THE HONG KONG AND CHINA GAS COMPANY LIMITED

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

PRELIMINARY ANNOUNCEMENT OF 2012 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 2012 amounted to HK$4,120.3 million, an increase of HK$897.4 million compared with the same period last year. Earnings per share for the first half of 2012 amounted to HK 47.4 cents, an increase of 27.8 per cent compared with the same period last year. Profit growth was mainly due to growth in profit from mainland businesses and a one-off net gain recorded during the first half of 2012.

Highlights of the unaudited results of the Group for the six months ended 30th June 2012, as compared to the same period in 2011, are shown in the following table:

	Unaudited Six months ended 30th June	
	2012	2011
Revenue before Fuel Cost Adjustment, HK million dollars	**11,562.2**	9,681.7
Revenue after Fuel Cost Adjustment, HK million dollars	**12,534.5**	10,470.1
Profit Attributable to Shareholders, HK million dollars	**4,120.3**	3,222.9
Earnings per Share, HK cents	**47.4**	37.1*
Interim Dividend per Share, HK cents	**12.0**	12.0
Town Gas Sold in Hong Kong, million MJ	**15,579**	15,537
Gas Sold in mainland China City-gas Business, ten thousand cubic metres; natural gas equivalent#	**596,107**	520,268
Number of Customers in Hong Kong as at 30th June	**1,763,392**	1,736,923
Number of City-gas Customers in mainland China as at 30th June#	**13,783,560**	12,405,748

* *Adjusted for the bonus issue in 2012*
\# *Inclusive of all mainland city-gas projects of the Group*

GAS BUSINESS IN HONG KONG

Local economic growth slowed down during the first half of 2012 compared with the same period last year under the impact of the global economic downturn and unresolved European debt crisis. Though tourism, restaurant and hotel sectors still benefited from a continuous increase in the number of inbound tourists, both local residents and inbound tourists became cautious on spending owing to the slow down in economic growth. Hong Kong's average temperature for the first half of 2012 was also slightly higher than the same period last year. As a result of all these factors, overall gas sales were adversely affected, with the total volume of gas sales in Hong Kong for the first half of 2012 rising slightly by only 0.3 per cent compared to the same period last year. Total number of appliances sold during the period under review increased by approximately 1.7 per cent over the same period last year.

As at 30th June 2012, the number of customers was 1,763,392, an increase of 12,839, as anticipated, since the end of December 2011.

BUSINESS DEVELOPMENTS IN MAINLAND CHINA

The Group's mainland businesses progressed well during the first half of 2012.

The mainland economy continued to grow steadily during the first half of 2012 though the pace was slower compared with the same period last year owing to a difficult domestic and global economy. The Group's city-gas and natural gas businesses, benefiting from both an increase in upstream natural gas supply and economic progress in certain regions on the mainland, recorded continuous growth during the period under review. The Group's development of emerging environmentally-friendly energy projects, through its wholly-owned subsidiary ECO Environmental Investments Limited and the latter's subsidiaries (together known as "ECO"), is progressing well with ECO now at various stages of project investment, construction and gradual commissioning. As a result of rising internal demand for consumer goods and progressive urbanisation on the mainland, demand for clean energy is increasing. Upstream natural gas supply is also improving. Therefore in the long run, both city-gas and emerging environmentally-friendly energy businesses on the mainland have good prospects and investment value.

Overall, inclusive of projects of the Group's subsidiary, Towngas China Company Limited ("Towngas China"; stock code: 1083.HK), the Group currently has 145 projects on the mainland, seven more than that at the end of 2011, spread across 21 provinces/municipalities/autonomous regions. These projects encompass upstream, midstream and downstream natural gas sectors, water supply and wastewater treatment sectors, natural gas vehicular filling stations, environmentally-friendly energy applications, energy resources, logistics businesses and telecommunications.

Diversification and an increase in the number of projects are rapidly 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 environmental protection, energy ventures and utility sectors.

UTILITY BUSINESSES IN MAINLAND CHINA

The Group's city-gas businesses are progressing well, with three new projects successfully established by Towngas China so far this year. The Group now has 103 city-gas projects in mainland cities spread across 19 provinces/municipalities/autonomous regions. As at the end of June 2012, the number of the Group's gas customers on the mainland was approximately 13.78 million generating a total volume of gas sales of 5,960 million cubic metres during the period under review. The Group is now the largest city-gas enterprise on the mainland.

With gradual completion 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 liquefied natural gas, together with domestic sources, the shortfall in natural gas supply in the past few years is now gradually being mitigated. Thus, with access to sufficient gas sources, the Group anticipates its mainland projects will continue to thrive in the future.

The Group's midstream natural gas projects are making good progress. These include high-pressure natural gas pipeline joint ventures in Anhui province, in Hebei province, in Hangzhou, Zhejiang province and in Jilin province; the Guangdong Liquefied Natural Gas Receiving Terminal project; a natural gas valve station project in Suzhou Industrial Park, Suzhou, Jiangsu province; and a new pipeline project in Henan province. Towngas China also added a midstream pipeline project located in Wafangdian, Dalian, Liaoning province to its portfolio during the first half of 2012. These kinds of high-pressure, natural gas pipeline projects generate good returns and help the Group develop and strengthen its downstream city-gas markets.

During the third quarter of 2011, the Group added a second integrated wastewater treatment project, for a special industry, to its existing integrated water supply and wastewater joint venture in Suzhou Industrial Park, Suzhou, Jiangsu province. Together with water supply projects in Wujiang, Jiangsu province and in Wuhu, Anhui province, the Group has so far invested in and operates four water projects, all of which are progressing well.

Operation and management of businesses encompassing city-gas, city-water and midstream natural gas projects create positive synergy and bring increasing benefits to the Group. The Group will therefore keep on looking for opportunities to invest in high-quality utility projects on the mainland.

EMERGING ENVIRONMENTALLY-FRIENDLY ENERGY BUSINESSES

Energy and Chemical Businesses and Technology Development

The main focuses of ECO's emerging environmentally-friendly energy businesses are "energy conservation, emission reduction and converting waste into materials of high value". ECO is using innovative methods and technologies to convert waste or materials of low value into energy of high value which can be used as a substitute for conventional fuels. This concept originated from ECO's North East New Territories landfill gas treatment facility which has been successfully operating in Hong Kong for several years. Using purification technology, the facility converts landfill gas on site into substitute natural gas which is then transported to Tai Po gas production plant via a pipeline to partially substitute for naphtha, thereby notably reducing greenhouse gas emissions. Since 2008, ECO has been developing similar kinds of emerging environmentally-friendly energy projects on the mainland with an extended scope of application. ECO's coalbed methane liquefaction facility located in Jincheng, Shanxi province, which is already fully commissioned, is generating good profits for the Group. ECO's coal chemical project, acquired in 2009, in Junger, Erdos, Inner Mongolia, which converts coal into methanol using advanced coal gasification and synthesis technology with an annual production capacity of 200,000 tonnes, is now at the pilot stage of production and is expected to be fully commissioned during the second half of this year.

The preliminary work for ECO's coal-mine methane liquefaction project in Yangquan mining district, Shanxi province, is also progressing as scheduled; construction is expected to commence within this year for commissioning in mid-2014. By converting coal-mine gas into liquefied methane which can be used as natural gas, this project will provide the Group's downstream city-gas businesses and gas filling stations with a more environmentally-friendly gas source to help conserve energy and reduce gas emissions.

In addition, to capture a competitive edge, ECO set up a new-energy research and development centre in 2010 focusing on application technologies for the utilisation of waste or low-valued materials to produce new energy. The centre has achieved good results in its development of innovative technologies for converting materials of low value, such as non-edible oil and coal tar oil, into clean fuel and substances of high value. ECO is proactively transforming these technologies into ones applicable for industrial use, and is also directly investing in related production projects. These kinds of investments are expected to play an increasingly important part in ECO's new energy businesses.

Energy Resources Development Businesses

ECO is proactively developing upstream resources in tandem with its new-energy chemical businesses. To this end, ECO's Xiaoyugou coal mine, with an annual production of 1.2 million tonnes of long flame coal, which is associated with ECO's methanol production plant, is at the pilot stage of production and is expected to be fully commissioned during the second half of 2012. ECO's operative open-pit coal mine in Inner Mongolia is also operating relatively smoothly although it has been inevitably affected by the downturn in coal sales resulting from mainland China's slowing macro-economy during the first half of this year. Despite this, ECO, anticipating that the downturn is only a temporary market situation, will continue to increase the Group's coal resources reserves when circumstances permit.

Besides coal investments, ECO has sought to leverage the technology and several years' experience accumulated from a small oilfield project in Jilin province, jointly developed by ECO and China Petroleum & Chemical Corporation, by successfully acquiring, in mid-2012, a 60 per cent effective stake in the development of onshore oilfield blocks L33 and L44 in Thailand. Both are operative oilfield blocks covering substantial areas which have not been fully explored but have great potential. ECO has already taken over operational management of the oilfields and is currently proceeding with the next stage – that of formulating a detailed plan for their comprehensive development.

Non-conventional gases such as coalbed methane and shale gas also play an important part in ECO's upstream businesses. ECO is now conducting technical validations with respect to gas control and extraction of coalbed methane in certain areas on the mainland where coal-mine gas resources are abundant but storage conditions are complicated. Concurrently, ECO is also endeavouring to find opportunities to participate in the recent development of shale gas projects on the mainland.

Energy-related Logistics and Facilities Businesses

ECO is continuing to uphold its "energy conservation and emission reduction" strategy in running its energy-related logistics and facilities businesses, originating from its five dedicated liquefied petroleum gas ("LPG") vehicular filling stations in Hong Kong. These stations have been operating steadily for several years and are significantly helping to reduce pollution arising from vehicle emissions. To leverage this business, ECO started a gas filling station business on the mainland in 2008. Since then, a network of compressed and liquefied natural gas filling stations supplying clean fuels has gradually been established servicing heavy-duty trucks in Shaanxi, Shandong, Liaoning, Henan and Anhui provinces.

ECO's aviation fuel facility in Area 38, Tuen Mun, servicing Hong Kong International Airport, is operating smoothly. The facility supplied over 5 million tonnes of aviation fuel to the airport in 2011 and is now a major logistics base for supply of aviation fuel in Hong Kong. In recent years, the aviation sector has been advocating the production of, and logistical arrangements for, environmentally-friendly aviation fuel for which ECO is now proactively conducting forward-looking studies.

In tandem with the development of its coal resources business, ECO has also started a coal logistics business on the mainland in important coal distribution areas such as Qinhuangdao, Hebei province and Dandong, Liaoning province. ECO is also investing in the construction of an inland coal and bulk cargo logistics port in Jining, Shandong province to link an upstream dedicated coal transportation railway with a downstream canal connecting Beijing and Hangzhou. The logistics port, with an expected annual throughput of 10 million tonnes, had its soft opening in June of this year. In order to create a green inland port, ECO also supplies clean and environmentally-friendly fuels for different transport means serving this inland port, and is developing vehicular and marine liquefied natural gas filling stations and gas filling facilities at piers for use by heavy-duty trucks and transport vessels.

The energy market on the mainland has great potential to expand. ECO's development of different emerging environmentally-friendly energy businesses and its conclusion of related agreements are expected to bring good economic benefits and business prospects to the Group.

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$357 million for the first half of 2012, an increase of approximately 18 per cent over the same period last year. As at the end of June 2012, the Group had an approximately 66.18 per cent interest in Towngas China.

Towngas China acquired three new piped-gas projects during the first half of 2012 located in Wafangdian, Dalian, Liaoning province, in Binhai Science and Technology Industrial Park, Zhaoyuan, Shandong province and in Yifeng county, Yichun, Jiangxi province. It also added a new midstream pipeline project in Wafangdian, Dalian, Liaoning province to its portfolio. 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, 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 International Finance Centre ("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 tandem with the Group's long-term investments on the mainland, the Group continued to issue medium term notes with a total amount equivalent to HK$2.68 billion during the first half of 2012 under its medium term note programme ("the Programme") established through HKCG (Finance) Limited, a wholly-owned subsidiary of the Group. Inclusive of the Group's first renminbi-denominated notes in Hong Kong issued in late March 2011 with a total amount of RMB1 billion for a term of five years, the Group has issued medium term notes with, up to now, an aggregate amount equivalent to HK$9.45 billion under the Programme with tenors ranging from 5 to 40 years.

In response to growing demand from investors operating in the Greater China capital markets, Standard & Poor's Ratings Services ("Standard & Poor's"), an international rating agency, launched the first credit rating benchmark developed especially for the region in 2011 to assign credit ratings to borrowers active in mainland China, Hong Kong, and Taiwan (including the fast-growing offshore renminbi debt market). The Company was assigned the highest rating of cnAAA, whilst Towngas China was assigned cnA under this Greater China long-term credit rating scale, demonstrating Standard & Poor's high recognition of the Group's stable financial status and strong credit standing.

EMPLOYEES AND PRODUCTIVITY

As at 30th June 2012, the number of employees engaged in the town gas business in Hong Kong was 1,941, the number of customers had increased by 26,469 since the end of June 2011, and each employee served the equivalent of 908 customers, a similar level compared to each employee serving 907 customers as at the end of June 2011. Inclusive of employees engaged in local businesses such as telecommunications, LPG vehicular filling stations and engineering contractual works, the total number of employees of the Group for Hong Kong businesses was 2,271 as at the end of June 2012 compared with 2,212 for the corresponding period in 2011. Related manpower costs amounted to HK$395 million for the first half of 2012, an increase of HK$28 million compared with the corresponding period in 2011. 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 HK 12 cents per share payable to shareholders whose names are on the register of shareholders of the Company as at 14th September 2012. To enable our Share Registrar to complete the necessary work associated with this payment, the register of shareholders will be closed on Thursday, 13th September 2012 and Friday, 14th September 2012, during which period no share transfers will be effected. Dividend warrants will be posted to shareholders on Wednesday, 3rd October 2012.

BUSINESS OUTLOOK FOR 2012

The Company predicts steady growth and an increase of about 25,000 new customers in Hong Kong during 2012. Restaurant, hotel and retail sectors are benefiting from a prospering tourism industry in Hong Kong. However, annual economic growth in Hong Kong for the whole of 2012 is forecasted to be slower than last year. Nevertheless, the Company will continue to enhance its operational efficiency and endeavour to uphold stable revenue from its gas business in Hong Kong.

In line with the gradual implementation of the Twelfth Five-Year Plan, the central government advocates increasing urbanisation, expanding domestic demand, more energy conservation and a reduction of gas emissions. As the mainland economy is sustaining good growth, it is anticipated that there will be rising demand for utility services and clean 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 a policy of energy diversification and environmental protection, the Group predicts good prospects for its emerging environmentally-friendly energy businesses, which will ignite a new light illuminating the way for the Group's long-term development and business growth.

It is projected that the Group's businesses will achieve good growth for the whole of 2012. The combined results of the Group's emerging environmentally-friendly energy businesses and mainland utility businesses will overtake the results of its Hong Kong gas business in 2012, and will have faster growth momentum than its Hong Kong gas business thereafter given these businesses' good prospects.

The Company is celebrating its 150th Anniversary this year with a series of commemorative activities that kicked off on 5th June 2012. To reward our shareholders, the Company distributed a one-off special dividend on 21st June 2012.

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 built up 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 its businesses in the years to come.

LEE Shau Kee
Chairman

Hong Kong, 21st August 2012

FINANCIAL INFORMATION

Highlights of the Group's interim accounts for the first six months ended 30th June 2012 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	**2012 HK$M**	2011 HK$M
Revenue	2	**12,534.5**	10,470.1
Total operating expenses	3	**(9,177.6)**	(7,612.1)
		3,356.9	2,858.0
Other gains, net		**708.5**	368.8
Interest expense		**(411.9)**	(382.1)
Share of profits less losses of associated companies		**878.4**	706.3
Share of profits less losses of jointly controlled entities		**692.6**	572.3
Profit before taxation		**5,224.5**	4,123.3
Taxation	4	**(790.1)**	(636.0)
Profit for the period		**4,434.4**	3,487.3
Attributable to:			
Shareholders of the Company		**4,120.3**	3,222.9
Non-controlling interests		**314.1**	264.4
		4,434.4	3,487.3
Dividend	5	**1,042.9**	948.1
Earnings per share – basic and diluted, HK cents	6	**47.4**	37.1*

* Adjusted for the bonus issue in 2012

CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 30TH JUNE 2012

	Note	**At 30th June 2012 HK$M**	At 31st December 2011 HK$M
Assets			
Non-current assets			
Property, plant and equipment		**37,011.9**	32,255.1
Investment property		**518.0**	518.0
Leasehold land		**1,294.6**	1,351.2
Intangible assets		**3,453.3**	3,434.8
Associated companies		**14,411.7**	12,706.8
Jointly controlled entities		**8,879.9**	8,964.7
Available-for-sale financial assets		**3,033.3**	3,110.6
Derivative financial instruments		**448.8**	452.3
Retirement benefit assets		**81.4**	81.4
Other non-current assets		**2,256.7**	2,258.9
		71,389.6	65,133.8
Current assets			
Inventories		**2,141.8**	1,622.4
Trade and other receivables	7	**5,628.4**	5,606.7
Loan and other receivables from associated companies		**237.8**	73.3
Loan and other receivables from jointly controlled entities		**1,036.1**	468.1
Loan and other receivables from non-controlling shareholders		**111.7**	135.4
Financial assets at fair value through profit or loss		**321.5**	313.3
Time deposits over three months		**375.6**	493.7
Time deposits up to three months, cash and bank balances		**10,170.0**	11,242.2
		20,022.9	19,955.1
Current liabilities			
Trade and other payables	8	**(8,231.0)**	(7,990.5)
Amounts due to jointly controlled entities		**(53.8)**	(31.7)
Loan and other payables to non-controlling shareholders		**(254.9)**	(282.4)
Provision for taxation		**(1,057.6)**	(878.0)
Borrowings		**(5,043.4)**	(4,220.8)
		(14,640.7)	(13,403.4)
Net current assets		**5,382.2**	6,551.7
Total assets less current liabilities		**76,771.8**	71,685.5

CONSOLIDATED BALANCE SHEET (UNAUDITED) *(continued)*
AS AT 30TH JUNE 2012

	At 30th June 2012 HK$M	At 31st December 2011 HK$M
Non-current liabilities		
Customers' deposits	**(1,176.0)**	(1,165.7)
Deferred taxation	**(4,272.1)**	(2,444.1)
Borrowings	**(23,880.4)**	(21,628.4)
Loan payable to non-controlling shareholders	**(9.7)**	-
Asset retirement obligations	**(69.9)**	-
Derivative financial instruments	**(173.6)**	(115.1)
	(29,581.7)	(25,353.3)
Net assets	**47,190.1**	46,332.2
Capital and reserves		
Share capital	**2,172.6**	1,975.1
Share premium	**3,078.3**	3,275.8
Reserves	**36,068.2**	33,133.5
Proposed dividend	**1,042.9**	3,199.7
Shareholders' funds	**42,362.0**	41,584.1
Non-controlling interests	**4,828.1**	4,748.1
Total equity	**47,190.1**	46,332.2

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").

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 2011. The Group has adopted Hong Kong Financial Reporting Standard ("HKFRS") 7 (amendment) "Financial Instruments: Disclosure – Transfer of Financial Assets" issued by the HKICPA, which are effective for the Group's financial year beginning 1st January 2012 and relevant to the Group. There is however no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies.

The HKICPA has issued a number of new standards, interpretations and amendments to standards which are not effective for accounting period beginning 1st January 2012 and has not been early adopted by the Group.

2. Segment information

The Group's principal activity is the production, distribution and marketing of gas, water and energy related activities in Hong Kong and mainland China. The revenue comprises the following:

	Six months ended 30th June	
	2012	2011
	HK$M	HK$M
Gas sales before fuel cost adjustment	**8,668.7**	7,648.6
Fuel cost adjustment	**972.3**	788.4
Gas sales after fuel cost adjustment	**9,641.0**	8,437.0
Equipment sales	**581.8**	575.0
Maintenance and services	**164.3**	162.9
Water sales	**233.9**	204.2
Coal sales	**599.5**	133.0
Rental income	**18.2**	16.0
Other sales	**1,295.8**	942.0
	12,534.5	10,470.1

NOTES TO THE CONDENSED INTERIM ACCOUNTS (UNAUDITED)

2. Segment information *(continued)*

The chief operating decision-maker has been identified as the executive committee members (the "ECM"). 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 energy related business; and (b) property business. Gas, water and energy related business is further evaluated on a geographical basis (Hong Kong and Mainland China).

The ECM assesses the performance of the operating segments based on a measure of adjusted profit before interest, tax, depreciation and amortisation (the "adjusted EBITDA"). Other information provided, except as noted below, to the ECM are 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 2012 and 2011 provided to the ECM for the reportable segments is as follows:

	Gas, water and energy related business				**Property**		**All other segments**		**Total**	
	Hong Kong		**Mainland China**							
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$M	HK$M	**HK$M**	HK$M	**HK$M**	HK$M	**HK$M**	HK$M	**HK$M**	HK$M
Revenue	**5,424.4**	5,090.1	**6,448.9**	5,199.6	**18.2**	16.0	**643.0**	164.4	**12,534.5**	10,470.1
Adjusted EBITDA	**2,525.5**	2,424.0	**1,578.4**	1,311.9	**10.2**	9.1	**285.2**	5.5	**4,399.3**	3,750.5
Depreciation and amortisation	**(309.4)**	(296.0)	**(335.3)**	(297.7)	**(0.1)**	(0.1)	**(62.8)**	(2.0)	**(707.6)**	(595.8)
Unallocated corporate expenses									**(334.8)**	(296.7)
									3,356.9	2,858.0
Other gains, net									**708.5**	368.8
Interest expense									**(411.9)**	(382.1)
Share of profits less losses of associated companies	-	-	**369.4**	275.4	**509.6**	430.8	**(0.6)**	0.1	**878.4**	706.3
Share of profits less losses of jointly controlled entities	-	-	**690.9**	562.8	**2.9**	11.5	**(1.2)**	(2.0)	**692.6**	572.3
Profit before taxation									**5,224.5**	4,123.3
Taxation									**(790.1)**	(636.0)
Profit for the period									**4,434.4**	3,487.3

Share of profits of associated companies includes HK$300.0 million (2011: HK$235.0 million), being the Group's share of change in valuation of investment properties at the International Finance Centre (the "IFC") complex for the period.

2. Segment information *(continued)*

The segment assets at 30th June 2012 and 31st December 2011 is as follows:

	Gas, water and energy related business				Property		All other segments		Total	
	Hong Kong		Mainland China							
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$M	HK$M	**HK$M**	HK$M	**HK$M**	HK$M	**HK$M**	HK$M	**HK$M**	HK$M
Segment assets	**17,116.8**	18,308.3	**41,127.2**	39,652.5	**9,826.7**	8,402.3	**15,496.4**	10,572.2	**83,567.1**	76,935.3
Unallocated corporate assets										
- available-for-sale financial assets									**3,033.3**	3,110.6
- financial assets at fair value through profit and loss									**321.5**	313.3
- time deposits, cash and bank balances excluded from segment assets									**3,569.6**	3,728.7
- others									**921.0**	1,001.0
Total assets	**17,116.8**	18,308.3	**41,127.2**	39,652.5	**9,826.7**	8,402.3	**15,496.4**	10,572.2	**91,412.5**	85,088.9

The Company is domiciled in Hong Kong. The Group's revenue from external customers in Hong Kong for the six month ended 30th June 2012 is HK$5,473.0 million (2011: HK$5,131.6 million), and the revenue from external customers in the People's Republic of China (the "PRC") is HK$7,061.5 million (2011: HK$5,338.5 million).

At 30th June 2012, the total of non-current assets other than financial instruments and retirement benefit assets located in Hong Kong and other geographical locations are HK$19,467.1 million and HK$46,102.3 million (31st December 2011: HK$18,431.7 million and HK$40,798.9 million) respectively.

NOTES TO THE CONDENSED INTERIM ACCOUNTS (UNAUDITED)

3. Total operating expenses

	Six months ended 30th June	
	2012	2011
	HK$M	HK$M
Stores and materials used	**6,150.5**	5,221.9
Cost of coal purchased	**261.3**	125.6
Manpower costs	**903.2**	760.1
Depreciation and amortisation	**712.8**	599.6
Other operating items	**1,149.8**	904.9
	9,177.6	7,612.1

4. Taxation

	Six months ended 30th June	
	2012	2011
	HK$M	HK$M
Current taxation	**646.8**	555.0
Deferred taxation relating to the origination and reversal of temporary differences	**143.3**	81.0
	790.1	636.0

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the period. PRC profits tax has been calculated on the estimated assessable profits for the period at the rates prevailing in the respective jurisdictions.

5. Dividends

	Six months ended 30th June	
	2012	2011
	HK$M	HK$M
2011 Final, paid, of HK 23 cents per ordinary share (2010 Final: HK 23 cents per ordinary share)	**1,817.1**	1,651.9
2011 Special, paid, of HK 17.5 cents per ordinary share (2010: nil)	**1,382.6**	-
2012 Interim, proposed, of HK 12 cents per ordinary share (2011 Interim: HK 12 cents per ordinary share)	**1,042.9**	948.1
	4,242.6	2,600.0

6. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK$4,120.3 million (2011: HK$3,222.9 million) and the weighted average of 8,690,609,549 shares (2011: 8,690,609,549 shares *) in issue during the period.

As the impact of diluted potential ordinary shares of a subsidiary is insignificant during the period (2011: nil), the diluted earnings per share for the period ended 30th June 2012 is approximately the same as the basic earnings per share.

* Adjusted for the bonus issue in 2012.

7. Trade and other receivables

	At 30th June 2012 HK$M	At 31st December 2011 HK$M
Trade receivables (Note)	**2,803.4**	2,851.2
Instalment receivables	**0.5**	0.5
Payments in advance	**1,647.7**	1,482.4
Other receivables	**1,176.8**	1,272.6
	5,628.4	5,606.7

The Group recognised a loss of HK$3.8 million (2011: HK$2.6 million) for the impairment of its trade and other receivables during the period. The impairment has been included in other operating items (Note 3).

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 2012, the aging analysis of the trade receivables, net of impairment provision, is as follows:

	At 30th June 2012 HK$M	At 31st December 2011 HK$M
0 - 30 days	**2,467.5**	2,599.5
31 - 60 days	**73.7**	63.0
61 - 90 days	**34.5**	27.6
Over 90 days	**227.7**	161.1
	2,803.4	2,851.2

8. Trade and other payables

	At 30th June 2012 HK$M	At 31st December 2011 HK$M
Trade payables (Note a)	**2,038.0**	1,736.7
Other payables and accruals (Note b)	**6,193.0**	6,253.8
	8,231.0	7,990.5

Notes

(a) As at 30th June 2012, the aging analysis of the trade payables is as follows :

	At 30th June 2012 HK$M	At 31st December 2011 HK$M
0 - 30 days	**1,034.0**	863.5
31 - 60 days	**152.4**	218.7
61 - 90 days	**272.3**	146.8
Over 90 days	**579.3**	507.7
	2,038.0	1,736.7

(b) The balance includes an amount of approximately HK$45.7 million (At 31st December 2011: 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.

9. Business combination

In June 2012, the Group acquired 100 per cent Pan Orient Energy (Thailand) Limited and its subsidiary, Pan Orient Resources (Thailand) Limited ("Pan Orient Companies"), the companies were incorporated in Bermuda and Thailand respectively, for cash consideration of approximately HK$1,403.8 million. The Pan Orient Companies are engaged in the exploration, production and sale of crude oil, which own 60 per cent participating interest of several petroleum concession rights of 20-year production period from July 2012 in Wichianburi of Thailand.

Details of provisional fair value of net identifiable assets acquired and goodwill are as follows:

	HK$M
Purchase consideration	**1,403.8**
Provisional fair value of net identifiable assets acquired (see below)	**(2,031.6)**
Provisional negative goodwill	**(627.8)**
Less: acquisition related cost	**27.1**
Net gain arising from the acquisition of Pan Orient Companies (included in other gains, net)	**(600.7)**

The provisional fair value of identifiable assets and liabilities arising from the acquisition are as follows:

	Acquirees' provisional fair value at acquisition date HK$M
Property, plant and equipment and exploration rights	**3,702.2**
Inventories	**58.1**
Trade and other receivables	**28.4**
Bank balances and cash	**59.2**
Time deposits over three months	**5.9**
Trade and other payables	**(21.4)**
Provision for taxation	**(27.8)**
Asset retirement obligations	**(69.9)**
Deferred taxation	**(1,703.1)**
Net identifiable assets acquired	**2,031.6**

The provisional negative goodwill of HK$627.8 million arising from the acquisition of Pan Orient Companies is mainly due to the recognition of fair value of oil reserve.

The reserve levels and its valuation have been assessed and confirmed by international professional petroleum technical expert consultants. The valuation is based on 10 million barrels of 1P oil reserve and 30 million barrels of 2P oil reserve, referenced to probabilistic approach in recommended evaluation practices issued by the Society of Petroleum Evaluation Engineers. Other key assumptions used for the valuation of the exploration rights are as follows:

- Price of crude oil sold for 2012 - 2017 per barrel	**US$84-93**
- Discount rate	**15%**

DIVIDEND

The Board of Directors has declared an interim dividend for the six months ended 30th June 2012 of HK 12 cents per share payable to shareholders of the Company whose names are on the register of members of the Company as at 14th September 2012. Dividend warrants will be despatched to shareholders on Wednesday, 3rd October 2012.

CLOSING OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 13th September 2012 to Friday, 14th September 2012, 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 Wednesday, 12th September 2012.**

FINANCIAL RESOURCES REVIEW

Liquidity and capital resources

As at 30th June 2012, the Group had a net current deposits position of HK$5,502 million (31st December 2011: HK$7,515 million) and long-term borrowings of HK$23,880 million (31st December 2011: HK$21,628 million). After taking into account a portfolio of financial assets at fair value through profit or loss of HK$322 million (31st December 2011: HK$313 million), net current funds as at 30th June 2012 amounted to HK$5,824 million (31st December 2011: HK$7,828 million). In addition, banking facilities available for use amounted to HK$7,015 million (31st December 2011: HK$6,962 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. After the update of the Programme, other than Hong Kong dollar and Australian dollar notes, the Group issued two JPY Note of JPY5 billion each at a fixed coupon rate of 1.36 per cent and 1.19 per cent per annum respectively and both in 10-year maturity term. Up to 30th June 2012, the Group issued notes in the total amount of HK$8,536 million (31st December 2011: HK$5,855 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 2012 was HK$8,458 million (31st December 2011: HK$5,807 million).

As at 30th June 2012, 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 2011: US$995 million) and the carrying value was HK$7,655 million (31st December 2011: HK$7,660 million).

As at 30th June 2012, the Group's borrowings amounted to HK$28,924 million (31st December 2011: HK$25,849 million). The increase was mainly due to the new issue of MTNs of total equivalent of HK$2,681 million, and net drawn down of bank loans for the rest. The Notes mentioned on above together with the bank and other loans of HK$682 million had fixed interest rate and were unsecured. While the bank and other loans of HK$64 million of two joint ventures were secured by a pledge of certain assets of the joint ventures, the remaining bank and other loans were unsecured and had a floating interest rate, of which HK$7,304 million (31st December 2011: HK$7,317 million) were long-term bank loans while HK$4,761 million (31st December 2011: HK$4,188 million) had maturities within one year on revolving credit or term loan facilities. As at 30th June 2012, the maturity profile of the Group's borrowings was 17 per cent within 1 year, 6 per cent within 1 to 2 years, 25 per cent within 2 to 5 years and 52 per cent over 5 years (31st December 2011: 16 per cent within 1 year, 7 per cent within 1 to 2 years, 29 per cent within 2 to 5 years and 48 per cent over 5 years).

The US dollar Guaranteed Notes, the RMB Note, AUD Note and JPY Note issued 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 2012 remained healthy at 30 per cent (31st December 2011: 25 per cent).

Contingent liabilities

As at 30th June 2012, the Group did not provide any guarantee in respect of bank borrowing facilities made available to any associated companies, jointly controlled entities or third parties (31st December 2011: 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 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 2012, the investments in securities amounted to HK$3,355 million (31st December 2011: HK$3,424 million). The performance of the Group's investments in securities was satisfactory.

OTHER INFORMATION

Corporate governance

The Company complied with the code provisions as set out in the Code on Corporate Governance Practices (formerly set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) during the period from 1st January 2012 to 31st March 2012 and the Corporate Governance Code (the new edition of the Code on Corporate Governance Practices, which is applicable to financial reports covering a period after 1st April 2012) during the period from 1st April 2012 to 30th June 2012.

Model code for dealing in securities by Directors

The Company has adopted the model code as set out in Appendix 10 of 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 2012.

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 2012.

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

Hong Kong, 21st August 2012

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. James Kwan Yuk Choi

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