2019

Interim Report

港華燃氣有限公司
Towngas China Company Limited

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

CORPORATE INFORMATION

Board of Directors
Executive Directors
Alfred Chan Wing-kin *(Chairman)*
Peter Wong Wai-yee *(Chief Executive Officer)*
John Ho Hon-ming *(Company Secretary)*
Martin Kee Wai-ngai *(Chief Operating Officer)*

Independent Non-Executive Directors
Moses Cheng Mo-chi
Brian David Li Man-bun
James Kwan Yuk-choi

Authorised Representatives
Alfred Chan Wing-kin
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
Alfred Chan Wing-kin

Nomination Committee
Alfred Chan Wing-kin *(Chairman)*
Moses Cheng Mo-chi
Brian David Li Man-bun
James Kwan Yuk-choi

Auditor
Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

Registered Office
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Stock Code : 1083
Website : www.towngaschina.com

Principal Share Registrar and Transfer Office
SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman, KY1-1110
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

This Interim Report is printed on environmentally friendly paper

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MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

During the first half of 2019, total gas sales volume of the Group surged by 14% to 5,619 million cubic metres. Total number of customers reached 13.03 million, with 400,000 new customers compared to the end of last year. Industrial gas sales grew by 16% to 3,209 million cubic metres over the corresponding period last year, accounting for 57% of the total volume of gas sold by the Group, while commercial gas sales reached 964 million cubic metres with an increase of 11% over the corresponding period last year, accounting for 17% of the total volume of gas sold by the Group. Residential gas sales increased by 11% to 1,446 million cubic metres over the corresponding period last year and accounted for 26% of the total volume of gas sold by the Group. Profit after taxation attributable to shareholders of the Company amounted to HK$756 million, representing a steady increase of 14% over the corresponding period last year. Basic earnings per share amounted to HK26.89 cents, an increase of 12% over the corresponding period last year.

Revenue

For the six months ended 30 June 2019, revenue from the sales of piped gas and related products rose 19% to HK$5,619 million over the corresponding period last year due to the satisfactory results derived from active promotion of natural gas replacing coal. The total consolidated volume of gas sold in the current period amounted to 1,694 million cubic metres, representing an increase of 15% over the corresponding period last year. In the gas connection business, income from connection fees for the period amounted to HK$893 million, up 4% as compared to the corresponding period last year, with approximately 200,000 consolidated new household connections being made during the period.

Development of New Projects

The Group continued to vigorously drive the development of distributed energy projects, adding four such projects to our portfolio during the year. These included initiatives in Maanshan Economic and Technological Development Zone South District in Anhui province; the Chemical Industrial Park in Luanzhou Economic Development Zone of Tangshan city in Hebei province; the Xinmi Yinji International Tourism Resort of Zhengzhou city in Henan province; as well as in Shenzhen, Guangdong province. These projects are expected to generate natural gas consumption of up to 80 million cubic metres in 5 years' time. They will also offer regional synergies for our gas projects and distributed energy projects in neighbouring areas in every aspect of our operations — from markets and gas sourcing to policies and strategies. Together with our 10 previously established projects, the Group currently holds 14 distributed energy projects.

We also established U-Tech (Guang Dong) Engineering Construction Co., Ltd ("U-Tech Guang Dong"), an engineering construction and project management company, during the year. As the Group's platform for developing our project work construction business, U-Tech Guang Dong will be able to swiftly integrate resources from the Group's construction companies and speed up the development of project companies, in addition to enhancing the Group's efficiency in construction management.

Equity Instruments at Fair Value through Other Comprehensive Income

Equity instruments at fair value through other comprehensive income mainly consisted of the Group's investments in Chengdu Gas Group Corporation Ltd. ("Chengdu Gas") and Nanjing Public Utilities Development Co., Ltd. ("Nanjing Public"). Chengdu Gas and Nanjing Public were stated at fair value and the fair value change was recognised to other comprehensive income during the period.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2019.

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 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 2019, the Group's bank loans and other loans amounted to HK$10,217 million, of which HK$3,818 million represented bank loans and other loans due within 1 year, HK$6,381 million represented bank loans and other loans due between 1 to 5 years, and HK$18 million represented bank loans and other loans due over 5 years. The bank loans and other loans of HK$5,684 million bore interests at fixed rates in the interest arrangement while the remaining HK$4,533 million were 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 are mainly occurred in mainland China and most transactions, assets and liabilities were stated in Renminbi. As a result, the Group bore currency risk from fluctuations of Renminbi exchange rate for non-Renminbi denominated deposits and borrowings. The Group recorded an exchange gain of HK$68 million caused by the fluctuations of Renminbi exchange rate in the period. The Group's borrowings denominated in Renminbi amounted to HK$7,815 million and the remaining HK$2,402 million borrowings were denominated mainly in Hong Kong dollars and United States dollars as at the end of the period. Those non-Renminbi denominated borrowings were hedged against Renminbi so as to reduce foreign currency risk. Apart from the borrowings as mentioned above, the Group also has Renminbi short-term loans amounted to HK$101 million from joint ventures on a fixed interest rate basis. The Group entered into cross currency swap contracts, foreign currency forward contracts and cross currency interest rate swaps contracts to hedge against currency risk for non-Renminbi denominated bank loans in the period. The loss resulting from net change in fair value of other financial assets and liabilities was HK$76 million. As at 30 June 2019, the Group did not have any pledge on assets. As at the end of the period, the Group had a gearing ratio (net debt to equity attributable to shareholders of the Company plus net debt) of 33.4%.

As at 30 June 2019, the Group's cash and cash equivalents together with time deposits amounted to HK$2,003 million, of which 99% are Renminbi-denominated and the rest are denominated in Hong Kong dollars and United States dollars.

As at 30 June 2019, the Group's unutilised available facilities amounted to HK$6,657 million.

The operating and capital expenditure of the Group is funded by cash flows from operations, internal liquidity and financing agreements with banks. The Group maintains a strong liquidity position with its cash and cash equivalents on hand and unutilised banking facilities and we have adequate financial resources to meet our contractual obligations and the requirements of operation and business investment.

Credit Ratings

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

Interim Dividend

The board of directors (the "Board") has taken account of the Company's dividend policy and resolved in the Board meeting on 19 August 2019 not to declare an interim dividend (2018: nil).

Employee and Remuneration Policies

As at 30 June 2019, the Group had 22,101 employees, 99% of whom worked in mainland China. 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.

Corporate Social Responsibility

In 2019, Towngas China was included as a constituent of the Hang Seng Corporate Sustainability Index Series for the eighth year in a row, in recognition of its excellent performance in the aspects of environment, society and corporate governance, the fulfilment of its responsibilities as a corporate citizen, as well as its contributions to and performance in seeking a balance among the environmental, commercial and social aspects of its operations.

Comprising members of the top management, the Sustainability Committee established last year facilitates all departments' involvement in driving and monitoring the Group's performance in health and safety, community engagement, environmental protection and other aspects. In line with the Group's strategic objective of taking the initiative in the development of environmental projects, Towngas China launched the "Less Plastics" community welfare campaign in the first half of 2019 and called on project companies and staff to reduce the use of disposable plastic items such as drinking straws and takeaway boxes. Tree-planting and energy-conservation activities were also organised to promote a low-carbon lifestyle. As at 30 June, more than 70 project companies and over 2,200 staff volunteers participated in our initiatives, totalling over 11,000 service hours.

Towngas China Gentle Breeze Movement, the Group's signature social welfare programme, extended its outreach activities further to Pingchang county, Bazhong city in Sichuan province. The programme offered assistance to Jianshan Primary School by way of setting up a Towngas China Charity Library, renovating facilities, building rain shelters and purchasing school uniforms and sports shoes for its teachers and students, in a bid to help improve their learning environment. Since the inception of Towngas China Gentle Breeze Movement in 2013, the Group has rolled out charitable schooling aid initiatives in Sichuan, Jiangxi, Anhui, Shandong, Guizhou, Liaoning, Guangdong and Fujian provinces and the Inner Mongolia autonomous region.

To uphold our traditional Chinese culture and foster harmony in neighbourhoods, Towngas China headed the ninth Rice Dumplings for the Community campaign which was supported by more than 70 project companies. Coinciding with the Dragon Boat Festival, the campaign invited staff members and their families to prepare rice dumplings to be distributed to underprivileged groups. This year, close to 1,400 volunteers signed up for the event to make and deliver more than 36,700 rice dumplings.

In support of the national "Safe Production Month", Towngas China organised another "HSE Walk" in June, collaborating with parent company The Hong Kong and China Gas Company Limited ("HKCG") to mobilise more than 140 project companies and over 14,000 colleagues and their family members to join the walk at various operation locations across the country, in a bid to promote the Group's code of conduct in health, safety and environment. This year, our campaign was held under the theme of "Enhancing Operations and Going Far with Integrity", underscoring our "Safety First" principle. The Group's Safety Committee conducts two major safety inspections every year to eliminate safety hazards in business operations through on-site inspection, thereby minimising safety risks. Meanwhile, Towngas China strived to promote the culture of "integrity" with the aim of providing quality service to the public in an open, fair and just manner, thereby enhancing our social reputation.

Outlook

Economic Landscape

The Chinese economy has remained stable since the beginning of 2019 with a growth in the gross domestic product of 6.3% for the first six months of the year. China's economic growth has been put under pressure in view of the United States ("U.S.") government's decision to raise tariffs on Chinese goods, a move announced on 10 May 2019. Increasing volatility has also been seen in the RMB-US dollar exchange rate, in tandem with the changing conditions in Chinese-US economic and trade relations. Nevertheless, in light of anticipated changes in U.S. interest rate policies and the timely implementation of measures by the Chinese government to stabilise the exchange rate, the rate is expected to remain within a reasonable range for the entire year.

At the same time, the Chinese government has continued to step up efforts to open the economy to foreign investment and implement tax cuts and fee reductions for domestic businesses. "The Foreign Investment Law of the People's Republic of China" which was approved by the National People's Congress in March 2019 will come into effect on 1 January 2020. National treatment will be granted prior to access while a negative-list administration system will be implemented in respect of foreign investment. Pursuant to the "Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2019)" which comes into effect on 30 July 2019, the negative list has been cut from 48 items to 40 items. Regarding infrastructure investment, the restriction for gas or heat pipelines for cities with a population of more than 500,000 to be majority-controlled by Chinese shareholders has been abolished, demonstrating the strong commitment being made to open up the market to foreign investment.

Furthermore, the Ministry of Finance of the People's Republic of China, State Taxation Administration and General Administration of Customs jointly published the "Announcement on Relevant Policies for Deepening the Value-Added Tax Reform", reducing the value-added tax rates of 16% and 10% to 13% and 9%, respectively from 1 April 2019.

These measures should be conducive to achieving annual economic growth targets, as they drive economic growth and as their effects become more apparent over time.

Progress of Natural Gas Marketisation Reforms

The Central Commission for the Comprehensive Deepening of Reform passed "The Opinion on the Implementation of Reform of the Mechanism for Petroleum and Natural Gas Pipeline Operation" in March 2019. It also proposed the formation of a national pipeline company to engage mainly in the operation of trunk pipelines for state-owned large-scale oil and gas corporations. The aim is to expedite the building of a unified nationwide network to enhance management and operational efficiencies and maximise the capacity utilisation rate.

The National Development and Reform Commission of the People's Republic of China ("NDRC") and National Energy Administration issued a new version of its "Measures for Regulation of Fair and Open Access to Oil and Gas Pipeline Facilities" in May 2019, which proposed the establishment of a thermal value pricing system in two years as well as stronger regulation over service contracts. The measures also call for the fair opening up of facilities such as mid-stream pipelines, liquefied natural gas ("LNG") receiving stations and underground gas storage facilities to third parties, facilitating the development of the entire national natural gas industry chain, alleviating the disparity between regional and seasonal natural gas demand and supply, as well as formulating a more reasonable market-oriented natural gas pricing mechanism.

The Chinese government has been making strong efforts to drive market-oriented reforms for the natural gas industry in recent years. The "Guiding Opinion on Strengthening Gas Distribution Price Regulation" and the "Guiding Opinion on the Regulation of Installation Fees for Gas Facilities in Cities and Towns" published in 2017 and June 2019, respectively, by the NDRC have set out proposed return rates for both gas distribution and gas facilities installation businesses of city-gas enterprises, while the rates of gas prices and installation fees for end users of piped gas are now to be determined by local price bureau. In the future, the Group's city-gas project companies might be subject to the risk of having to adjust their natural gas selling prices and gas facilities installation fees accordingly, thus creating uncertainties to the Group in operational and financial aspects. In view of the above, our management team is actively monitoring and evaluating the changes in policies and will take appropriate measures to address any potential risks.

Even though the policies of installation fees for gas facilities may affect the short-term income of city gas enterprises, it will favour enterprises with a stronger competitive edge in terms of safety management, quality assurance and premium services in the long term, making them the preferred choice of customers. We are confident that the Group is favourably positioned in future market competition as we have always been committed to the optimisation of the gas facilities installation process and the control of installation costs as key management issues. We also believe we have a strong edge in the market in view of our ongoing research and planning.

Market Prospects of the City Gas Business

The State Council of the People's Republic of China's "Government Work Report" delivered in 2019 targetted pollution prevention of as one of the "Three Critical Battles" to be undertaken by the government. It calls for the extension of the "Action Plan to Win the Battle for a Blue Sky" to roll out the treatment of atmospheric pollution in the Beijing-Tianjin-Hebei and surrounding areas, the Yangtze River Delta and the Fenhe and Weihe plains. Its aim is to enhance pollution prevention and treatment measures caused by three major sources: industrial manufacturing, coal burning and motor vehicles. The second cycle of the environmental audit conducted by the central government, which is scheduled to run for a period of four years, has already commenced.

This sustained and intensive implementation of environmental policies has provided a favourable market to further the utilisation of natural gas. Despite the slowdown of the year-on-year growth in national natural gas consumption for the first half of the year, a double-digit growth in natural gas consumption is expected for the full year. As measures for the implementation of environmental policies continue to be rolled out, local regions have shown different characteristics in their demand and market for natural gas use. For example, Jiangsu province has been strongly driving its "Jiangsu Implementation Plan for the Special Initiative of Two Reductions, Six Treatments and Three Improvements"; Xi'an city in Shaanxi province, has in turn revised its "Rigorous Smog Treatment and Protection of Blue Sky — Three-year Action Plan (2018–2020)", proposing a thorough clean-up as well as the conversion of its centralised coal-fired heat supply terminals by the end of 2019.

Closely monitoring the new changes and opportunities in the domestic natural gas market, the Group has persisted in our strategy to enhance our market penetration, underpinned by the provision of more efficient energy services to customers through the launch of integrated energy services and distributed energy projects. Following the abolition of shareholding percentage restrictions in relation to city gas and heat pipeline investments, foreign companies will enjoy national treatment in many more aspects. At the same time, national development strategies, such as the Guangdong-Hong Kong-Macau Greater Bay Area and Yangtze River Delta Region Integration will present more opportunities for business development, particularly as the city gas market continues to become more vibrant and attractive.

Business Outlook of the Group

In light of the developments in the domestic natural gas market in 2019, our strategic plans are forging ahead. With regard to upstream gas sources, we have been steadily expanding our LNG imports, allowing us to fully leverage the gas storage capacity of the Jintan underground gas storage facilities of our parent company, HKCG, while providing supplementary gas supplies for peak shaving in winter together with the lowering of our gas sourcing costs. In the mid-stream sector, we have been vigorously driving construction to facilitate inter-connection between the Jintan underground gas storage facilities and the Group's pipelines. We have also been identifying potential joint venture LNG receiving terminal projects. Downstream, our industrial and commercial market development strategy has been upgraded to an "integrated energy service" approach, with a view to offering a diverse range of energy consumption services and efficient energy utilisation options to our customers. Our subsidiary, Towngas China Energy Investment Limited also established the "Tsinghua-Towngas China Joint Research Centre for Regional Integrated Energy Planning Technology" in conjunction with Tsinghua University in April 2019. The research centre will help us to maintain our leading position in technology advancement and integrated energy services.

Our residential market business and extended businesses have also enjoyed steady growth. Towngas Lifestyle is advancing our strategic cooperation with third parties to uncover greater customer value and enhance the scale of our business operations. U-Tech Guang Dong, a company established by the Group in May 2019, provides consulting and advisory services to city gas projects both internally and for external customers, strengthening and expanding our related businesses. These strategic initiatives will guide the Group as we move forward, seizing opportunities and embracing challenges to ensure our sound business growth for the year.

OTHER INFORMATION

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

As at 30 June 2019, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required pursuant to: (a) Divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"); (b) Section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in Shares

			Interest in shares				
Name of Company	**Name of Director**	**Capacity**	**Personal interest**	**Family interest**	**Corporate interest**	**Aggregate interest**	**Approximate percentage of the number of issued shares of the Company or its associated corporation as at 30.06.2019**
Towngas China Company Limited	Alfred Chan Wing-kin	Beneficial owner	3,881,901 *(Note 1)*	–	–	3,881,901	0.14%
	Peter Wong Wai-yee	Beneficial owner	3,075,000	–	–	3,075,000	0.11%
	John Ho Hon-ming	Beneficial owner	1,089,034 *(Note 2)*	–	–	1,089,034	0.04%
	James Kwan Yuk-choi	Beneficial owner	2,265,000	–	–	2,265,000	0.08%
HKCG	Alfred Chan Wing-kin	Interest held jointly with spouse	322,697	–	–	322,697	0.00%
	John Ho Hon-ming	Beneficial owner	50,532	–	–	50,532	0.00%
	James Kwan Yuk-choi	Beneficial owner and interest of spouse	110,000	129,070	–	239,070	0.00%

Notes:

1. Upon his 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 21 June 2019 and the subsequent allotment of 99,332 new shares by the Company on 4 July 2019, Mr. Alfred Chan Wing-kin had personal interest of 3,881,901 shares of the Company, representing approximately 0.14% of the number of issued shares of the Company as at the date of this report.

2. Upon his 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 21 June 2019 and the subsequent allotment of 27,866 new shares by the Company on 4 July 2019, Mr. John Ho Hon-ming had personal interest of 1,089,034 shares of the Company, representing approximately 0.04% of the number of issued shares of the Company as at the date of this report.

Save as stated above, as at 30 June 2019, 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.

Arrangements to Purchase Shares or Debentures

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 acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders

As at 30 June 2019, 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 30.06.2019
Lee Shau-kee	Interest of controlled corporations	1,945,034,864 *(Note 1)*	69.22%
Rimmer (Cayman) Limited ("Rimmer")	Trustee	1,945,034,864 *(Note 2)*	69.22%
Riddick (Cayman) Limited ("Riddick")	Trustee	1,945,034,864 *(Note 2)*	69.22%
Hopkins (Cayman) Limited ("Hopkins")	Interest of controlled corporations	1,945,034,864 *(Note 2)*	69.22%
Henderson Development Limited ("HD")	Interest of controlled corporations	1,945,034,864 *(Note 2)*	69.22%
Henderson Land Development Company Limited ("HLD")	Interest of controlled corporations	1,945,034,864 *(Note 2)*	69.22%
Faxson Investment Limited ("Faxson")	Interest of controlled corporations	1,945,034,864 *(Note 2)*	69.22%
HKCG	Interest of controlled corporations	1,945,034,864 *(Note 3)*	69.22%
Towngas International Company Limited ("TICL")	Interest of controlled corporation	1,777,488,912 *(Note 3)*	63.26%
Hong Kong & China Gas (China) Limited ("HK&CG (China)")	Beneficial owner	1,777,488,912 *(Note 3)*	63.26%
Towngas Investment Company Limited ("TICL-HK")	Interest of controlled corporations	167,545,952 *(Note 3)*	5.96%
Planwise Properties Limited ("Planwise")	Beneficial owner	164,742,704 *(Note 3)*	5.86%
Commonwealth Bank of Australia ("Commonwealth Bank")	Interest of controlled corporations	197,265,156 *(Note 4)*	7.02%

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 1,945,034,864 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 ("Unit Trust"). Hopkins as trustee of the Unit Trust owned all the issued ordinary shares of HD. HD was entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of HLD. HLD 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, HD, HLD and Faxson was therefore taken to be interested in the same 1,945,034,864 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 TICL, which in turn was a wholly-owned subsidiary of HKCG, each of TICL and HKCG was therefore taken to be interested in the 1,777,488,912 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 TICL-HK, which in turn was a wholly-owned subsidiary of HKCG, each of TICL-HK and HKCG was therefore taken to be interested in 167,545,952 Shares, which included (a) the 164,742,704 Shares held by Planwise; and (b) the 2,803,248 Shares held by Superfun, the aforesaid including the entitlement to new Shares upon their submission of election forms with the Company electing to receive new Shares in lieu of cash dividend pursuant to the Company's scrip dividend scheme on 21 June 2019. Subsequent to the allotment of a total of 49,770,594 new Shares to HK&CG (China), Planwise and Superfun by the Company on 4 July 2019, the approximate percentage figures of interest of (i) HKCG, (ii) TICL and HK&CG (China), (iii) TICL-HK and (iv) Planwise in the Shares were therefore adjusted to (i) 67.76%, (ii) 61.92%, (iii) 5.84% and (iv) 5.74% respectively as at 4 July 2019.

4. Commonwealth Bank was taken to be interested in these 197,265,156 Shares which were held by indirect wholly-owned subsidiaries of Commonwealth Bank. Subsequent to the reporting period, a total of 4,594,057 new Shares were allotted on 4 July 2019 pursuant to the Company's scrip dividend scheme. Commonwealth Bank was therefore taken to be interested in 201,859,213 Shares which were held by indirect wholly-owned subsidiaries of Commonwealth Bank, representing approximately 7.03% of the number of Shares as at 4 July 2019. On 2 August 2019, Commonwealth Bank and its subsidiary Colonial First State Group Limited completed the divestment of the Colonial First State Global Asset Management business to Mitsubishi UFJ Trust and Banking Corporation. As a result of the divestment, Commonwealth Bank ceased to have a notifiable interest in the Shares and Mitsubishi UFJ Financial Group, Inc. was taken to be interested in a total of 207,005,585 Shares, representing approximately 7.21% of the number of Shares as at 2 August 2019.

Save for the shareholders as disclosed herein, the Directors are not aware of any persons who, as at 30 June 2019, 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 2019, 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 2019, 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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

There was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 June 2019.

Corporate Governance

The Company had complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2019.

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 2019.

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 Board Audit and Risk Committee meeting was held on 12 August 2019 to review the unaudited condensed consolidated financial statements for the six months ended 30 June 2019. Deloitte Touche Tohmatsu, the Company's external auditor, had carried out a review of the unaudited condensed consolidated financial statements for the six months ended 30 June 2019 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.

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. Alfred Chan Wing-kin *B.B.S., Hon.F.E.I., Hon.F.I.I.U.S., C.Eng., F.H.K.I.E., F.I.Mech.E., F.I.G.E.M., M.Sc.(Eng), B.Sc.(Eng)*
Chairman and Executive Director, Chairman of the Nomination Committee and member of the Remuneration Committee

Mr. Chan was appointed as a Director of Foshan Gas Group Co., Ltd. on 11 April 2019.

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

Mr. Wong retired as the Vice Chairman of Foshan Gas Group Co., Ltd. on 11 April 2019.

Mr. John Ho Hon-ming *F.C.A., F.C.P.A., F.H.K.I.o.D., B.A.(Hons.)*
Executive Director and Company Secretary

Mr. Ho was elected as the Vice Chairman of the Taxation Committee of the Hong Kong General Chamber of Commerce on 17 July 2019.

Dr. Moses Cheng Mo-chi *GBM, GBS, OBE, JP*
Independent Non-Executive Director, Chairman of the Remuneration Committee and member of the Board Audit and Risk Committee and the Nomination Committee

(i) Dr. Cheng retired as a Non-executive Director of Kader Holdings Company Limited on 1 May 2019.

(ii) Dr. Cheng was conferred a Fellowship by the Hong Kong Academy of Finance on 26 June 2019.

Mr. Brian David Li Man-bun *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

(i) Mr. Li was appointed as the Co-Chief Executive of The Bank of East Asia, Limited on 1 July 2019.

(ii) Mr. Li ceased to be the Chairman of the Traffic Accident Victims Assistance Advisory Committee of the Government of the Hong Kong Special Administrative Region on 1 July 2019.

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF TOWNGAS CHINA COMPANY LIMITED

Introduction

We have reviewed the condensed consolidated financial statements of Towngas China Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 16 to 48, which comprise the condensed consolidated statement of financial position as of 30 June 2019 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 Main Board Listing 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
19 August 2019

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2019

	NOTES	Six months ended 30 June 2019 HK$'000 (unaudited)	2018 HK$'000 (unaudited)
Revenue	3	**6,512,354**	5,584,184
Total operating expenses	4	**(5,625,207)**	(4,788,522)
		887,147	795,662
Other gains (losses), net		**44,292**	(27,926)
Share of results of associates		**172,443**	178,683
Share of results of joint ventures		**192,211**	193,164
Finance costs	5	**(190,187)**	(150,650)
Profit before taxation	6	**1,105,906**	988,933
Taxation	7	**(253,781)**	(242,149)
Profit for the period		**852,125**	746,784
Profit for the period attributable to:			
Shareholders of the Company		**755,624**	663,445
Non-controlling interests		**96,501**	83,339
		852,125	746,784
		HK cents	HK cents
Earnings per share	8		
— Basic		**26.89**	23.96

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Profit for the period	**852,125**	746,784
Other comprehensive income (expense)		
Items that will not be reclassified subsequently to profit or loss		
Exchange differences arising on translation to presentation currency	**(18,338)**	(272,369)
Fair value change on investments in equity instruments at fair value through other comprehensive income	**53,862**	29,238
Income tax relating to items that will not be reclassified to profit or loss	**(13,469)**	(7,310)
Items that may be reclassified subsequently to profit or loss		
Cash flow hedge:		
Net fair value change on derivative instruments designated as cash flow hedge recorded in hedge reserve	**7,958**	–
Reclassification of fair value change on derivative instruments designated as cash flow hedge to profit or loss	**(14,299)**	–
	15,714	(250,441)
Total comprehensive income for the period	**867,839**	496,343
Total comprehensive income attributable to:		
Shareholders of the Company	**775,517**	423,058
Non-controlling interests	**92,322**	73,285
Total comprehensive income for the period	**867,839**	496,343

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	NOTES	**30.6.2019 HK$'000 (unaudited)**	31.12.2018 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	10	**16,563,423**	15,914,048
Right-of-use assets	10	**826,836**	–
Leasehold land		**–**	638,502
Intangible assets		**482,872**	492,669
Goodwill	11	**5,518,483**	5,522,253
Interests in associates		**4,104,087**	4,009,196
Interests in joint ventures		**2,735,626**	2,520,858
Loan to an associate		**33,455**	11,159
Loans to joint ventures		**39,827**	39,854
Equity instruments at fair value through other comprehensive income		**434,476**	381,449
Other financial asset		**11,703**	–
		30,750,788	29,529,988
Current assets			
Inventories		**586,015**	575,250
Leasehold land		**–**	25,629
Trade and other receivables, deposits and prepayments	12	**1,684,192**	1,833,228
Loans to joint ventures		**276,383**	240,451
Amounts due from non-controlling shareholders		**107,375**	105,168
Other financial assets		**–**	37,180
Time deposits over three months		**43,331**	56,225
Bank balances and cash		**1,959,517**	1,611,487
		4,656,813	4,484,618

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 30 June 2019

	NOTES	**30.6.2019 HK$'000 (unaudited)**	31.12.2018 HK$'000 (audited)
Current liabilities			
Trade and other payables and accrued charges	14	**2,345,473**	2,079,926
Contract liabilities		**2,989,721**	3,043,956
Amounts due to non-controlling shareholders		**89,435**	96,629
Loans from joint ventures		**101,127**	24,642
Borrowings — amounts due within one year	15	**3,817,600**	2,783,581
Lease liabilities		**19,730**	–
Other financial liabilities		**14,260**	114,865
Taxation		**891,678**	862,740
		10,269,024	9,006,339
Net current liabilities		**(5,612,211)**	(4,521,721)
Total assets less current liabilities		**25,138,577**	25,008,267
Non-current liabilities			
Borrowings — amounts due after one year	15	**6,399,729**	6,720,751
Loan from a non-controlling shareholder		**18,878**	–
Lease liabilities		**40,648**	–
Other financial liability		**25,417**	22,300
Deferred taxation		**504,523**	495,900
		6,989,195	7,238,951
Net assets		**18,149,382**	17,769,316
Capital and reserves			
Share capital	16	**281,003**	281,003
Reserves		**16,292,456**	15,948,194
Equity attributable to shareholders of the Company		**16,573,459**	16,229,197
Non-controlling interests		**1,575,923**	1,540,119
Total equity		**18,149,382**	17,769,316

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to shareholders of the Company									
	Share capital	Share premium	Exchange reserve	Hedge reserve	General reserves	Investment revaluation reserve	Retained earnings	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2018 (audited)	281,003	6,114,717	230,514	(16,277)	302,208	158,148	9,158,884	16,229,197	1,540,119	17,769,316
Adjustments (note 2)	–	–	–	–	–	–	(9,751)	(9,751)	–	(9,751)
At 1 January 2019 (restated)	281,003	6,114,717	230,514	(16,277)	302,208	158,148	9,149,133	16,219,446	1,540,119	17,759,565
Exchange differences arising on translation to presentation currency	–	–	(14,159)	–	–	–	–	(14,159)	(4,179)	(18,338)
Fair value change on investments in equity instruments at fair value through other comprehensive income	–	–	–	–	–	53,862	–	53,862	–	53,862
Income tax relating to items that will not be reclassified to profit or loss	–	–	–	–	–	(13,469)	–	(13,469)	–	(13,469)
Net fair value change on derivative instruments designated as cash flow hedge recorded in hedge reserve	–	–	–	7,958	–	–	–	7,958	–	7,958
Reclassification of fair value change on derivative instruments designated as cash flow hedge to profit or loss	–	–	–	(14,299)	–	–	–	(14,299)	–	(14,299)
Profit for the period	–	–	–	–	–	–	755,624	755,624	96,501	852,125
Total comprehensive income for the period	–	–	(14,159)	(6,341)	–	40,393	755,624	775,517	92,322	867,839
Transfer	–	–	–	–	7,872	–	(7,872)	–	–	–
Dividends paid to shareholders of the Company	–	(421,504)	–	–	–	–	–	(421,504)	–	(421,504)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	(56,518)	(56,518)
	–	(421,504)	–	–	7,872	–	(7,872)	(421,504)	(56,518)	(478,022)
At 30 June 2019 (unaudited)	**281,003**	**5,693,213**	**216,355**	**(22,618)**	**310,080**	**198,541**	**9,896,885**	**16,573,459**	**1,575,923**	**18,149,382**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2018

	Attributable to shareholders of the Company								
	Share capital	Share premium	Exchange reserve	General reserves	Investment revaluation reserve	Retained earnings	Total	Non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2017 (audited)	276,869	6,226,762	1,060,747	247,280	(75)	8,033,450	15,845,033	1,352,783	17,197,816
Adjustments	–	–	–	–	99,299	(15,799)	83,500	(452)	83,048
At 1 January 2018 (restated)	276,869	6,226,762	1,060,747	247,280	99,224	8,017,651	15,928,533	1,352,331	17,280,864
Exchange differences arising on translation to presentation currency	–	–	(262,315)	–	–	–	(262,315)	(10,054)	(272,369)
Fair value change on investments in equity instruments at fair value through other comprehensive income	–	–	–	–	29,238	–	29,238	–	29,238
Income tax relating to items that will not be reclassified to profit or loss	–	–	–	–	(7,310)	–	(7,310)	–	(7,310)
Profit for the period	–	–	–	–	–	663,445	663,445	83,339	746,784
Total comprehensive income for the period	–	–	(262,315)	–	21,928	663,445	423,058	73,285	496,343
Transfer	–	–	–	22,846	–	(22,846)	–	–	–
Addition on acquisition of a business	–	–	–	–	–	–	–	46,551	46,551
Capital contributed from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	36,027	36,027
Dividends paid to shareholders of the Company	–	(415,303)	–	–	–	–	(415,303)	–	(415,303)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	(33,958)	(33,958)
	–	(415,303)	–	22,846	–	(22,846)	(415,303)	48,620	(366,683)
At 30 June 2018 (unaudited)	276,869	5,811,459	798,432	270,126	121,152	8,658,250	15,936,288	1,474,236	17,410,524

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash generated from operating activities	**717,102**	539,682
Investing activities		
Purchases of property, plant and equipment	**(962,445)**	(1,110,003)
Purchase of right-of-use assets/leasehold land	**(122,559)**	(60,248)
Advances to joint ventures	**(36,664)**	–
Advance to an associate	**(22,635)**	–
Repayment of loan from a non-controlling shareholder	**–**	17,417
Dividends received from associates	**109,119**	79,025
Dividends received from joint ventures	**35,545**	33,704
Dividends received from equity instruments at fair value through other comprehensive income	**30,051**	53,480
Net settlement of other financial assets/liabilities	**(119,704)**	(106,182)
Decrease in time deposits over three months	**12,856**	56,063
Net cash outflow on acquisition of a business	**–**	(47,655)
Consideration paid for acquisition of businesses acquired in prior periods	**–**	(15,296)
Capital injection to joint ventures	**(67,854)**	–
Other investing cash flows	**10,188**	(8,286)
Net cash used in investing activities	**(1,134,102)**	(1,107,981)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Financing activities		
New bank and other loans raised	**7,366,646**	4,837,768
Repayments of bank and other loans	**(6,613,613)**	(4,132,011)
Advances from joint ventures	**77,704**	–
Repayment of loans to joint ventures	**–**	(20,101)
Advance from a non-controlling shareholder	**18,586**	–
Repayment of lease liabilities	**(11,155)**	–
Capital contribution from non-controlling shareholders of subsidiaries	**–**	36,027
Dividends paid to non-controlling shareholders of subsidiaries	**(56,518)**	(33,958)
Net cash generated from financing activities	**781,650**	687,725
Net increase in cash and cash equivalents	**364,650**	119,426
Cash and cash equivalents at beginning of the period	**1,611,487**	1,605,300
Effect of foreign exchange rate changes	**(16,620)**	(42,901)
Cash and cash equivalents at end of the period, representing bank balances and cash	**1,959,517**	1,681,825

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 and ultimate holding company is The Hong Kong and China Gas Company Limited ("HKCG"), a limited company incorporated in Hong Kong with its shares listed on the Stock Exchange.

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

The Company is an investment holding company. Its subsidiaries are principally engaged in the sales and distribution of piped gas in the People's Republic of China (the "PRC") including the provision of piped gas, construction of gas pipelines, the operation of city gas pipeline network, the operation of gas fuel automobile refilling stations, and the sale of gas household appliances.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("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$5,612 million as at 30 June 2019. The Group's liabilities as at 30 June 2019 included borrowings of approximately HK$3,818 million that are repayable within one year from the end of the reporting period.

As of the date of approval for issuance of the condensed consolidated financial statements, the Group had unutilised facilities (the "Facilities") amounting to approximately HK$7,154 million. When considering the Group's ability to continue as a going concern, the Directors considered that the Group's borrowings of approximately HK$3,818 million that are repayable within one year from the end of the reporting period will be rolled over or refinanced as the Group has good relationship with the banks and has good credibility.

Taking into account of the internally generated funds and the 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 measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current 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 and changes in accounting policies of application on HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impacts and changes in accounting policies of application on HKFRS 16 "Leases" (continued)

2.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes the amount of the initial measurement of the lease liability and any lease payments made at or before the commencement date and any initial direct costs incurred by the Group.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impacts and changes in accounting policies of application on HKFRS 16 "Leases" (continued)

2.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee (continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets. The Directors considered that such adjustment has no material impact to the condensed consolidated financial statements of the Group.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date.

The lease payments represent fixed payments less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impacts and changes in accounting policies of application on HKFRS 16 "Leases" (continued)

2.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative to impairment review;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impacts and changes in accounting policies of application on HKFRS 16 "Leases" (continued)

2.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

As a lessee (continued)

iii. applied a single discount rate to a portfolio of leases with similar remaining terms for a similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of plant and equipment and properties in the PRC were determined on a portfolio basis.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amount as if HKFRS 16 had been applied since commencement dates, but discounted using the Group's incremental borrowing rates at the date of initial application by applying HKFRS 16.C8(b)(i) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 5%.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impacts and changes in accounting policies of application on HKFRS 16 "Leases" (continued)

2.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

As a lessee (continued)

Lease liabilities as at 1 January 2019

	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	**103,313**
Lease liabilities discounted at relevant incremental borrowing rates as at 1 January 2019	**83,466**
Analysed as:	
Current portion	**19,006**
Non-current portion	**64,460**
	83,466

Right-of-use assets as at 1 January 2019

The carrying amount of right-of-use assets as at 1 January 2019 comprises of right-of-use assets relating to operating leases recognised upon application of HKFRS 16 of HK$76,650,000 and amount reclassified from leasehold land of HK$664,131,000.

Upfront payments for leasehold lands in the PRC were classified as leasehold land as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of leasehold land amounting to HK$25,629,000 and HK$638,502,000 respectively were reclassified to right-of-use assets.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impacts and changes in accounting policies of application on HKFRS 16 "Leases" (continued)

2.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

The following table summarises the impact of transition to HKFRS 16 on retained earnings at 1 January 2019.

	Impact of adopting HKFRS 16 at 1 January 2019 HK$'000
Retained earnings	
Reversal of rental expenses recognised in accordance with HKAS 17 before date of initial application of HKFRS 16	40,188
Depreciation of right-of-use assets from commencement date of the respective leases to the date of initial application of HKFRS 16	(36,696)
Interest expenses on lease liabilities from commencement date of the respective leases to the date of initial application of HKFRS 16	(10,308)
Adjustment to interests in joint ventures upon adoption of HKFRS 16 *(note)*	(2,753)
Adjustment to interests in associates upon adoption of HKFRS 16 *(note)*	(182)
Impact at 1 January 2019	(9,751)

Note: The initial application of HKFRS 16 resulted in a net decrease in interests in joint ventures and interests in associates of HK$2,753,000 and HK$182,000 respectively (which is arising from the impacts relating to the reversal of rental expenses recognised in accordance with HKAS 17 before date of initial application of HKFRS 16, recognition of depreciation of right-of-use assets and interest expenses on lease liabilities from commencement date of the respective leases to the date of initial application of HKFRS 16) with corresponding adjustments to retained earnings.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Impacts and changes in accounting policies of application on HKFRS 16 "Leases" (continued)

2.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 HK$'000	Adjustments HK$'000	Carrying amounts under HKFRS 16 at 1 January 2019 HK$'000
Non-current assets			
Right-of-use assets	–	740,781	740,781
Leasehold land	638,502	(638,502)	–
Interests in joint ventures	2,520,858	(2,753)	2,518,105
Interests in associates	4,009,196	(182)	4,009,014
Current asset			
Leasehold land	25,629	(25,629)	–
Current liability			
Lease liabilities	–	(19,006)	(19,006)
Non-current liability			
Lease liabilities	–	(64,460)	(64,460)
Reserves			
Retained earnings	(9,158,884)	9,751	(9,149,133)

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

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 two operating divisions, which also represent the operating segments of the Group for financial reporting purposes, namely sales and distribution of piped gas and related products and gas connection. They represent two major lines of business engaged by the Group. The principal activities of the operating and reportable segments are as follows:

Sales and distribution of piped gas and related products	–	Sales of piped gas (mainly natural gas) and gas related household appliances*
Gas connection	–	Construction of gas pipeline networks under gas connection contracts

* Sales from gas related household appliances contribute to less than 5% of the Group's total revenue.

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 gains (losses), 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.

3. SEGMENT INFORMATION (CONTINUED)

Operating segments (continued)

Information regarding these segments is presented below.

	Sales and distribution of piped gas and related products HK$'000	Gas connection HK$'000	Consolidated HK$'000
Six months ended 30 June 2019			
REVENUE			
External	**5,618,926**	**893,428**	**6,512,354**
Segment results	**548,769**	**415,538**	**964,307**
Other gains, net			**44,292**
Unallocated corporate expenses			**(77,160)**
Share of results of associates			**172,443**
Share of results of joint ventures			**192,211**
Finance costs			**(190,187)**
Profit before taxation			**1,105,906**
Taxation			**(253,781)**
Profit for the period			**852,125**

3. SEGMENT INFORMATION (CONTINUED)

Operating segments (continued)

	Sales and distribution of piped gas and related products HK$'000	Gas connection HK$'000	Consolidated HK$'000
Six months ended 30 June 2018			
REVENUE			
External	4,728,376	855,808	5,584,184
Segment results	466,068	405,133	871,201
Other losses, net			(27,926)
Unallocated corporate expenses			(75,539)
Share of results of associates			178,683
Share of results of joint ventures			193,164
Finance costs			(150,650)
Profit before taxation			988,933
Taxation			(242,149)
Profit for the period			746,784

The Group's revenue from contracts with customers has been disaggregated as (i) sales and distribution of piped gas and related products of HK$5,618,926,000 (2018: HK$4,728,376,000), and (ii) gas connection of HK$893,428,000 (2018: HK$855,808,000) for the six months ended 30 June 2019.

4. TOTAL OPERATING EXPENSES

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Gas fuel, stores and materials used	**4,599,623**	3,784,993
Staff costs	**485,578**	470,209
Depreciation, amortisation, and release of leasehold land	**334,660**	308,527
Other expenses	**205,346**	224,793
	5,625,207	4,788,522

5. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Interest on bank and other borrowings	**194,405**	158,241
Bank charges	**3,105**	2,952
Interest on lease liabilities	**1,631**	–
	199,141	161,193
Less: amounts capitalised	**(8,954)**	(10,543)
	190,187	150,650

6. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	**9,518**	9,988
Depreciation of right-of-use assets	**25,806**	–
Release of leasehold land	**–**	10,264
Cost of inventories sold	**4,942,081**	4,104,308
Depreciation of property, plant and equipment	**299,336**	288,275
Staff costs	**485,578**	470,209
Exchange loss	**–**	60,741
Net change in fair value of other financial assets/liabilities	**76,470**	41,638
and after crediting:		
Interest income	**7,596**	7,825
Dividend income from equity instruments at fair value through other comprehensive income	**30,051**	53,480
Exchange gain	**68,042**	–

7. TAXATION

The taxation charge mainly represents Enterprise Income Tax ("EIT") of the PRC for both periods.

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

The EIT rates applicable for the Group's PRC subsidiaries range from 15% to 25% (2018: 15% to 25%).

Following the Catalogue of Encouraged Industries in Western Region which was promulgated by the National Development and Reform Commission of the PRC in 2014, certain subsidiaries which are operating in the Western China have been granted a concessionary tax rate of 15% by the local tax bureau.

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019	2018
	HK$'000	HK$'000
Earnings for the purpose of basic earnings per share, being profit for the period attributable to shareholders of the Company	**755,624**	663,445

	Number of shares Six months ended 30 June	
	2019	2018
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,810,028**	2,768,690

No diluted earnings per share for both periods were presented as there were no potential ordinary shares in issue for both periods.

9. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: nil). During the period, a dividend of HK fifteen cents per ordinary share (2018: HK fifteen cents per ordinary share) amounting to HK$421,504,000 was declared by the Board as the final dividend for 2018 (HK$415,303,000 for 2017).

The final dividend for 2018 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 4 July 2019, the final dividend of HK fifteen cents per ordinary share, which included the scrip dividend option offered to shareholders, was paid to shareholders as the final dividend in respect of the financial year ended 31 December 2018.

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

During the current interim period, the Group spent HK$971,399,000 (2018: HK$1,134,090,000) on additions to property, plant and equipment, including HK$736,227,000 (2018: HK$605,744,000) on the construction in progress of gas pipelines and HK$235,172,000 (2018: HK$528,346,000) on other plant and equipment.

Furthermore, during the current interim period, additions to right-of-use assets amounted to HK$128,000,000, of which HK$122,000,000 relates to acquisition of leasehold land.

11. GOODWILL

	HK$'000
At 31 December 2018	5,522,253
Currency realignment	(3,770)
At 30 June 2019	5,518,483

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30.6.2019	31.12.2018
	HK$'000	HK$'000
Trade receivables (net of allowance for credit losses)	**852,358**	871,480
Prepayments	**467,167**	597,090
Other receivables and deposits	**364,667**	364,658
	1,684,192	1,833,228

Trade receivables

Included in the balance of trade and other receivables, deposits and prepayments are trade receivables with gross carrying amount of HK$988,629,000 (31 December 2018: HK$1,003,238,000) and allowance for credit losses of HK$136,271,000 (31 December 2018: HK$131,758,000). 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 presented based on the invoice date, which approximated the revenue recognition date, at the end of the reporting period:

	30.6.2019	31.12.2018
	HK$'000	HK$'000
0 to 90 days	**625,014**	747,436
91 to 180 days	**110,298**	44,553
Over 180 days	**117,046**	79,491
	852,358	871,480

Details of the impairment assessment are set out in note 13.

13. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSSES MODEL

Provision matrix — debtors' aging

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its operation because these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Based on the Group's assessment of historical credit loss experience of the existing debtors and all available forward looking information, including but not limited to the expected economic conditions in the PRC and expected subsequent settlements, the Group does not consider that default occurs for those contractual payments that are more than 90 days past due. The Group used estimated loss rates ranging from 0% to 30% for trade receivables not credit impaired based on aging for classes with different credit risk characteristics and exposures, and the estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

14. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	30.6.2019	31.12.2018
	HK$'000	HK$'000
Trade payables	**1,169,886**	1,248,393
Consideration payable for acquisitions of businesses	**74,969**	75,019
Other payables and accruals	**1,095,998**	755,590
Amount due to ultimate holding company *(note)*	**4,620**	924
	2,345,473	2,079,926

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

14. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES (CONTINUED)

Trade payables

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

	30.6.2019	31.12.2018
	HK$'000	HK$'000
0 to 90 days	**573,433**	819,120
91 to 180 days	**193,548**	127,950
181 to 360 days	**212,281**	128,181
Over 360 days	**190,624**	173,142
	1,169,886	1,248,393

15. BORROWINGS

	30.6.2019	31.12.2018
	HK$'000	HK$'000
Bank loans — unsecured	**10,180,224**	9,466,400
Other loans — unsecured	**37,105**	37,932
	10,217,329	9,504,332
Carrying amounts repayable:		
On demand or within one year	**3,817,600**	2,783,581
More than one year but not exceeding two years	**707,651**	1,168,312
More than two years but not exceeding five years	**5,673,649**	5,533,998
More than five years	**18,429**	18,441
	10,217,329	9,504,332
Less: Amounts due within one year shown under current liabilities	**(3,817,600)**	(2,783,581)
Amounts due after one year	**6,399,729**	6,720,751

16. SHARE CAPITAL

Authorised shares of HK$0.10 each

	Number of shares	**Share capital**
		HK$'000
At 31 December 2018 and 30 June 2019	5,000,000,000	500,000

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

	Number of shares	**Share capital**
		HK$'000
At 31 December 2018 and 30 June 2019	2,810,027,892	281,003

17. CAPITAL COMMITMENTS

Except as disclosed elsewhere in the condensed consolidated financial statements, the Group has the following significant capital commitments at the end of the reporting period:

	30.6.2019	31.12.2018
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
— acquisition of property, plant and equipment	**278,010**	262,281
— acquisition of businesses	**13,086**	18,219

18. 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).

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Financial assets/liabilities	Fair value as at 30.6.2019	Fair value as at 31.12.2018	Fair value hierarchy	Valuation techniques and key inputs
Listed equity investment classified as FVTOCI in the condensed consolidated statement of financial position	Asset — HK$46,059,000	Asset — HK$43,741,000	Level 1	Quoted market price
Cross currency swaps and cross currency interest rate swaps classified as other financial assets/ liabilities in the condensed consolidated statement of financial position	Asset — HK$11,703,000 Liabilities — HK$39,677,000	Assets — HK$37,180,000 Liabilities — HK$72,908,000	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.
Foreign currency forward contracts classified as other financial assets/ liabilities in the condensed consolidated statement of financial position	Liabilities — Nil	Liabilities — HK$64,257,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

Financial assets/liabilities	Fair value as at 30.6.2019	Fair value as at 31.12.2018	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
Unquoted equity investments	Assets — HK$388,417,000	Assets — HK$337,708,000	Level 3	Market comparable approach	Market multiples ranging from 1.0 to 1.6 and discount for lack of marketability ranging from 0% to 25% *(note)*

Note: 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.

18. 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 of financial assets

	Unquoted equity investments
	HK$'000
Balance at 1 January 2018	257,929
Currency realignment	(3,573)
Fair value change recognised to other comprehensive income	45,242
Balance at 30 June 2018	299,598
Balance at 1 January 2019	337,708
Currency realignment	(3,166)
Fair value change recognised to other comprehensive income	53,875
Balance at 30 June 2019	388,417

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. Where Level 1 inputs are not available, the management establishes 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.

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

19. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated financial statements, the following significant related party transactions took place during the period:

Name of related party	Nature of transactions	Six months ended 30 June 2019 HK$'000	2018 HK$'000
GH-Fusion Corporation Limited *(note b)*	Purchase of pipeline construction materials and tools	**164**	476
Shanxi ECO Coalbed Methane Co., Ltd. *(note a)*	Purchase of coalbed methane	**–**	1,845
Hong Kong and China Technology (Wuhan) Company Limited *(note a)*	System software and supporting services	**3,797**	4,593
Anhui Province Natural Gas Development Company Limited *(note b)*	Purchase of compressed natural gas	**70,463**	42,369
Maanshan Hong Kong and China Gas Company Limited *(note c)*	Purchase of natural gas	**35,594**	25,408
瀋陽三全工程監理諮詢有限公司 *(note a)*	Project management services	**3,520**	4,400
山東港華培訓學院 *(note a)*	Training services	**1,297**	974
卓度計量技術（深圳）有限公司 *(note a)*	Purchase of gas meters	**5,591**	12,176
卓通管道系統（中山）有限公司 *(note a)*	Purchase of pipeline construction materials and tools	**53,124**	52,524
珠海卓銳高科信息技術有限公司 *(note a)*	Provision of system software, cloud computing system and safety inspection supporting services	**283**	2,427

19. RELATED PARTY TRANSACTIONS (CONTINUED)

Name of related party	Nature of transactions	Six months ended 30 June 2019 HK$'000	2018 HK$'000
Chaozhou Hong Kong and China Gas Company Limited *(note a)*	Processing service charges of natural gas	**–**	645
清遠卓佳公用工程材料有限公司 *(note b)*	Purchase of pipeline construction materials and tools	**5,414**	4,006
港華國際能源貿易有限公司 *(note a)*	Purchase of liquefied natural gas	**–**	42,134
常州東利港華氣體有限公司 *(note b)*	Purchase of natural gas	**21,756**	22,432
Guangzhou Hong Kong and China Gas Company Limited *(note a)*	Sale of natural gas	**20,235**	19,255
Zhuojia Public Engineering (Maanshan) Co., Ltd. *(note b)*	Processing of pipeline materials	**7,478**	2,421
Xuzhou Hong Kong and China Gas Company Limited *(note a)*	Purchase of natural gas	**8,625**	4,496
徐州港華能源科技有限公司 *(note a)*	Purchase of natural gas	**11,589**	257
四川空港燃氣有限公司 *(note d)*	Sale of natural gas	**12,828**	6,380
江蘇海企港華燃氣股份有限公司 *(note b)*	Purchase of pipeline construction materials and tools	**1,596**	828

19. RELATED PARTY TRANSACTIONS (CONTINUED)

Name of related party	Nature of transactions	Six months ended 30 June 2019 HK$'000	2018 HK$'000
Hong Kong & China Gas Investment Limited *(note a)*	Expatriate service fee	**5,560**	–
山東港燃經貿有限公司 *(note b)*	Purchase of natural gas	**48,594**	–
四川空港燃氣有限公司 *(note d)*	Gas pipeline installation fee	**6,532**	–

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 influence in this company.