THE HONG KONG AND CHINA GAS COMPANY LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)
(Stock Code: 3)

PRELIMINARY ANNOUNCEMENT OF 2013 INTERIM RESULTS

HALF-YEARLY RESULTS

The Directors are pleased to report that the unaudited profit after taxation attributable to shareholders of the Group for the six months ended 30th June 2013 amounted to HK$3,620 million, a decrease of HK$500.3 million compared with the same period last year. Earnings per share for the first half of 2013 amounted to HK37.9 cents, a decrease of 12.1 per cent compared with the same period last year. The decrease in profit was mainly due to a decrease in both one-off net gain and the Group's share of the revaluation surplus of International Finance Centre ("IFC") compared with the same period last year. During the period under review, the Group's mainland utility businesses recorded good growth. Exclusive of the one-off net gain and profits from property-related businesses, the Group's profit after taxation for the six months ended 30th June 2013 amounted to HK$3,290 million, an increase of approximately 2 per cent compared with the same period last year.

Highlights of the unaudited results of the Group for the six months ended 30th June 2013, as compared to the same period in 2012, are shown in the following table:

	Unaudited Six months ended 30th June	
	2013	2012
Revenue before Fuel Cost Adjustment, HK million dollars	**12,163.2**	11,562.2
Revenue after Fuel Cost Adjustment, HK million dollars	**13,147.1**	12,534.5
Profit Attributable to Shareholders, HK million dollars	**3,620.0**	4,120.3
Earnings per Share, HK cents	**37.9**	43.1*
Interim Dividend per Share, HK cents	**12.0**	12.0
Town Gas Sold in Hong Kong, million MJ	**15,144**	15,579
Gas Sold in mainland China City-gas Business, ten thousand cubic metres; natural gas equivalent#	**655,633**	596,107
Number of Customers in Hong Kong as at 30th June	**1,782,564**	1,763,392
Number of City-gas Customers in mainland China as at 30th June#	**15,664,617**	13,783,560

* *Adjusted for the bonus issue in 2013*
\# *Inclusive of all mainland city-gas projects of the Group*

GAS BUSINESS IN HONG KONG

The local economy continued to grow moderately during the first half of 2013. Tourism, restaurant and hotel sectors, all still benefiting from an increase in the number of inbound tourists, continued to prosper. However, as the average temperature for the first half of 2013 in Hong Kong was slightly higher than the same period last year, overall gas sales were adversely affected and, as a result, total volume of gas sales in Hong Kong decreased by 2.8 per cent compared with the same period last year. In comparison, appliance sales for the first half of 2013 increased by approximately 7.7 per cent compared with the same period last year.

As at 30th June 2013, the number of customers was 1,782,564, an increase of 6,204 since the end of December 2012.

BUSINESS DEVELOPMENT IN MAINLAND CHINA

The Group's mainland businesses progressed steadily during the first half of 2013 in respect of the number of projects and profits.

The mainland economy, driven by domestic demand, continued to develop steadily during the first half of 2013 though the pace of growth was slower compared with the same period last year owing to continuing weaknesses in the global economy. The Group's city-gas and natural gas businesses, benefiting from both an increase in upstream natural gas supply and on-going economic advancement in some regions on the mainland, recorded continuous growth during the first half of 2013. The Group's development of emerging environmentally-friendly energy projects and related research and development of new technologies, through its wholly-owned subsidiary ECO Environmental Investments Limited and the latter's subsidiaries (together known as "ECO"), are progressing well with a number of projects now at various stages of investment, construction and gradual commissioning; this has laid a new foundation for the long-term development of the Group's businesses.

The mainland government is proactively advocating urbanisation which is favourable to the development of utility businesses. With regard to environmental protection, it has formulated a natural gas utilisation policy to encourage speeding up of natural gas resources' exploration and utilisation in order to improve air quality. Therefore it is projected that there will be increasing demand for clean energy in the long run. These factors, coupled with increasing upstream natural gas supplies, are creating good prospects and investment value for the Group's city-gas and emerging environmentally-friendly energy businesses on the mainland. Furthermore, following the development and expansion of its telecommunications businesses in Hong Kong and the mainland over the last few years, the Group has established several data centre and telecommunications conduit system project companies, which are now contributing to ever-more diversification of the Group's businesses.

Overall, inclusive of projects of the Group's subsidiary, Towngas China Company Limited ("Towngas China"; stock code: 1083.HK), the Group currently has 166 projects on the mainland, 16 more than at the end of 2012, spread across 22 provinces, autonomous regions and municipalities. These projects encompass upstream, midstream and downstream natural gas sectors, water sectors, environmentally-friendly energy applications, energy resources and logistics, as well as telecommunications.

Diversification and an increase in the number of projects are gradually transforming the Group from a locally-based company centred on city-gas businesses into a sizable, nation-wide, multi-business corporation with a focus on environmentally-friendly energy ventures and utility sectors.

UTILITY BUSINESSES IN MAINLAND CHINA

The Group's city-gas businesses are progressing well. Inclusive of Towngas China, the Group currently has a total of 115 city-gas projects in mainland cities spread across 20 provinces, autonomous regions and municipalities, of which 11 are new projects established this year. The total volume of gas sales for these projects for the first half of 2013 was 6,560 million cubic metres, an increase of 10 per cent over the same period last year. As at the end of June 2013, the Group's mainland gas customers exceeded 15.66 million, an increase of 13.6 per cent over the same period last year. The Group continues to be a large-scale city-gas enterprise with outstanding performance on the mainland.

With gradual commissioning of large-scale natural gas projects, including transmission pipelines from Sichuan province to eastern and southern China and phase two of the West-to-East pipeline, and an increase in the quantity of imported and domestic liquefied natural gas, the shortfall in the mainland's natural gas supply in the past few years is now gradually being mitigated. Thus, with sufficient sources of gas supply, expanding pipeline networks and the public's aspiration for greater environmental protection, the Group anticipates its mainland city-gas businesses will continue to thrive in the future.

As natural gas price reform is anticipated shortly, the price of natural gas is expected to increase accordingly which may negatively impact market demand in the short term. However, in the medium to long term, natural gas is still projected to be the most practical and widely used clean energy on the mainland.

The Group's midstream natural gas projects are making good progress. These include natural gas pipeline projects in Anhui province, in Hebei province and in Hangzhou city, Zhejiang province; natural gas extension projects in Jilin and Henan provinces; the Guangdong Liquefied Natural Gas Receiving Terminal project; a natural gas valve station project in Suzhou Industrial Park, Suzhou city, Jiangsu province; and Towngas China's midstream pipeline project located in Wafangdian, Dalian city, Liaoning province. These kinds of high-pressure, natural gas pipeline projects generate good returns and help the Group develop its downstream city-gas markets.

The Group has so far invested in and operates five water projects, including water supply joint venture projects in Wujiang district, Suzhou city, Jiangsu province and in Wuhu city, Anhui province; a wholly-owned water supply project in Zhengpugang Xin Qu, Maanshan city, Anhui province; and an integrated water supply and wastewater joint venture project, together with an integrated wastewater treatment project for a special industry, both in Suzhou Industrial Park, Suzhou city, Jiangsu province. With increasing demand for clean water resources across the country, the Group's water projects are progressing well, with steady growth in volume of water sales.

Operation and management of businesses encompassing city-gas, city-water and midstream natural gas projects create positive synergy and mutual advantages. Furthermore, these businesses generate stable income and provide good environmental benefits, with room for expansion. The Group will therefore keep on looking for opportunities to invest in high-quality utility projects on the mainland.

EMERGING ENVIRONMENTALLY-FRIENDLY ENERGY BUSINESSES

ECO's major businesses in Hong Kong – an aviation fuel facility servicing Hong Kong International Airport, dedicated liquefied petroleum gas ("LPG") vehicular refilling stations and North East New Territories landfill gas utilisation – are operating well. Total turnover for the aviation fuel facility for the first half of this year was 2.67 million tonnes of aviation fuel, providing a safe and reliable fuel supply for Hong Kong International Airport and contributing to ECO's steady profit growth. Profit margins for the refilling station business were significantly higher than the same period last year benefiting from more stable LPG prices compared to 2012.

As the mainland is increasing its utilisation of natural gas in order to improve air quality, ECO is currently strengthening its strategies in the development and utilisation of unconventional gas resources including coalbed gas, shale gas and coke oven gas. ECO's coalbed methane liquefaction facility, located in Jincheng city, Shanxi province, is operating smoothly and its products' selling prices have risen significantly, benefiting from a recent upward adjustment of the gate price of natural gas; the outlook for this business is optimistic and bright. ECO plans to seek more coalbed methane supply sources thus enabling it to expand its liquefaction capacity and continue to develop similar projects. ECO is also planning to invest in methanation of coke oven gas with its first project expected to be located in Xuzhou city, Jiangsu province. In addition, ECO is also stepping up development of upstream coalbed gas and shale gas resources. ECO will continue to both expand its capacity of coalbed gas in Guizhou province via innovative gas extraction techniques for coal mines of low permeability, with a view to scaling up commercially as soon as possible, and also continue to exploit Shanxi coalbed gas blocks in cooperation with those parties who own the gas resources' rights. ECO is also actively looking for opportunities to participate in shale gas exploration, as encouraged by national policies.

The mainland government has recently advocated the use of compressed or liquefied natural gas to replace diesel as a vehicular fuel in order to conserve energy, reduce emissions and improve air quality. When ECO extended its business into the mainland in 2008, its first project was the construction of a compressed natural gas refilling station for heavy-duty trucks in Shaanxi province. After several years of development, a network of ECO refilling stations has gradually taken shape in Shaanxi, Shandong, Shanxi, Henan and Liaoning provinces. ECO is also now planning to provide liquefied natural gas refilling facilities for incoming and outgoing heavy-duty trucks and river transport vessels at the logistics port in Jining city, Shandong province – a port which links an upstream railway with the nearby downstream Beijing-Hangzhou canal. All in all, ECO currently has 20 refilling stations either in operation or under construction, and further expansion of this business into other provinces is in progress. With the number of refilling stations increasing, the ECO brand name will gradually become more well-known in the market.

ECO's methanol production plant in Erdos city, Inner Mongolia is now running smoothly and is at the trial production stage; this has laid a solid foundation for methanol upgrading. Methanol, an ideal chemical feedstock, can be further processed into high-value energy products such as gasoline, olefin and ethylene glycol. ECO is seeking an effective way to convert methanol into clean fuels to replace gasoline to enhance economic benefits of this project, an important step forward in developing its methanol upgrading business.

ECO is also working proactively on technologies to convert other resources. It is making progress in converting more raw materials of low value into high value-added energy, so as to give ECO a competitive development edge in this new energy sector in the future.

With regard to ECO's upstream resources business, the operation of an oilfield project in Thailand is relatively stable, mainly focusing on strengthening exploration activities so as to further expand oil reserves. In contrast, coal mining businesses in Inner Mongolia have suffered recently from the mainland's economic slowdown and decrease in demand for coal, a situation which is, however, expected to last for only a short period of time.

TOWNGAS CHINA COMPANY LIMITED (STOCK CODE: 1083.HK)

Towngas China, a subsidiary of the Group, continued to record good growth in profit after taxation attributable to its shareholders, amounting to HK$533 million for the first half of 2013, an increase of approximately 49 per cent over the same period last year. As at the end of June 2013, the Group had an approximately 62.31 per cent interest in Towngas China.

Towngas China is also progressing well in project development. It acquired 11 new piped-gas projects during the first half of 2013 located in Zhengpugang Xin Qu, Maanshan city, in Fanchang county, Wuhu city and in Bozhou-Wuhu Modern Industrial Zone, Bozhou city all in Anhui province; in Cang county, in Mengcun Hui Autonomous County and in Yanshan county, all in Cangzhou city, Hebei province; in the Economic Development Zone, Boxing county, Binzhou city and in Shiheng town, Feicheng city both in Shandong province; in Mianzhu city, Sichuan province; in Dafeng city, Jiangsu province; and in Fengxi district, Chaozhou city, Guangdong province. Towngas China is focused on developing city-gas businesses in cities with a high proportion of industrial gas consumption. To capture investment opportunities resulting from the country's commitment to promote the utilisation of natural gas during the period of the Twelfth Five-Year Plan (2011-2015), Towngas China will continue to strive for rapid expansion through mergers and acquisitions.

PROPERTY DEVELOPMENTS

Leasing of the commercial area of the Grand Waterfront property development project located at Ma Tau Kok is good. The Group also has an approximately 15.8 per cent interest in the IFC complex. Rental demand for the shopping mall and office towers of IFC continues to be robust. The occupancy rate of the project's hotel complex, comprising the Four Seasons Hotel and rental serviced apartments, remains high.

FINANCING PROGRAMMES

In line with the Group's long-term business investments, the Group had issued, as at 30th June 2013, medium term notes of an aggregate amount equivalent to HK$10.2 billion with tenors ranging from 5 to 40 years under the medium term note programme established through HKCG (Finance) Limited, a wholly-owned subsidiary of the Group.

HONG KONG EMPLOYEES AND PRODUCTIVITY

As at 30th June 2013, the number of employees engaged in the town gas business in Hong Kong was 1,945 (30th June 2012: 1,941), the number of customers was 1,782,564, and each employee served the equivalent of 916 customers, an increase compared to each employee serving 908 customers as at the end of June 2012. Inclusive of employees engaged in local businesses such as telecommunications, LPG vehicular refilling stations and engineering contractual works, the total number of the Group's employees engaged in businesses in Hong Kong was 2,281 as at the end of June 2013 compared with 2,271 as at the end of June 2012. Related manpower costs amounted to HK$423 million for the first half of 2013, an increase of HK$28 million compared with the corresponding period in 2012. The Group will continue to offer employees rewarding careers based on their capabilities and performance and arrange a variety of training programmes in order to constantly enhance the quality of the Group's customer services.

DIVIDEND

Your Directors have declared an interim dividend of HK12 cents per share payable to shareholders whose names are on the register of shareholders of the Company as at 19th September 2013. To enable our Share Registrar to complete the necessary work associated with this payment, the register of shareholders will be closed on Wednesday, 18th September 2013 and Thursday, 19th September 2013, during which period no share transfers will be effected. Dividend warrants will be posted to shareholders on Wednesday, 2nd October 2013.

BUSINESS OUTLOOK FOR 2013

The Company predicts steady growth and an increase of about 25,000 new customers in Hong Kong during 2013. Restaurant, hotel and retail sectors in Hong Kong are all benefiting from a prospering tourism industry. Nevertheless, local economic growth for the whole year is expected to be affected by the continuing uncertain global economic outlook. In Hong Kong, operating costs for all business sectors are increasing. However, an increase in the standard gas tariff with effect from 1st April 2013 will offset some of the Company's own rising operating costs. The Company will continue to enhance its operational efficiency so as to maintain stable revenue from its gas business in the territory.

In line with the gradual implementation of the Twelfth Five-Year Plan, the mainland government advocates increasing urbanisation, optimising the energy mix, energy conservation, emission reduction and utilisation of clean energy. Combined with the state's advocate of expanding domestic consumption of goods and services to boost economic growth, it is anticipated that there will be a continuing rise in demand for utility services and energy. The Group's city-gas and natural gas businesses on the mainland are therefore expected to continue to achieve good growth. Furthermore, following the mainland government's move towards policies of energy diversification, environmental protection and building a circular economy, the Group predicts good prospects for its emerging environmentally-friendly energy businesses and related development of new application technologies, which will ignite a new light illuminating the way for the Group's long-term development and business growth.

With the Group's solid foundation in Hong Kong and its diverse business sectors spread across extensive areas on the mainland, together with its successful corporate brand names and sales channels built there over the last 20 years, and an anticipated rising demand for clean energy, the Group predicts good prospects and an even better future for all its businesses in the years to come.

LEE Shau Kee
Chairman

Hong Kong, 21st August 2013

FINANCIAL INFORMATION

Highlights of the Group's interim accounts for the first six months ended 30th June 2013 are shown below. The unaudited interim accounts have been reviewed by the Company's audit committee and external auditor, PricewaterhouseCoopers.

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

	Note	**2013** HK$M	2012 HK$M
Revenue	3	**13,147.1**	12,534.5
Total operating expenses	4	**(9,789.6)**	(9,177.6)
		3,357.5	3,356.9
Other gains, net	5	**404.0**	708.5
Interest expense		**(439.0)**	(411.9)
Share of results of associates		**799.1**	878.4
Share of results of joint ventures		**667.5**	692.6
Profit before taxation		**4,789.1**	5,224.5
Taxation	6	**(770.9)**	(790.1)
Profit for the period		**4,018.2**	4,434.4
Attributable to:			
Shareholders of the Company		**3,620.0**	4,120.3
Non-controlling interests		**398.2**	314.1
		4,018.2	4,434.4
Dividends	7	**1,147.2**	1,042.9
Earnings per share – basic and diluted, HK cents	8	**37.9**	43.1*

*Adjusted for the bonus issue in 2013

CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 30TH JUNE 2013

	Note	**At 30th June 2013 HK$M**	Restated At 31st December 2012 HK$M
Assets			
Non-current assets			
Property, plant and equipment		**43,007.8**	40,550.0
Investment property		**540.0**	540.0
Leasehold land		**1,391.8**	1,364.1
Intangible assets		**4,989.2**	3,845.4
Associates		**16,084.6**	16,307.1
Joint ventures		**9,524.1**	9,103.6
Available-for-sale financial assets		**2,852.3**	3,078.6
Derivative financial instruments		**337.7**	381.0
Retirement benefit assets		**58.1**	-
Other non-current assets		**2,348.7**	2,329.6
		81,134.3	77,499.4
Current assets			
Inventories		**2,009.4**	1,831.8
Trade and other receivables	9	**5,897.6**	5,722.2
Loan and other receivables from associates		**300.4**	73.0
Loan and other receivables from joint ventures		**1,030.6**	861.3
Loan and other receivables from non-controlling shareholders		**162.2**	154.7
Financial assets at fair value through profit or loss		**164.9**	347.1
Time deposits over three months		**594.3**	261.3
Time deposits up to three months, cash and bank balances		**11,587.8**	12,186.4
		21,747.2	21,437.8
Current liabilities			
Trade and other payables	10	**(9,851.1)**	(9,329.4)
Amounts due to joint ventures		**(467.5)**	(392.4)
Loan and other payables to non-controlling shareholders		**(534.6)**	(211.5)
Provision for taxation		**(973.2)**	(828.8)
Borrowings		**(6,135.8)**	(6,490.8)
		(17,962.2)	(17,252.9)
Net current assets		**3,785.0**	4,184.9
Total assets less current liabilities		**84,919.3**	81,684.3

CONSOLIDATED BALANCE SHEET (UNAUDITED) (Continued)
AS AT 30TH JUNE 2013

	At 30th June 2013 HK$M	Restated At 31st December 2012 HK$M
Non-current liabilities		
Customers' deposits	**(1,208.1)**	(1,205.1)
Deferred taxation	**(4,584.5)**	(4,446.2)
Borrowings	**(25,058.1)**	(25,230.2)
Loan payables to non-controlling shareholders	**(40.0)**	(39.3)
Asset retirement obligations	**(78.3)**	(78.0)
Derivative financial instruments	**(325.6)**	(305.1)
Retirement benefit liabilities	**-**	(30.2)
	(31,294.6)	(31,334.1)
Net assets	**53,624.7**	50,350.2
Capital and reserves		
Share capital	**2,389.9**	2,172.6
Share premium	**2,861.0**	3,078.3
Reserves	**41,135.0**	37,952.1
Proposed dividend	**1,147.2**	1,998.8
Shareholders' funds	**47,533.1**	45,201.8
Non-controlling interests	**6,091.6**	5,148.4
Total equity	**53,624.7**	50,350.2

NOTES TO THE CONDENSED INTERIM ACCOUNTS (UNAUDITED)

1 Basis of preparation and accounting policies

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

Except as described below, the accounting policies used in the preparation of these unaudited condensed consolidated interim accounts are consistent with those set out in the annual report for the year ended 31st December 2012.

The Group has adopted the following new or revised standards, interpretations and amendments to standards which are effective for the Group's financial year beginning 1st January 2013 and relevant to the Group.

HKAS 1 (amendment)	"Presentation of Financial Statements – Presentation of Items on Other Comprehensive Income"
HKFRS 7 (amendment)	"Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities"
HKFRS 10	"Consolidated Financial Statements"
HKFRS 11	"Joint Arrangements"
HKFRS 12	"Disclosure of Interests in Other Entities"
HKFRS 13	"Fair Value Measurement"
HKAS 19 (amendment 2011)	"Employee Benefits"
HKAS 27 (revised 2011)	"Separate Financial Statements"
HKAS 28 (revised 2011)	"Investments in Associates and Joint Ventures"
HK (IFRIC) - Int 20	"Stripping Costs in the Production Phase of a Surface Mine"

The adoption of the new or revised standards, interpretations and amendments to standards has no significant impact on the Group's results and financial position nor any substantial changes in Group's accounting policies, except for those disclosed as follow:

(i) HKAS 1 (amendment) - "Presentation of Financial Statements - Presentation of Items on Other Comprehensive Income" requires to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

(ii) HKAS 19 (amendment 2011) - "Employee Benefits" eliminates the corridor approach with all actuarial gains or losses be recorded in other comprehensive income. It also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate. All past service costs is recognised immediately in the income statement instead of recognising on a straight-line basis over the average period until the benefits become vested in prior years.

Retirement benefit assets/liabilities as previously reported have been restated at the reporting dates to reflect the effect of the above. Amounts have been restated to retirement benefit liabilities as at 31st December 2012 as HK$30.2 million (previously as retirement benefit assets of HK$86.5 million).

The Group has selected the approach of recognising the transitional adjustments through the retained earnings and the amounts have been restated to HK$33,744.4 million as at 31st December 2012 (previously HK$33,861.1 million) and HK$29,140.3 million as at 1st January 2012 (previously HK$29,198.4 million).

The impact to income statement is insignificant for the adoption of HKAS 19 (amendment 2011).

NOTES TO THE CONDENSED INTERIM ACCOUNTS (UNAUDITED)

1 Basis of preparation and accounting policies (Continued)

(iii) HKFRS 13 - "Fair Value Measurement" measurement and disclosure requirements are applicable for the year ending 31st December 2013. Relevant disclosures for financial assets included in Note 2 below.

Except for the above, the HKICPA has issued a number of new or revised standards, interpretations and amendments to standards which are not effective for accounting period beginning 1st January 2013 and the Group has not early adopted the rules.

2 Financial risk management and fair value estimation of financial instruments

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

The following table presents the Group's assets and liabilities that are measured at fair value at 30th June 2013 and 31st December 2012.

	Level 1		**Level 2**		**Total**	
	At 30th June 2013 HK$M	At 31st December 2012 HK$M	**At 30th June 2013 HK$M**	At 31st December 2012 HK$M	**At 30th June 2013 HK$M**	At 31st December 2012 HK$M
Assets						
Financial assets at fair value through profit or loss						
- Debt securities	**74.7**	74.1	**-**	208.6	**74.7**	282.7
- Equity securities	**90.2**	64.4	**-**	-	**90.2**	64.4
Derivative financial instruments	**-**	-	**337.7**	381.0	**337.7**	381.0
Available-for-sale financial assets						
- Debt securities	**756.4**	782.8	**19.6**	19.2	**776.0**	802.0
- Equity investments	**1,566.3**	1,774.4	**-**	-	**1,566.3**	1,774.4
Total assets	**2,487.6**	2,695.7	**357.3**	608.8	**2,844.9**	3,304.5
Liabilities						
Derivative financial instruments	**-**	-	**325.6**	305.1	**325.6**	305.1

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

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

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

Level 2 trading and hedging derivatives comprise forward foreign exchange contracts, interest rate swaps and cross currency swaps. These forward foreign exchange contracts have been fair valued using forward exchange rates that are quoted in an active market. Interest rate swaps are fair valued using interest rates extracted from observable yield curves. Cross currency swaps are fair valued using forward exchange rates quoted in active market and interest rates extracted from observable yield curves.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. As at 30th June 2013, the Group did not have financial instruments under this category.

Specific valuation techniques used to value financial instruments includes:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

3 Segment information

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

	Six months ended 30th June	
	2013	2012
	HK$M	HK$M
Gas sales before fuel cost adjustment	**9,246.2**	8,668.7
Fuel cost adjustment	**983.9**	972.3
Gas sales after fuel cost adjustment	**10,230.1**	9,641.0
Equipment sales	**628.0**	581.8
Maintenance and services	**169.4**	164.3
Water sales	**271.4**	233.9
Coal and oil sales	**239.9**	599.5
Rental income	**21.2**	18.2
Other sales	**1,587.1**	1,295.8
	13,147.1	12,534.5

3 Segment information (Continued)

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

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

Segment assets exclude available-for-sale financial assets, financial assets at fair value through profit or loss, time deposits, cash and bank balances other than those included under segment assets for operation purposes, derivative financial instruments, retirement benefit assets, other non-current assets other than those included under segment assets and loan and other receivables from non-controlling shareholders.

The segment information for the six months ended 30th June 2013 and 2012 provided to the ECM for the reportable segments is as follows:

	Gas, water and related businesses		New Energy	Property	Other segments	Total
	Hong Kong	Mainland China				
2013	**HK$M**	**HK$M**	**HK$M**	**HK$M**	**HK$M**	**HK$M**
Revenue	**5,061.5**	**6,997.9**	**979.8**	**21.2**	**86.7**	**13,147.1**
Adjusted EBITDA	**2,386.4**	**1,737.0**	**290.6**	**12.5**	**39.7**	**4,466.2**
Depreciation and amortisation	**(316.9)**	**(346.9)**	**(89.5)**	**-**	**(17.0)**	**(770.3)**
Unallocated expenses						**(338.4)**
						3,357.5
Other gains, net						**404.0**
Interest expense						**(439.0)**
Share of results of associates	**-**	**445.1**	**(0.7)**	**355.2**	**(0.5)**	**799.1**
Share of results of joint ventures	**-**	**664.0**	**0.8**	**2.7**	**-**	**667.5**
Profit before taxation						**4,789.1**
Taxation						**(770.9)**
Profit for the period						**4,018.2**

Share of results of associates includes HK$126.6 million (2012: HK$300.0 million) being the Group's share of change in valuation of investment properties at the International Finance Centre (the "IFC") complex for the period.

NOTES TO THE CONDENSED INTERIM ACCOUNTS (UNAUDITED)

3 Segment information (Continued)

2012	Gas, water and related businesses Hong Kong HK$M	Gas, water and related businesses Mainland China HK$M	New Energy HK$M	Property HK$M	Other segments HK$M	Total HK$M
Revenue	4,984.5	6,165.2	1,323.2	18.2	43.4	12,534.5
Adjusted EBITDA	2,395.3	1,425.4	562.0	10.2	6.4	4,399.3
Depreciation and amortisation	(305.3)	(306.7)	(84.0)	(0.1)	(11.5)	(707.6)
Unallocated expenses						(334.8)
						3,356.9
Other gains, net						708.5
Interest expense						(411.9)
Share of results of associates	-	368.4	0.5	509.6	(0.1)	878.4
Share of results of joint ventures	-	690.0	(0.3)	2.9	-	692.6
Profit before taxation						5,224.5
Taxation						(790.1)
Profit for the period						4,434.4

The segment assets at 30th June 2013 and 31st December 2012 are as follows:

2013	**Gas, water and related businesses Hong Kong HK$M**	**Gas, water and related businesses Mainland China HK$M**	**New Energy HK$M**	**Property HK$M**	**Other segments HK$M**	**Total HK$M**
Segment assets	**16,372.4**	**47,808.1**	**19,178.2**	**10,451.5**	**1,155.4**	**94,965.6**
Unallocated assets:						
Available-for-sale financial assets						**2,852.3**
Financial assets at fair value through profit or loss						**164.9**
Time deposits, cash and bank balances excluded from segment assets						**4,102.0**
Others						**796.7**
Total assets	**16,372.4**	**47,808.1**	**19,178.2**	**10,451.5**	**1,155.4**	**102,881.5**

NOTES TO THE CONDENSED INTERIM ACCOUNTS (UNAUDITED)

3 Segment information (Continued)

2012	Gas, water and related businesses – Hong Kong HK$M	Gas, water and related businesses – Mainland China HK$M	New Energy HK$M	Property HK$M	Other segments HK$M	Restated Total HK$M
Segment assets	16,784.1	43,913.9	18,850.9	10,967.3	1,103.5	91,619.7
Unallocated assets:						
Available-for-sale financial assets						3,078.6
Financial assets at fair value through profit or loss						347.1
Time deposits, cash and bank balances excluded from segment assets						3,085.9
Others						805.9
Total assets	16,784.1	43,913.9	18,850.9	10,967.3	1,103.5	98,937.2

The Company is domiciled in Hong Kong. The Group's revenue from external customers in Hong Kong for the six months ended 30th June 2013 is HK$5,575.8 million (2012: HK$5,473.0 million), and the revenue from external customers in other geographical locations is HK$7,571.3 million (2012: HK$7,061.5 million).

At 30th June 2013, the total of non-current assets other than financial instruments located in Hong Kong and other geographical locations are HK$20,976.5 million and HK$54,561.0 million (Restated 31st December 2012: HK$21,172.7 million and HK$50,537.5 million) respectively.

4 Total operating expenses

	Six months ended 30th June **2013** HK$M	Six months ended 30th June 2012 HK$M
Stores and materials used	**6,706.5**	6,411.8
Manpower costs	**1,012.4**	903.2
Depreciation and amortisation	**775.5**	712.8
Other operating items	**1,295.2**	1,149.8
	9,789.6	9,177.6

NOTES TO THE CONDENSED INTERIM ACCOUNTS (UNAUDITED)

5 Other gains, net

	Six months ended 30th June	
	2013	2012
	HK$M	HK$M
Net investment gains	**461.5**	276.0
Net gain on acquisition of subsidiaries	**-**	600.7
(Loss)/gain on disposal of a subsidiary	**(34.7)**	66.3
Provision for investment in a joint venture	**-**	(20.0)
Project research and development costs	**(17.4)**	(117.2)
Provision for other receivables	**-**	(102.1)
Others	**(5.4)**	4.8
	404.0	708.5

6 Taxation

	Six months ended 30th June	
	2013	2012
	HK$M	HK$M
Current taxation	**634.3**	646.8
Deferred taxation relating to the origination and reversal of temporary differences	**136.6**	143.3
	770.9	790.1

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the period. Other countries profits tax has been calculated on the estimated assessable profits for the period at the rates prevailing in the respective jurisdictions.

7 Dividends

	Six months ended 30th June	
	2013	2012
	HK$M	HK$M
2012 Final, paid, of HK23 cents per ordinary share (2011 Final: HK23 cents per ordinary share)	**1,998.8**	1,817.1
2013 Interim, proposed, of HK12 cents per ordinary share (2012 Interim: HK12 cents per ordinary share)	**1,147.2**	1,042.9
Special, paid of HK17.5 cents per ordinary share for 2011	**-**	1,382.6
	3,146.0	4,242.6

NOTES TO THE CONDENSED INTERIM ACCOUNTS (UNAUDITED)

8 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK$3,620.0 million (2012: HK$4,120.3 million) and the weighted average of 9,559,670,503 shares (2012: 9,559,670,503 shares *) in issue during the period.

As the impact of diluted potential ordinary shares of a subsidiary is insignificant during the reporting periods of 2013 and 2012, the diluted earnings per share for the period ended 30th June 2013 and 2012 are approximately the same as the basic earnings per share.

* Adjusted for the bonus issue in 2013.

9 Trade and other receivables

	At 30th June 2013 HK$M	At 31st December 2012 HK$M
Trade receivables (Note)	**3,052.2**	3,065.1
Payments in advance	**1,619.7**	1,496.9
Other receivables	**1,225.7**	1,160.2
	5,897.6	5,722.2

The Group recognised a loss of HK$6.7 million (2012: HK$3.8 million) for the impairment of its trade and other receivables during the period. The impairment has been included in other operating items (Note 4).

Note

The Group has established credit policies for different types of customers. The credit period offered for trade receivables, which subject to periodic review by management, ranges from 30 to 60 days except for gas receivables of the Company which are due by 8 working days after billing date. As at 30th June 2013, the aging analysis of the trade receivables, net of impairment provision, is as follows:

	At 30th June 2013 HK$M	At 31st December 2012 HK$M
0 - 30 days	**2,403.1**	2,616.4
31 - 60 days	**163.2**	106.7
61 - 90 days	**56.9**	75.7
Over 90 days	**429.0**	266.3
	3,052.2	3,065.1

10 Trade and other payables

	At 30th June 2013 HK$M	At 31st December 2012 HK$M
Trade payables (Note a)	**2,259.3**	2,345.2
Other payables and accruals (Note b)	**7,591.8**	6,984.2
	9,851.1	9,329.4

Notes

(a) As at 30th June 2013, the aging analysis of the trade payables is as follows:

	At 30th June 2013 HK$M	At 31st December 2012 HK$M
0 - 30 days	**849.9**	1,144.4
31 - 60 days	**232.6**	222.4
61 - 90 days	**276.5**	81.3
Over 90 days	**900.3**	897.1
	2,259.3	2,345.2

(b) The balance includes an amount of approximately HK$45.7 million (At 31st December 2012: HK$45.7 million) payable to Henderson Land Development Company Limited in relation to its entitlement to 27 per cent of the net sales proceeds generated from the sales of residential units of Grand Waterfront.

DIVIDEND

The Board of Directors has declared an interim dividend for the six months ended 30th June 2013 of HK12 cents per share payable to shareholders of the Company whose names are on the register of members of the Company as at 19th September 2013. Dividend warrants will be despatched to shareholders on Wednesday, 2nd October 2013.

CLOSING OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 18th September 2013 to Thursday, 19th September 2013, both days inclusive, during which period no transfer of shares will be registered. **In order to qualify for this dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 17th September 2013.**

FINANCIAL RESOURCES REVIEW

Liquidity and capital resources

As at 30th June 2013, the Group had a net current deposits position of HK$6,046 million (31st December 2012: HK$5,957 million) and long-term borrowings of HK$25,058 million (31st December 2012: HK$25,230 million). In addition, banking facilities available for use amounted to HK$9,536 million (31st December 2012: HK$7,139 million).

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

Borrowing structure

In May 2009, the Group established a US$1 billion Medium Term Note Programme (the "Programme") which gives the Group the flexibility to issue notes at favorable terms and timing under the Programme. In May 2012, the Programme was updated with the size increased to US$2 billion. Up to 30th June 2013, the Group issued notes in the total amount of HK$10,210 million (31st December 2012: HK$10,210 million) with maturity terms of 5 years, 10 years, 12 years, 15 years, 30 years and 40 years in Renminbi, Australian dollar, Japanese yen and Hong Kong dollar under the Programme (the "MTNs"). The carrying value of the issued MTNs as at 30th June 2013 was HK$9,839 million (31st December 2012: HK$10,046 million).

As at 30th June 2013, the outstanding principal amount of the 10-year US dollar Guaranteed Notes (the "Guaranteed Notes") issued in August 2008 at a fixed coupon rate of 6.25 per cent per annum was US$995 million (31st December 2012: US$995 million) and the carrying value was HK$7,662 million (31st December 2012: HK$7,651 million).

As at 30th June 2013, the Group's borrowings amounted to HK$31,194 million (31st December 2012: HK$31,721 million). While the Notes mentioned on above together with the bank and other loans of HK$1,362 million had fixed interest rate and were unsecured, the remaining bank and other loans were unsecured and had a floating interest rate, of which HK$6,223 million (31st December 2012: HK$6,469 million) were long-term bank loans and HK$6,108 million (31st December 2012: HK$6,219 million) had maturities within one year on revolving credit or term loan facilities. As at 30th June 2013, the maturity profile of the Group's borrowings was 20 per cent within 1 year, 3 per cent within 1 to 2 years, 25 per cent within 2 to 5 years and 52 per cent over 5 years (31st December 2012: 20 per cent within 1 year, 4 per cent within 1 to 2 years, 24 per cent within 2 to 5 years and 52 per cent over 5 years).

The US dollar Guaranteed Notes, the RMB Note, AUD Note and JPY Note issued, and a bank loan of RMB500 million raised in Hong Kong are hedged to Hong Kong dollars by currency swaps and the Group's borrowings are primarily denominated in Hong Kong dollars and Renminbi; thus, the Group has no significant exposure to foreign exchange risk. The gearing ratio [net borrowing / (shareholders' funds + net borrowing)] for the Group as at 30th June 2013 remained healthy at 29 per cent (31st December 2012: 30 per cent).

Contingent liabilities

As at 30th June 2013, the Group did not provide any guarantee in respect of bank borrowing facilities made available to any associates, joint ventures or third parties (31st December 2012: Nil).

Currency profile

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

Group's investments in securities

Under the guidance of the Group's Treasury Committee, investments have been made in equity and debt securities. As at 30th June 2013, the investments in securities amounted to HK$3,017 million (31st December 2012: HK$3,426 million). The performance of the Group's investments in securities was satisfactory.

OTHER INFORMATION

Corporate governance

During the six months ended 30th June 2013, the Company had complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Model code for dealing in securities by Directors

The Company has adopted the model code as set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). Following specific enquiries by the Company, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code throughout the six months ended 30th June 2013.

Purchase, 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 30th June 2013.

By Order of the Board
JOHN H.M. HO
Chief Financial Officer and Company Secretary

Hong Kong, 21st August 2013

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

Non-executive Directors:	Dr. the Hon. Lee Shau Kee (Chairman), Mr. Colin Lam Ko Yin, Mr. Lee Ka Kit and Mr. Lee Ka Shing
Independent Non-executive Directors:	Mr. Leung Hay Man, Dr. the Hon. David Li Kwok Po and Professor Poon Chung Kwong
Executive Directors:	Mr. Alfred Chan Wing Kin and Mr. Peter Wong Wai Yee

Towngas
The Hong Kong and China Gas Company Limited