'000 | Gas<br>connection<br>HK\$'000 | Extended<br>business<br>HK\$'000 | Consolidated<br>HK\$'000 |
|---|---|-------------------------------|----------------------------------|--------------------------|
| Six months ended 30 June 2022 (unaudited) |   |                               |                                  |                          |
| REVENUE                                   |   |                               |                                  |                          |
| Revenue recognised at a point<br>in time  | 8,637,148                                       | 898,946                       | 328,601                          | 9,864,695                |
| Revenue recognised over time              | <u>–</u>  | <u>295,592</u>                | <u>–</u>                         | <u>295,592</u>           |
| External                                  | <u>8,637,148</u>                                | <u>1,194,538</u>              | <u>328,601</u>                   | <u>10,160,287</u>        |
| Segment results                           | <u>472,347</u>                                  | <u>490,746</u>                | <u>61,824</u>                    | 1,024,917                |
| Other income                              |   |                               |                                  | 94,135                   |
| Other gains, net                          |   |                               |                                  | 521,603                  |
| Unallocated corporate expenses            |   |                               |                                  | (94,858)                 |
| Share of results of associates            |   |                               |                                  | 114,909                  |
| Share of results of joint ventures        |   |                               |                                  | 158,572                  |
| Finance costs                             |   |                               |                                  | <u>(371,728)</u>         |
| Profit before taxation                    |   |                               |                                  | 1,447,550                |
| Taxation                                  |   |                               |                                  | <u>(277,872)</u>         |
| Profit for the period                     |   |                               |                                  | <u>1,169,678</u>         |

#### 4. TOTAL OPERATING EXPENSES

|                                     | Six months ended 30 June |                  |
|-------------------------------------|--------------------------|------------------|
|                                     | 2023                     | 2022             |
|                                     | HK\$'000                 | HK\$'000         |
|                                     | (unaudited)              | (unaudited)      |
| Gas fuel, stores and materials used | 7,524,214                | 7,844,459        |
| Staff costs                         | 677,884                  | 649,737          |
| Depreciation and amortisation       | 531,728                  | 465,755          |
| Other expenses                      | 298,240                  | 270,277          |
|                                     | <u>9,032,066</u>         | <u>9,230,228</u> |

#### 5. OTHER GAINS, NET

|  | Six months ended 30 June |              |
|--|--------------------------|--------------|
|  | 2023                     | 2022         |
|  | HK\$'000                 | HK\$'000     |
|  | (unaudited)              | (unaudited)  |
| Other gains, net include:  |                          |              |
| Change in fair value of embedded derivative component of convertible bonds | 66,328                   | 522,019      |
| Gain on exit from investment in an associate (note 13)                     | 692,214                  | –            |
| Exchange gain, net   | 1,447                    | 1,292        |
| Gain (loss) on disposal of property, plant and equipment                   | 1,106                    | (2,403)      |
| Loss on deemed disposal of a subsidiary                                    | –                        | (277)        |
|  | <u>–</u>                 | <u>(277)</u> |

## 6. FINANCE COSTS

|   | Six months ended 30 June |                |
|---|--------------------------|----------------|
|   | 2023                     | 2022           |
|   | HK\$'000                 | HK\$'000       |
|   | (unaudited)              | (unaudited)    |
| Interest on bank and other borrowings           | 362,448                  | 335,381        |
| Effective interest expense on convertible bonds | 39,416                   | 38,562         |
| Bank charges                                    | 2,766                    | 3,494          |
| Interest on lease liabilities                   | 13,191                   | 2,278          |
|   | <u>417,821</u>           | <u>379,715</u> |
| Less: amounts capitalised                       | (8,324)                  | (7,987)        |
|   | <u>409,497</u>           | <u>371,728</u> |

## 7. PROFIT BEFORE TAXATION

|   | Six months ended 30 June |               |
|---|--------------------------|---------------|
|   | 2023                     | 2022          |
|   | HK\$'000                 | HK\$'000      |
|   | (unaudited)              | (unaudited)   |
| Profit before taxation has been arrived at after charging:                                  |                          |               |
| Amortisation of intangible assets   | 9,178                    | 9,853         |
| Depreciation of right-of-use assets   | 36,798                   | 27,832        |
| Cost of inventories sold  | 8,066,908                | 8,322,358     |
| Depreciation of property, plant and equipment   | 485,752                  | 428,070       |
| Staff costs ( <i>note</i> )   | 677,884                  | 649,737       |
| and after crediting:  |                          |               |
| Interest income   | 23,294                   | 29,966        |
| Dividend income from equity instruments at fair value<br>through other comprehensive income | <u>37,236</u>            | <u>38,756</u> |

*Note:* Staff costs included share-based payment expenses of HK\$24,862,000 (six months ended 30 June 2022: HK\$4,941,000).

## 8. TAXATION

| Six months ended 30 June |             |
|--------------------------|-------------|
| 2023                     | 2022        |
| HK\$'000                 | HK\$'000    |
| (unaudited)              | (unaudited) |

The charge comprises:

|                                   |                |         |
|-----------------------------------|----------------|---------|
| PRC Enterprise Income Tax ("EIT") |                |         |
| – current period                  | <b>220,346</b> | 253,035 |
| Deferred taxation                 | <b>23,118</b>  | 24,837  |
|                                   | <b>243,464</b> | 277,872 |

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, 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 2022: 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.

## 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:

|   | <b>Six months ended 30 June</b> |                  |
|---|---------------------------------|------------------|
|   | <b>2023</b>                     | 2022             |
|   | <b>HK\$'000</b>                 | HK\$'000         |
|   | <b>(unaudited)</b>              | (unaudited)      |
| <b>Earnings</b>   |                                 |                  |
| Profit for the period attributable to shareholders of the Company for the purpose of basic earnings per share                           | <b>1,115,411</b>                | 1,041,609        |
| Effect of dilutive potential ordinary shares:   |                                 |                  |
| Interest expense on convertible bonds   | <b>39,416</b>                   | 38,562           |
| Change in fair value of embedded derivative component of convertible bonds  | <b>(66,328)</b>                 | (522,019)        |
|   | <u><b>1,088,499</b></u>         | <u>558,152</u>   |
| Profit for the period attributable to shareholders of the Company for the purpose of diluted earnings per share                         |                                 |                  |
|   | <u><b>1,088,499</b></u>         | <u>558,152</u>   |
|   | <b>Number of shares</b>         |                  |
|   | <b>Six months ended 30 June</b> |                  |
|   | <b>2023</b>                     | 2022             |
|   | <b>'000</b>                     | '000             |
| <b>Number of shares</b>   |                                 |                  |
| Weighted average number of ordinary shares in issue less shares held for share award scheme for the purpose of basic earnings per share | <b>3,249,481</b>                | 3,152,457        |
| Effect of dilutive potential ordinary shares:   |                                 |                  |
| Convertible bonds   | <b>354,268</b>                  | 350,350          |
| Share options   | <b>1,091</b>                    | –                |
| Weighted average number of subscription shares  | <b>3</b>                        | 3,002            |
| Weighted average number of subscription shares that would have issued at market   | <b>(3)</b>                      | (2,745)          |
|   | <u><b>3,604,840</b></u>         | <u>3,503,064</u> |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share  |                                 |                  |
|   | <u><b>3,604,840</b></u>         | <u>3,503,064</u> |

## 10. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil). During the period, a dividend of 15 HK cents per ordinary share (2021 Final: 15 HK cents per ordinary share) amounting to HK\$487,182,000 was declared by the Board as the final dividend for 2022 (2021 Final: HK\$473,419,000).

The final dividend for 2022 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 11 July 2023, the final dividend of 15 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 5 June 2023 as the final dividend in respect of the financial year ended 31 December 2022.

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

During the current interim period, the Group spent HK\$3,216,401,000 (six months ended 30 June 2022: HK\$1,365,564,000) on additions to property, plant and equipment, including HK\$1,246,455,000 (six months ended 30 June 2022: HK\$1,047,839,000) on the construction in progress of gas pipelines, HK\$1,296,488,000 (six months ended 30 June 2022: HK\$82,646,000) on the property, plant and equipment acquired through acquisition of subsidiaries and HK\$673,458,000 (six months ended 30 June 2022: HK\$235,079,000) on other plant and equipment.

Furthermore, during the current interim period, additions to right-of-use assets amounted to HK\$375,761,000 (six months ended 30 June 2022: HK\$47,461,000), of which HK\$21,049,000 (six months ended 30 June 2022: HK\$5,658,000) relates to acquisition of leasehold land.

## 12. GOODWILL

|                             | HK\$'000                |
|-----------------------------|-------------------------|
| At 1 January 2023 (audited) | 5,296,236               |
| Addition ( <i>note 23</i> ) | 62,259                  |
| Currency realignment        | <u>(238,192)</u>        |
| At 30 June 2023 (unaudited) | <u><u>5,120,303</u></u> |

### 13. INTERESTS IN ASSOCIATES

On 23 May 2023, the Company entered into a capital reduction agreement (“Capital Reduction Agreement”) with Shenergy (Group) Company Limited (“Shenergy Group”) and Shanghai Gas Co., Ltd. (“Shanghai Gas”), pursuant to which the 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 (the “Capital Reduction”). The consideration payable by Shanghai Gas to the Company for the exit is RMB4,662,577,702.32. Details of the exit were set out in the Company’s joint announcement dated 23 May 2023 and the Company’s circular dated 14 June 2023.

Pursuant to the Capital Reduction Agreement, during the period from 1 March 2023 to date of completion of the Capital Reduction, the financial results of Shanghai Gas would be borne by Shenergy Group. Accordingly, only the financial results of Shanghai Gas for the period from 1 January 2023 to 28 February 2023 were equity accounted for by the Company during the six months ended 30 June 2023.

The Capital Reduction Agreement became effective on 23 May 2023 upon satisfaction of the following conditions: (a) the Capital Reduction having been approved by the shareholders of the Company at a general meeting or, if permitted under applicable laws (including but not limited to the Listing Rules), by the majority shareholders of the Company in writing; (b) the Capital Reduction having been approved by the internal decision-making body of Shenergy Group; and (c) the Capital Reduction having been approved by the shareholders of Shanghai Gas at a general meeting. Accordingly, at 23 May 2023, the interest in Shanghai Gas with carrying value of HK\$4,344,055,000 was derecognised, while a consideration receivable of HK\$5,036,269,000 and a gain of HK\$692,214,000 which is included in “other gains, net” line item were recognised.

The consideration was received on 2 August 2023. Details are set out in the announcement of the Company dated 2 August 2023.

## 14. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

|  | <b>30.6.2023</b>        | 31.12.2022       |
|--|-------------------------|------------------|
|  | <b>HK\$'000</b>         | HK\$'000         |
|  | <b>(unaudited)</b>      | (audited)        |
| Trade receivables (net of allowance for credit losses) | <b>1,356,267</b>        | 1,538,048        |
| Prepayments  | <b>695,111</b>          | 715,002          |
| Other receivables and deposits ( <i>note</i> )         | <b>712,848</b>          | 659,118          |
|  | <u><b>2,764,226</b></u> | <u>2,912,168</u> |

*Note:* Included in the balance of other receivables and deposits are amounts due from related companies of HK\$61,103,000 (31 December 2022: HK\$66,283,000). The amounts are unsecured, interest-free and repayable on demand.

### Trade receivables

Included in the balance of trade and other receivables, deposits and prepayments are trade receivables with gross carrying amount of HK\$1,569,105,000 (31 December 2022: HK\$1,737,632,000) and allowance for credit losses of HK\$212,838,000 (31 December 2022: HK\$199,584,000). 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 for credit losses) at the end of the reporting period:

|                | <b>30.6.2023</b>        | 31.12.2022       |
|----------------|-------------------------|------------------|
|                | <b>HK\$'000</b>         | HK\$'000         |
|                | <b>(unaudited)</b>      | (audited)        |
| 0 to 90 days   | <b>1,111,255</b>        | 1,217,418        |
| 91 to 180 days | <b>47,421</b>           | 52,244           |
| Over 180 days  | <b>197,591</b>          | 268,386          |
|                | <u><b>1,356,267</b></u> | <u>1,538,048</u> |

Details of the impairment assessment are set out in note 15.



## 15. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS MODEL

|   | Six months ended 30 June |              |
|---|--------------------------|--------------|
|   | 2023                     | 2022         |
|   | HK\$'000                 | HK\$'000     |
|   | (unaudited)              | (unaudited)  |
| Impairment loss recognised in respect of trade receivables, net | <u>24,611</u>            | <u>1,698</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 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

## 16. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

|  | 30.6.2023        | 31.12.2022       |
|--|------------------|------------------|
|  | HK\$'000         | HK\$'000         |
|  | (unaudited)      | (audited)        |
| Trade payables   | 1,694,673        | 1,682,468        |
| Consideration payable for acquisitions of subsidiaries | 158,787          | 74,464           |
| Other payables and accruals                            | 1,447,135        | 1,308,972        |
| Amount due to ultimate holding company ( <i>note</i> ) | <u>15,060</u>    | <u>1,276</u>     |
|  | <u>3,315,655</u> | <u>3,067,180</u> |

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

### Trade payables

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

|                 | 30.6.2023        | 31.12.2022       |
|-----------------|------------------|------------------|
|                 | HK\$'000         | HK\$'000         |
|                 | (unaudited)      | (audited)        |
| 0 to 90 days    | 781,961          | 945,467          |
| 91 to 180 days  | 343,829          | 209,601          |
| 181 to 360 days | 254,697          | 204,877          |
| Over 360 days   | <u>314,186</u>   | <u>322,523</u>   |
|                 | <u>1,694,673</u> | <u>1,682,468</u> |

## 17. BORROWINGS

|  | <b>30.6.2023</b>   | 31.12.2022  |
|--|--------------------|-------------|
|  | <b>HK\$'000</b>    | HK\$'000    |
|  | <b>(unaudited)</b> | (audited)   |
| Bank loans – unsecured   | <b>15,270,281</b>  | 15,166,516  |
| Other loans – unsecured  | <b>6,769</b>       | 8,073       |
| Medium term note (“MTN”) – unsecured                                   | <b>810,110</b>     | 847,553     |
| Sustainability linked bonds (“SLB”) – unsecured ( <i>note a</i> )      | <b>1,567,400</b>   | 1,560,400   |
| Panda Bonds – unsecured ( <i>note b</i> )                              | <b>1,620,220</b>   | –           |
|  | <b>19,274,780</b>  | 17,582,542  |
| Carrying amount repayable:   |                    |             |
| On demand or within one year   | <b>7,720,752</b>   | 9,018,808   |
| Within a period of more than one year<br>but not exceeding two years   | <b>6,675,190</b>   | 2,221,594   |
| Within a period of more than two years<br>but not exceeding five years | <b>4,144,904</b>   | 6,315,538   |
| Within a period of more than five years                                | <b>733,934</b>     | 26,602      |
|  | <b>19,274,780</b>  | 17,582,542  |
| Less: Amount due within one year shown under<br>current liabilities    | <b>(7,720,752)</b> | (9,018,808) |
| Amount due after one year shown under<br>non-current liabilities       | <b>11,554,028</b>  | 8,563,734   |

### Notes:

- (a) The USD200 million guaranteed SLB is listed on the Stock Exchange for professional investors, due in 2027, guaranteed by the Company and carries interest at a fixed rate of 4% subject to an interest rate adjustment mechanism based on the achievement of sustainability performance targets. The sustainability performance targets represent the photovoltaic installed capacity and the ratio of solar energy sales to total energy sales of the Group by 31 December 2025. If the Group fails to meet these targets, additional interests will be paid.
- (b) During the six months ended 30 June 2023, TCCL (Finance) Limited, a wholly-owned subsidiary of the Company issued Panda Bonds of RMB1,500 million, which are guaranteed by the Company, to the institutional investors in the interbank market in the PRC. Included in the RMB1,500 million Panda Bonds are RMB1,000 million which is due in 2024 and carries interest at 3.10% per annum and RMB500 million due in 2026 and carries interest at 3.60% per annum subject to an interest rate adjustment mechanism based on the achievement of sustainability performance targets. The sustainability performance targets represent increasing the total photovoltaic installed capacity and increasing solar energy sales to total energy sales ratio of the Group by 31 December 2024. If the Group fails to meet these targets, interest rate will increase by 25 basis points.

## 18. CONVERTIBLE BONDS

The movement of the convertible bonds during the six months ended 30 June 2023 is set out below:

|                                      | <b>Debt<br/>component</b> | <b>Embedded<br/>derivative<br/>component</b> | <b>Total</b>     |
|--------------------------------------|---------------------------|--|------------------|
|                                      | HK\$'000                  | HK\$'000                                     | HK\$'000         |
| As at 1 January 2023 (audited)       | 1,854,939                 | 200,680                                      | 2,055,619        |
| Currency realignment                 | (96,037)                  | (6,179)                                      | (102,216)        |
| Interest expense                     | 39,416                    | –  | 39,416           |
| Gain arising on change of fair value | –                         | (66,328)                                     | (66,328)         |
|                                      | <u>1,798,318</u>          | <u>128,173</u>                               | <u>1,926,491</u> |
| As at 30 June 2023 (unaudited)       | <u>1,798,318</u>          | <u>128,173</u>                               | <u>1,926,491</u> |

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 2022, except for the adjustment on conversion price from HK\$6.26 to HK\$6.18 with effect from 11 July 2023 as a result of issue of scrip shares at HK\$3.49 per share made by the Company to the shareholders for the year ended 31 December 2022. Details of the adjustment to conversion price of the convertible bonds were set out in the Company's announcement dated 11 July 2023.

## 19. SHARE CAPITAL

### Authorised shares of HK\$0.10 each

|   | Number<br>of shares  | HK\$'000       |
|---|----------------------|----------------|
| At 1 January 2022, 30 June 2022,<br>1 January 2023 and 30 June 2023 | <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<br>of shares  | HK\$'000       |
|--|----------------------|----------------|
| At 1 January 2022 (audited)                                  | 3,159,895,343        | 315,989        |
| Issue of subscription shares ( <i>note a</i> )               | <u>4,801,000</u>     | <u>480</u>     |
| At 30 June 2022 (unaudited)                                  | 3,164,696,343        | 316,469        |
| Issue of subscription shares ( <i>note a</i> )               | 6,752,000            | 676            |
| Issue of shares upon scrip dividend scheme ( <i>note b</i> ) | <u>87,167,183</u>    | <u>8,717</u>   |
| At 31 December 2022 (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)                                  | <u>3,258,725,526</u> | <u>325,873</u> |

Notes:

- (a) On 18 March 2022, the Company entered into a number of subscription agreements with the subscribers pursuant to which the subscribers conditionally agreed to subscribe for, and the Company conditionally agreed to issue, in aggregate 11,663,000 subscription shares at the subscription price of HK\$3.69 per subscription share in cash. Details of the subscription shares were disclosed in the announcements of the Company dated 18 March 2022 and 6 June 2022. During the six months ended 30 June 2022, 4,801,000 subscription shares were allotted and issued in respect of these subscription agreements with total proceed of HK\$17,716,000. During the second half of financial year ended 31 December 2022, 6,752,000 subscription shares were allotted and issued in respect of these subscription agreements with total proceed of HK\$24,914,000. During the six months ended 30 June 2023, 110,000 subscription shares were allotted and issued in respect of these subscription agreements with total proceed of HK\$406,000.
- (b) On 17 March 2022, a scrip dividend scheme was proposed by the Board, which offers 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 26 May 2022. On 12 July 2022, 87,167,183 shares of HK\$0.10 each were allotted and issued at HK\$4.028 each to shareholders who had elected to receive new shares in lieu of cash dividend in respect of the 2021 final dividend under the scrip dividend scheme.

All the shares which were issued during both periods rank *pari passu* with the then existing shares in all respects.

## 20. 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 ten years commencing on the adoption date. 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 2023 and 31 December 2022, there are 5,874,000 shares and 10,737,000 shares held by the trustee, respectively. During the six months ended 30 June 2023, an additional 950,000 (six months ended 30 June 2022: 6,965,000) shares were purchased by the trustee from the market at an average price of approximately HK\$3.34 (six months ended 30 June 2022: HK\$4.29) per share, with an aggregate amount of approximately HK\$3,172,000 (six months ended 30 June 2022: HK\$29,897,000). On 17 March 2023, 5,813,000 shares (six months ended 30 June 2022: nil) were granted to the selected eligible employees with amount of approximately HK\$19,822,000 recognised as share-based payment expenses and included in staff costs when vested during the period.

## 20. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

### 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 ten 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.

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 2022. At 30 June 2023 and 31 December 2022, 4,950,000 share options with exercise price of HK\$3.40 were held by directors of the Company and 6,713,000 share options with 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 2023. The Group recognised a total expense of HK\$5,040,000 for the six months ended 30 June 2023 (six month ended 30 June 2022: nil) in relation to share options granted by the Company.

## 21. COMMITMENTS

|   | <b>30.6.2023</b>      | 31.12.2022     |
|---|-----------------------|----------------|
|   | <b>HK\$’000</b>       | HK\$’000       |
|   | <b>(unaudited)</b>    | (audited)      |
| Capital expenditure contracted for but not provided in the consolidated financial statements in respect of: |                       |                |
| – Acquisition of property, plant and equipment  | <b>445,161</b>        | 484,710        |
| – Investments   | <b>27,507</b>         | 27,684         |
|   | <b><u>472,668</u></b> | <u>512,394</u> |

## 22. 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).

## 22. 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/<br>liabilities   | 30.6.2023<br>(unaudited)         | Fair value as at<br>31.12.2022<br>(audited) | Fair value<br>hierarchy | Valuation techniques<br>and key inputs  | Significant<br>unobservable inputs   |
|--|----------------------------------|---|-------------------------|---|--|
| Listed equity investment classified as fair value through other comprehensive income in the condensed consolidated statement of financial position                                   | Assets –<br>HK\$1,182,085,000    | Assets –<br>HK\$1,122,866,000               | Level 1                 | Quoted market price   | N/A  |
| Cross currency interest rate swap classified as other financial assets (31 December 2022: other financial liabilities) in the condensed consolidated statement of financial position | Assets –<br>HK\$17,512,000       | Liabilities –<br>HK\$175,000                | 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 in the condensed consolidated statement of financial position   | Assets –<br>HK\$64,012,000       | Assets –<br>HK\$16,927,000                  | 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  | Assets –<br>HK\$92,021,000       | Assets –<br>HK\$96,276,000                  | Level 2                 | Guideline Transaction Method  | N/A  |
|  | Assets –<br>HK\$21,227,000       | Assets –<br>HK\$20,511,000                  | Level 3                 | Market comparable approach  | Market multiples ranging from 0.6 to 2.4 (31 December 2022: 0.6 to 2.4) and discount for lack of marketability ranging from 0% to 30% (31 December 2022: 0% to 30%) (note a) |
| Embedded derivative component of convertible bonds   | Liabilities –<br>HK\$128,173,000 | Liabilities –<br>HK\$200,680,000            | Level 3                 | Binomial option pricing model   | Expected volatility of 42.7% (31 December 2022: 39.9%) (note b)  |
| Structured deposits classified as financial assets at FVTPL  | Assets –<br>HK\$66,969,000       | Assets –<br>HK\$70,064,000                  | Level 3                 | Discounted cash flow  | Discount rate (note c)   |

#### Notes:

- 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.
- 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 or decrease in the expected volatility holding all other variables constant would increase or decrease the fair value of the embedded derivative component of convertible bonds by HK\$37,689,000 or HK\$33,557,000 (31 December 2022: HK\$45,074,000 or HK\$45,299,000).
- The higher the discount rate, the lower the fair value, and vice versa.



## 22. 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<br>assets at<br>FVTPL<br>HK\$'000 | Unquoted<br>equity<br>investments<br>HK\$'000 | Embedded<br>derivative<br>component of<br>convertible<br>bonds<br>HK\$'000 |
|---|---|---|--|
| Balance at 1 January 2022 (audited)                           | –   | 119,493                                       | (776,639)  |
| Fair value change recognised to<br>other comprehensive income | –   | (8,677)                                       | –  |
| Fair value change recognised in<br>profit or loss             | –   | –   | 522,019  |
| Currency realignment  | –   | (9,739)                                       | 19,002   |
|   | <u>–</u>                                    | <u>(9,739)</u>                                | <u>19,002</u>  |
| Balance at 30 June 2022 (unaudited)                           | <u>–</u>                                    | <u>101,077</u>                                | <u>(235,618)</u>   |
| Balance at 1 January 2023 (audited)                           | 70,064                                      | 20,511  | (200,680)  |
| Fair value change recognised in<br>profit or loss             | –   | –   | 66,328   |
| Addition  | 111,449                                     | 1,689   | –  |
| Settlements   | (111,717)                                   | –   | –  |
| Currency realignment  | (2,827)                                     | (973)   | 6,179  |
|   | <u>(2,827)</u>                              | <u>(973)</u>                                  | <u>6,179</u>   |
| Balance at 30 June 2023 (unaudited)                           | <u>66,969</u>                               | <u>21,227</u>                                 | <u>(128,173)</u>   |

The fair value gain recognised in profit or loss relating to embedded derivative component of convertible bonds of HK\$66,328,000 (six months ended 30 June 2022: HK\$522,019,000) is included in "other gains, net" line item.

## 22. 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 in the period.

### **Fair value of 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 2023 amounted to HK\$1,817,200,000, HK\$1,481,162,000 and HK\$1,620,026,000 (31 December 2022: HK\$1,807,787,000, HK\$1,456,072,000 and nil), respectively.

## 23. ACQUISITION/DISPOSAL OF SUBSIDIARIES

### For the period ended 30 June 2023

#### (i) Acquisition of assets through acquisitions of smart energy companies

During the six months ended 30 June 2023, the Group has acquired 100% equity 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 smart 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<br>(unaudited) |
|---|-------------------------|
| Net assets acquired:                                  |                         |
| 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:                            |                         |
| Acquirees' fair values of net identifiable assets     | 446,272                 |
| Consideration paid                                    | (209,368)               |
| Deposits paid at 31 December 2022                     | (183,409)               |
| Consideration payable for acquisition of subsidiaries | (53,495)                |
|   | <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 equipments 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.

## 23. 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<br>(unaudited) |
|---|-------------------------|
| Net assets acquired:                                  |                         |
| 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                  |
| Acquiree's 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. ACQUISITION/DISPOSAL OF SUBSIDIARIES (CONTINUED)

For the period ended 30 June 2022

### (i) Acquisition of smart energy companies

During the six months ended 30 June 2022, Towngas China Energy Investment Limited (“TCEI”), an indirectly wholly-owned subsidiary of the Group, has acquired the controlling interests in six companies which are principally engaged in the business of encompassing photovoltaics, energy conservation, charging and Zero Carbon Smart City in the PRC from Hong Kong and China Integrated Power Investment (Shenzhen) Limited (“HCIP”), an indirect wholly-owned subsidiary of HKCG, at the aggregate consideration of HK\$97,795,000. The primary reason for the acquisition is for the expansion of the Group’s smart energy business and to increase returns to its shareholders.

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

|   | HK\$'000<br>(unaudited) |
|---|-------------------------|
| Net assets acquired:                              |                         |
| Property, plant and equipment                     | 82,646                  |
| Trade and other receivables                       | 11,677                  |
| Bank balances and cash                            | 17,017                  |
| Trade and other payables                          | <u>(13,545)</u>         |
|   | <u>97,795</u>           |
| Result on the acquisition:                        |                         |
| Acquirees’ fair values of net identifiable assets | 97,795                  |
| Deposit paid at 31 December 2021                  | <u>(97,795)</u>         |
|   | <u>–</u>                |
| Net cash inflow on acquisition:                   |                         |
| Bank balances and cash acquired                   | <u>17,017</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 2022 is presented as contributions are insignificant.

## 23. ACQUISITION/DISPOSAL OF SUBSIDIARIES (CONTINUED)

For the period ended 30 June 2022 (continued)

### (ii) Deemed disposal of interest in a subsidiary

During the six months ended 30 June 2022, Towngas Lifestyle (Shenzhen) Information Services Co., Ltd., an indirect wholly-owned subsidiary of HKCG, has completed the capital injection of RMB15,000,000 (equivalent to HK\$17,641,000) to Towngas Cosy Home (Chengdu) Technological Services Co., Ltd. ("Cosy Home (Chengdu)"), a subsidiary of the Group. The shareholding held by the Group decreased from 100% to 40% and Cosy Home (Chengdu) ceased to be a subsidiary of the Company.

|   | HK\$'000<br>(unaudited) |
|---|-------------------------|
| Analysis of assets and liabilities over which control was lost: |                         |
| Property, plant and equipment                                   | 9,978                   |
| Right-of-use assets   | 949                     |
| Inventories   | 32,689                  |
| Trade and other receivables                                     | 21,009                  |
| Bank balances and cash  | 68,368                  |
| Trade and other payables  | (46,585)                |
| Lease liabilities   | (1,025)                 |
| Contract liabilities  | (41,308)                |
|   | <u>44,075</u>           |
| Loss on deemed disposal of a subsidiary:                        |                         |
| Fair value of retained interest in an associate                 | 43,798                  |
| Net assets disposed of  | (44,075)                |
|   | <u>(277)</u>            |
| Net cash outflow on deemed disposal:                            |                         |
| Bank balances and cash disposed                                 | <u>(68,368)</u>         |

## 24. RELATED PARTY TRANSACTIONS

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

|   | <b>Six months ended 30 June</b> |             |
|---|---------------------------------|-------------|
|   | <b>2023</b>                     | 2022        |
|   | <b>HK\$'000</b>                 | HK\$'000    |
|   | <b>(unaudited)</b>              | (unaudited) |
| Transactions with fellow subsidiaries ( <i>note a</i> ):                            |                                 |             |
| Purchase of goods and services  | <b>131,517</b>                  | 141,525     |
| Sale of goods and services  | <b>29,580</b>                   | 17,767      |
| Transactions with associates of ultimate controlling shareholder ( <i>note b</i> ): |                                 |             |
| Purchase of goods and services  | <b>21,462</b>                   | 40,252      |
| Sale of goods and services  | <b>2,973</b>                    | 1,676       |
| Transactions with a joint venture ( <i>note c</i> ):                                |                                 |             |
| Purchase of goods   | <b>24,639</b>                   | 9,354       |
| Transactions with associates ( <i>note d</i> ):                                     |                                 |             |
| Purchase of goods   | <b>41,136</b>                   | 91,926      |
| Sale of goods   | <b>6,838</b>                    | 5,689       |

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.

During the six months ended 30 June 2023, TCEI 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 has not been completed during the six months ended 30 June 2023. Details are set out in the announcement of the Company dated 21 June 2023.

During the six months ended 30 June 2022, the Group acquired 100% interest in ten companies from an indirect wholly-owned subsidiary of HKCG with nil consideration. These companies have no assets and liabilities on the acquisition date. The Group also acquired 49% interest in an associate from an indirect wholly-owned subsidiary of HKCG at a consideration of RMB65,709,000 (equivalent to HK\$76,970,000).

## FINANCIAL REVIEW

### Revenue

Affected by international geopolitics and the imbalance in supply-demand, upstream gas prices had kept rising. Nevertheless, the cost pass-throughs were mostly effective, with cost pass-throughs having already been achieved among the majority of the industrial and commercial customers on the Chinese mainland and with residential cost pass-throughs realised in multiple cities where the Group's city gas projects are located. At the same time, the depreciation of Renminbi ("RMB") has offset the growth in revenue. Consequently, the revenue from sales of piped gas and energy was at a level that was essentially flat compared to the corresponding period last year. Meanwhile, the real estate sector on the Chinese mainland remained in doldrums, leading to a significant decrease in residential gas connection and thus a decline in revenue from the gas connection segment. For the first half of 2023, total revenue of the Group amounted to HK\$9,883 million, representing a slight decrease of 2.7% from the corresponding period last year.

### Business Segments

|                               | Six months ended 30 June |                        | Change<br>(%)      |
|-------------------------------|--------------------------|------------------------|--------------------|
|                               | 2023<br>(HK\$ million)   | 2022<br>(HK\$ million) |                    |
| Sales of piped gas and energy | <b>8,631</b>             | 8,637                  | –                  |
| Gas connection                | <b>906</b>               | 1,194                  | -24.1              |
| Extended business             | <b>346</b>               | 329                    | 5.2                |
| <b>Total</b>                  | <b><u>9,883</u></b>      | <b><u>10,160</u></b>   | <b><u>-2.7</u></b> |

In the first half of 2023, the Group's consolidated gas sales volume amounted to 2,372 million cubic metres, representing an increase of 4.8% over the corresponding period last year. The number of new residential household connections was 181,000, representing a decrease of 27.2% compared to the corresponding period last year.



## 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 2023 amounted to HK\$9,032 million, representing a decrease of 2.1% compared to the corresponding period last year.

|                                     | Six months ended 30 June |                        | Change<br>(%) |
|-------------------------------------|--------------------------|------------------------|---------------|
|                                     | 2023<br>(HK\$ million)   | 2022<br>(HK\$ million) |               |
| Gas fuel, stores and materials used | 7,524                    | 7,844                  | -4.1          |
| Staff costs                         | 678                      | 650                    | 4.3           |
| Depreciation and amortisation       | 532                      | 466                    | 14.2          |
| Other expenses                      | 298                      | 270                    | 10.3          |
| <b>Total</b>                        | <b>9,032</b>             | <b>9,230</b>           | <b>-2.1</b>   |

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 increased by 46.5% to HK\$764 million as compared to HK\$522 million in the corresponding period last year, mainly due to the decrease in gain from change in fair value of embedded derivative component of convertible bonds by HK\$456 million and the gain on exit from the equity interest in Shanghai Gas of HK\$692 million.

## Share of Results of Associates

The share of results of associates amounted to HK\$62 million, representing a decrease of 45.7%, from HK\$115 million in the corresponding period last year. According to the capital reduction agreement entered into between the Company, Shenergy Group and Shanghai Gas, the Group's share of loss of Shanghai Gas for the period from 1 January 2023 to 28 February 2023 amounted to HK\$92 million. And as of 30 June 2022, the Company had entered into a shareholders' agreement with Shenergy Group, the controlling shareholder of Shanghai Gas, pursuant to which the financial results of Shanghai Gas for the period from 1 January 2022 to 30 June 2022 were borne by Shenergy Group.

## Share of Results of Joint Ventures

The share of results of joint ventures decreased by 29.2% from HK\$159 million in the corresponding period last year to HK\$112 million, which mainly due to the continued downturn in the national real estate industry, resulting in lower gas connection revenue for some of the joint ventures.

## Finance Costs

The finance costs of the Group increased by 10.2% from HK\$372 million in the corresponding period last year to HK\$409 million. The increase was mainly due to the issuance of Panda Bonds and drawdown of other new bank loans for the investment in new projects and the increase in average interest rates.

## Profit for the Period

During the first half of 2023, profit for the period amounted to HK\$1,231 million, representing an increase of 5.2% compared to the corresponding period last year. Profit attributable to shareholders of the Company increased by 7.1% to HK\$1,115 million. Excluding the impact of gain of HK\$66 million (2022 corresponding period: HK\$522 million) from change in fair value of embedded derivative component of convertible bonds, as well as the net gain of HK\$600 million (2022 corresponding period: nil) on exit from the equity interest in Shanghai Gas and share of its results, operating profit attributable to shareholders of the Company decreased by 13.7% (dropped by 7.3% in RMB) to HK\$449 million. Basic earnings per share amounted to 34.33 HK cents, representing an increase of 3.9% 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 2023, the Group's bank loans and other loans amounted to HK\$19,275 million (31 December 2022: HK\$17,583 million), of which HK\$7,721 million (31 December 2022: HK\$9,019 million) represented bank loans and other loans due within 1 year, HK\$10,820 million (31 December 2022: HK\$8,537 million) represented bank loans and other loans due between 1 to 5 years, and HK\$734 million (31 December 2022: HK\$27 million) represented bank loans and other loans due over 5 years. Other than the HK\$15,919 million (31 December 2022: HK\$12,355 million) in bank loans and other loans which bore interests at fixed rates, the Group's loans were mainly arranged on a floating interest rate basis. The maturities and interest rates of the loans 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\$17,309 million (31 December 2022: HK\$15,624 million) and the remaining HK\$1,966 million (31 December 2022: HK\$1,959 million) borrowings were denominated mainly in United States dollars ("USD") and Hong Kong dollars ("HKD") 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\$43 million (31 December 2022: HK\$63 million), approximately HK\$0.81 million (31 December 2022: HK\$17 million) and approximately HK\$15 million (31 December 2022: HK\$23 million) from the parent company, HKCG, joint ventures, and non-controlling shareholders on a fixed interest rate basis, respectively.

In June 2023, the Group successfully issued 1-year and 3-year Panda Bonds for the first time on the Chinese mainland, raising a total of RMB1.5 billion with an average interest rate of 3.27% per annum. Among them is the first sustainability-linked Panda Bonds, issued by a Hong Kong enterprise on the Chinese mainland. The market response was enthusiastic with an oversubscription of 1.6 times.

As at 30 June 2023, the Group's cash and cash equivalents together with time deposits amounted to HK\$4,185 million (31 December 2022: HK\$4,006 million), of which 99% (31 December 2022: 99%) are RMB-denominated and the rest are denominated in HKD and USD. The gearing ratio (net debt to total equity plus net debt) of the Group as at 30 June 2023 was 41.9% (31 December 2022: 39.7%).

As at 30 June 2023, the Group has unutilised issuance amount under the MTN Programme amounting to approximately HK\$13,296 million and Panda Bonds of approximately HK\$14,582 million and unutilised facilities from banks and HKCC amounting to approximately HK\$6,317 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 2023.

## **INTERIM DIVIDEND**

The Board has taken account of the Company's dividend policy and resolved at the Board meeting on 14 August 2023 not to declare an interim dividend (2022: nil).

## **OTHER INFORMATION**

### **Corporate Governance**

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

### **Model Code for Securities Transactions by Directors**

The Company has adopted the Model Code set out in Appendix 10 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 2023.

### **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 2023 to review the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2023. 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 2023 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 2023, except that the trustee of the share award scheme of the Company, pursuant to the terms of the rules and trust deed of the share award scheme, purchased on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) a total of 950,000 issued shares of the Company at a total consideration of approximately HK\$3,172,000.

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

As at 30 June 2023, 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; (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<br>(Note 1) | Aggregate interest | Approximate percentage of the number of issued shares of the Company or its associated corporation as at 30.06.2023 |
|--|-----------------------------|---|--------------------|-----------------|----------------|---|--------------------|---|
|  |                             |   | Personal interest  | Family interest | Other interest |   |                    |   |
| Towngas Smart Energy Company Limited                 | Lee Ka-kit (Note 2)         | Discretionary beneficiary of discretionary trusts | -                  | -               | 2,255,481,423  | -   | 2,255,481,423      | 69.21%  |
|  | Peter Wong Wai-yee (Note 3) | Beneficial owner                                  | 5,339,000          | -               | -              | 1,800,000   | 7,139,000          | 0.22%   |
|  | John Ho Hon-ming            | Beneficial owner                                  | 2,033,862          | -               | -              | 900,000   | 2,933,862          | 0.09%   |
|  | Martin Kee Wai-ngai         | Beneficial owner                                  | 900,000            | -               | -              | 900,000   | 1,800,000          | 0.06%   |
|  | John Qiu Jian-hang          | Beneficial owner                                  | 1,350,000          | -               | -              | 1,350,000   | 2,700,000          | 0.08%   |
|  | James Kwan Yuk-choi         | Beneficial owner                                  | 2,265,000          | -               | -              | -   | 2,265,000          | 0.07%   |
| 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%  |
|  | John Ho Hon-ming            | Beneficial owner                                  | 55,710             | -               | -              | -   | 55,710             | 0.00%   |
|  | James Kwan Yuk-choi         | Beneficial owner and interest of spouse           | 121,275            | 142,299         | -              | -   | 263,574            | 0.00%   |

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 27 June 2023, 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. 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 2,255,481,423 shares of the Company representing approximately 69.21% of the total number of issued shares of the Company as at 30 June 2023. Subsequent to the allotment and issue of 92,945,662 new shares by the Company to HKCG's subsidiaries pursuant to the scrip dividend scheme on 11 July 2023, the percentage figure of the number of issued shares of the Company as held by HKCG's subsidiaries was 67.24%.
3. Upon Mr. Peter Wong Wai-ye'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 27 June 2023 and the subsequent allotment and issue of 219,000 new shares by the Company on 11 July 2023, Mr. Peter Wong Wai-ye had personal interest of 7,139,000 shares and underlying shares of the Company, representing approximately 0.21% 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 the respective discretionary trusts, held units in the Unit Trust. Dr. Lee Ka-kit as one of the 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 2023, 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 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 (i) director, chief executive or employee of each member of the Group; or (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 26 May 2022.

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.

Details and movements of share options that had been granted under the Share Option Scheme and remained outstanding during the period ended 30 June 2023 are as follows:

| Grantees   | Date of Grant | Exercise Period         | Vesting Date | Exercise price (HK\$) | Number of share options      |                           |                              |
|--|---------------|-------------------------|--------------|-----------------------|------------------------------|---------------------------|------------------------------|
|  |               |                         |              |                       | Outstanding as at 01.01.2023 | Granted during the period | Outstanding as at 30.06.2023 |
| <b>Category 1: Directors</b>   |               |                         |              |                       |                              |                           |                              |
| 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   | 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                    |
| <b>Category 2: Others</b>  |               |                         |              |                       |                              |                           |                              |
| (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                   |               |                         |              |                       |                              |                           |                              |
| <b>Total</b>   |               |                         |              |                       | <b>11,663,000</b>            | <b>–</b>                  | <b>11,663,000</b>            |



The number of share options available for grant under the Share Option Scheme at the beginning and the end of the current period are 304,326,534.

Save as disclosed above, no share options have been granted, vested, exercised, lapsed and/or been forfeited under the Share Option Scheme during the six months ended 30 June 2023.

### Share Award Scheme

The Company adopted a share award scheme on 17 August 2021 (the “Share Award Scheme”) for the purposes of (a) recognising the contributions by certain directors or employees of the Group 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. 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.

Details and movements of share awards that were granted under the Share Award Scheme and remained outstanding during the period ended 30 June 2023 are as follows:

|                       | Date of Grant | Vesting Date                 | Number of award shares          |                                 |                                |                                |                                 |
|-----------------------|---------------|------------------------------|---------------------------------|---------------------------------|--------------------------------|--------------------------------|---------------------------------|
|                       |               |                              | Unvested<br>as at<br>01.01.2023 | Granted<br>during<br>the period | Vested<br>during<br>the period | Lapsed<br>during<br>the period | Unvested<br>as at<br>30.06.2023 |
| Employee participants | 17.03.2023    | 28.04.2023 and<br>29.05.2023 | 0                               | 5,813,000                       | 5,813,000                      | 0                              | 0                               |

Save as disclosed above, no share awards have been granted, vested, lapsed and/or been forfeited under the Share Award Scheme during the six months ended 30 June 2023.

### 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 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 2023, 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 30.06.2023 |
|---|-------------------------------------|------------------------------|---|
| Lee Shau-kee  | Interest of controlled corporations | 2,255,481,423 (Note 1)       | 69.21%  |
| Rimmer  | Trustee                             | 2,255,481,423 (Note 2)       | 69.21%  |
| Riddick   | Trustee                             | 2,255,481,423 (Note 2)       | 69.21%  |
| Hopkins   | Interest of controlled corporations | 2,255,481,423 (Note 2)       | 69.21%  |
| Henderson Development                                   | Interest of controlled corporations | 2,255,481,423 (Note 2)       | 69.21%  |
| Henderson Land Development                              | Interest of controlled corporations | 2,255,481,423 (Note 2)       | 69.21%  |
| Faxson Investment Limited (“Faxson”)                    | Interest of controlled corporations | 2,255,481,423 (Note 2)       | 69.21%  |
| HKCG  | Interest of controlled corporations | 2,255,481,423 (Note 3)       | 69.21%  |
| Towngas International Company Limited (“TICL”)          | Interest of controlled corporation  | 2,061,193,504 (Note 3)       | 63.25%  |
| Hong Kong & China Gas (China) Limited (“HK&CG (China)”) | Beneficial owner                    | 2,061,193,504 (Note 3)       | 63.25%  |
| Towngas Investment Company Limited (“TICL-HK”)          | Interest of controlled corporations | 194,287,919 (Note 3)         | 5.96%   |
| Planwise Properties Limited (“Planwise”)                | Beneficial owner                    | 191,037,247 (Note 3)         | 5.86%   |
| Tang Kok Yew  | Interest of controlled corporations | 471,050,984 (Note 4)         | 14.46%  |

| Name of shareholder   | Capacity                                   | Aggregate<br>interest in Shares | Approximate<br>percentage of<br>the number of<br>Shares as at<br>30.06.2023 |
|---|--|---------------------------------|---|
| Capstar Holdings (“Capstar”)  | Interest of controlled corporations        | 471,050,984 (Note 4)            | 14.46%  |
| Affinity Fund V General Partner Limited<br>(“Affinity Fund V”)                        | Interest of controlled corporations        | 471,050,984 (Note 4)            | 14.46%  |
| Converging Worldview Investments Pte. Ltd.<br>(“Converging Worldview”)                | Interest of controlled corporations        | 471,050,984 (Note 4)            | 14.46%  |
| Clean Energy Ecosystem Pte. Ltd.<br>(“Clean Energy Ecosystem”)                        | Beneficial owner                           | 471,050,984 (Note 4)            | 14.46%  |
| Central Huijin Investment Ltd.<br>(“Central Huijin”)                                  | Interest of controlled corporations        | 350,350,000 (Note 5)            | 10.75%  |
| Industrial and Commercial Bank of China<br>Limited (“ICBC”)                           | Interest of controlled corporations        | 350,350,000 (Note 5)            | 10.75%  |
| ICBC International Holdings Limited<br>(“ICBC International”)                         | Interest of controlled corporations        | 350,350,000 (Note 5)            | 10.75%  |
| ICBC International Investment Management<br>Limited (“ICBC International Management”) | Interest of controlled corporations        | 350,350,000 (Note 5)            | 10.75%  |
| Victory Ride Holdings Limited<br>(“Victory Ride”)                                     | Interests held jointly with another person | 350,350,000 (Note 5)            | 10.75%  |

*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 2,255,481,423 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 2,255,481,423 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 2,061,193,504 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 194,287,919 Shares, which included (a) the 191,037,247 Shares held by Planwise; and (b) the 3,250,672 Shares held by Superfun by virtue of Part XV of the SFO. Subsequent to the allotment and issue of a total 92,945,662 new Shares to HK&CG (China), Planwise and Superfun by the Company on 11 July 2023, 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) 67.24%, (ii) 61.45%, (iii) 5.79% and (iv) 5.69%, respectively, as at 11 July 2023.
4. Mr. Tang Kok Yew was taken to be interested in these 471,050,984 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 3.58% of the number of issued Shares as at 30 June 2023); and (ii) unlisted convertible bonds of the Company (“Unlisted Convertible Bonds”), which may be fully converted into 354,267,651 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) of HK\$6.26 per Share. Following the allotment and issue of scrip shares pursuant to the scrip dividend scheme of the Company on 11 July 2023, the conversion price of the Unlisted Convertible Bonds was adjusted, and the Unlisted Convertible Bonds may be fully converted into 358,853,640 Shares based on the adjusted conversion price of HK\$6.18 per Share. Mr. Tang Kok Yew was taken to be interested in these 475,636,973 Shares which were held by Clean Energy Ecosystem through his controlled corporations Capstar, Affinity Fund V and Converging Worldview (representing approximately 14.18% of the number of issued Shares as at 11 July 2023).
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 2023, 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 2023, 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 2023, 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 Agreement

### *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, and based on the adjusted conversion price of HK \$6.26 per Conversion Share subsequent to the adjustment event on 12 July 2022, a maximum number of 354,267,651 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\$3.49 per Share pursuant to the scrip dividend scheme of the Company (as detailed in the relevant circular of the Company dated 9 June 2023) on 11 July 2023, the conversion price of the Convertible Bonds has been further adjusted from HK\$6.26 per Share to HK\$6.18 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 354,267,651 Shares to 358,853,640 Shares when compared to the adjustment made in 2022. As at 30 June 2023, 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 and 11 July 2023.

The aggregate gross proceeds from the Convertible Bonds Issue was approximately HK\$2,802 million and the aggregate net proceeds was approximately HK\$2,800 million. The net proceeds from the Convertible Bonds Issue have been fully utilised for its general corporate purposes, including investing in its smart energy business.

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 2023.

## Updates on Biographical Details of Directors under Rule 13.51B(1) of the Listing Rules

Pursuant to Rule 13.51B(1) of the Listing Rules, the updates on biographical details of Directors are as follows:

**Mr. Brian David Li Man-bun** *BBS, JP, FCA, MBA, MA (Cantab)*

*Independent Non-Executive Director, Chairman of the Board Audit and Risk Committee and Member of the Remuneration Committee and the Nomination Committee*

Mr. Li has been awarded the Bronze Bauhinia Star (BBS) by the Government of the Hong Kong Special Administrative Region on 1 July 2023.

Mr. Li retired as an independent non-executive director of Shenzhen Investment Holdings Bay Area Development Company Limited (a listed company on the Hong Kong Stock Exchange) with effect from 19 May 2023.

**Mr. Peter Wong Wai-ye** *C.P.A.(CANADA), C.M.A., C.P.A.(HK), A.C.G., H.K.A.C.G., F.I.G.E.M., F.H.K.I.o.D., M.B.A.*  
*Executive Director and Chief Executive Officer*

Mr. Wong has been appointed as a member of the Executive Committee of the Hong Kong Management Association on 6 July 2023.

Mr. Wong ceased to be a member of the Advisory Committee of the College of Professional and Continuing Education, The Hong Kong Polytechnic University on 31 March 2023.