THE HONG KONG AND CHINA GAS COMPANY LIMITED

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

PRELIMINARY ANNOUNCEMENT OF 2010 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 2010 amounted to HK$2,967.4 million, a slight decrease of HK$33.9 million compared with the same period last year due to reductions in a one-off gain and profits from sale of properties. Earnings per share for the first half of 2010 remained at HK 41.3 cents. During the period under review, the Group's businesses in both Hong Kong and the mainland recorded good growth. Exclusive of the one-off gain, financial income and cost and profits from property-related businesses, the Group's profit after taxation increased by approximately 14 per cent compared to the same period last year.

Highlights of the unaudited results of the Group for the six months ended 30th June 2010, as compared to the same period in 2009, are shown in the following table:

	Unaudited Six months ended 30th June	
	2010	**2009**
Revenue before Fuel Cost Adjustment, HK million dollars	**9,829.4**	6,030.0
Revenue after Fuel Cost Adjustment, HK million dollars	**10,410.8**	6,259.1
Profit Attributable to Shareholders, HK million dollars	**2,967.4**	3,001.3
Earnings per Share, HK cents	**41.3**	41.3*
Interim Dividend per Share, HK cents	**12.0**	12.0
Town Gas Sold in Hong Kong, million MJ	**15,106**	14,950
Gas Sold in mainland China, ten thousand cubic metres; natural gas equivalent#	**428,554**	331,869
Number of Customers in Hong Kong as at 30th June	**1,712,454**	1,687,615
Number of Gas Customers in mainland China as at 30th June#	**11,211,014**	9,950,630

** Adjusted for the bonus issue in 2010*
 # Inclusive of all mainland city-gas projects of the Group

GAS BUSINESS IN HONG KONG

The local economy recorded significant growth during the first half of 2010 compared to the same period last year, a rebound from its low base in early 2009 caused by the global financial tsunami. A rise in the number of inbound tourists, an improving business environment and prosperous tourism, restaurant and hotel sectors during the first half of 2010, all led to the total volume of gas sales in Hong Kong increasing by 1.0 per cent compared to the same period in 2009. Total number of appliances sold in the first half of 2010 was 118,410 units, an increase of 7.6 per cent over the same period last year. This was due to the Company's introduction of more new products, expansion of sales channels and strengthening of market promotions.

As at 30th June 2010, the number of customers was 1,712,454, an increase of 13,731 since the end of December 2009.

BUSINESS DEVELOPMENT IN MAINLAND CHINA

The Group's mainland businesses progressed well in the first half of 2010.

Economic stimulus measures taken by the central government helped the mainland economy regain momentum in the second quarter of 2009 and continue to prosper in the first half of 2010, thus mitigating the impact of the global financial tsunami. The Group's city-gas and natural gas businesses have benefited from this economic growth, and have recorded continuous growth in 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 also progressing well. ECO is currently at a stage of developing projects for investment. Construction work for some of its projects is now in progress. In the long run, both city-gas and emerging environmentally-friendly energy businesses on the mainland have good prospects and investment value.

Overall, as at the end of June 2010, inclusive of projects of the Group's subsidiary, Towngas China Company Limited ("Towngas China"; stock code: 1083.HK), the Group had 114 projects spread across 20 provinces/autonomous regions/municipalities, encompassing upstream, midstream and downstream natural gas sectors, the water supply and wastewater treatment sector, natural gas filling stations and emerging environmentally-friendly energy projects.

Diversification and an increase in the number of projects are rapidly transforming the Group from a locally-based company centred on a single business into a sizable, nation-wide, multi-business corporation with a focus on environmentally-friendly ventures and the energy sector.

UTILITY BUSINESSES IN MAINLAND CHINA

The Group's city-gas businesses progressed well in the first half of 2010, with a new project successfully established in Yonganzhou Industrial Park, Taizhou, Jiangsu province. Inclusive of four new projects established by Towngas China in the first half of 2010, the Group had 89 city-gas projects in mainland cities spread across 17 provinces/autonomous regions/municipalities as at the end of June 2010. During the period under review, the number of gas customers on the mainland reached 11,211,014 and total volume of gas sales was 4,290 million cubic metres. The Group has become the largest city-gas enterprise on the mainland.

With completion in the next three years of large-scale natural gas projects, including transmission pipeline projects from Sichuan province to eastern and southern China and phase two of the West-to-East pipeline project, and an increase in the quantity of imported liquefied natural gas, together with national sources, the current shortfall in natural gas supply will be mitigated. The Group therefore anticipates its mainland projects will have access to sufficient gas sources to enable them to 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, Hebei province and Hangzhou, Zhejiang province; a joint venture that invests in the construction of natural gas pipelines and the exploitation of gas fields in Jilin province; the Guangdong Liquefied Natural Gas Receiving Terminal project; and a natural gas valve station project in Suzhou Industrial Park, Suzhou, Jiangsu province. These kinds of high-pressure natural gas pipeline joint ventures generate good returns and help the Group develop and strengthen its downstream city-gas market interests.

The Group operates water supply projects in Wujiang, Jiangsu province and in Wuhu, Anhui province, and manages an integrated water supply and wastewater joint venture in Suzhou Industrial Park, Suzhou, Jiangsu province. These projects are progressing well.

The Group will keep on looking for opportunities to invest in high-quality utility projects on the mainland.

EMERGING ENVIRONMENTALLY-FRIENDLY ENERGY BUSINESSES

Liquefied Petroleum Gas Filling Stations and Landfill Gas Utilisation

The Group has been operating environmentally-friendly energy businesses in Hong Kong through ECO for several years. ECO's five dedicated liquefied petroleum gas filling stations and its North East New Territories landfill gas treatment facility continue to operate well. ECO is also endeavouring to acquire further landfill gas utilisation projects at other sites in Hong Kong. By making use of landfill gas which would otherwise be flared off, such projects help reduce greenhouse gas emissions, thus improving air quality in Hong Kong, and depletion of fossil fuels.

Aviation Fuel Facility

ECO's phase-one aviation fuel facility, comprising a tank farm for storage of aviation fuel in Area 38, Tuen Mun, for Hong Kong International Airport, was commissioned at the end of March 2010. Tanker jetties and facilities for unloading and transporting aviation fuel to Hong Kong International Airport via submarine pipelines are now in service. The entire facility has now become a major logistics base for supply of aviation fuel in Hong Kong. Once the construction of a second, neighbouring tank farm is completed before the end of 2010, the whole of this airport-based aviation fuel storage facility will be the largest of its kind in the world.

Coalbed Methane and Coal-mine Methane Liquefaction and Utilisation

ECO has endeavoured to develop clean and emerging environmentally-friendly energy projects on the mainland since early 2008 and has achieved good progress so far. Leveraging on the successful commissioning of phase one of the Group's coalbed methane liquefaction facility located in Jincheng, Shanxi province in the fourth quarter of 2008, construction of phase two of the facility is now progressing well. Once commissioned, which is expected to be in late 2010, annual production capacity will increase to approximately 250 million standard cubic metres of liquefied coalbed methane, for transportation by tankers to downstream markets. By then this coalbed methane liquefaction and utilisation project will be the largest in scale on the mainland. This project provides an additional gas source for the Group's city-gas projects. Construction of ECO's coal-mine methane liquefaction project in Chongqing is progressing well; commissioning is expected by the end of 2011. This project will utilise coal-mine gas obtained through drainage and exploitation for production of liquefied methane, and with an estimated annual capacity of 91 million standard cubic metres, is projected to become the world's first large-scale coal-mine gas utilisation facility, other than in-situ power generation plants.

Coal Mines and Coal Chemical Processing

ECO is also monitoring new technological developments for producing clean energies from coal as a substitute for petroleum products. To this end, ECO is now constructing a methanol production plant and developing a coal mine in Junger, Erdos, Inner Mongolia; both are expected to be commissioned in early 2011. The annual production capacity of the methanol plant will be 200,000 tonnes. ECO's coal mining and coking plant project in Fengcheng, Jiangxi province is also progressing well. The coal mining projects in which ECO has invested have a resources reserve of approximately 180 million tonnes in total, including thermal coal and prime coking coal. ECO is now planning to increase its resources reserve through further investment. Following the successful commissioning of a compressed natural gas filling station for heavy duty trucks in Shaanxi province in 2008, the largest of its kind on the mainland, ECO has also extended this vehicular clean fuel filling station business to Liaoning and Shandong provinces and will continue to develop this business in other provinces.

Establishment of Chinese Holding Company

In tandem with the rapid development of emerging environmentally-friendly energy businesses on the mainland, ECO established a Chinese holding company in Erdos, Inner Mongolia at the end of 2009 to enhance its management effectiveness and financing flexibility.

The energy market on the mainland has great potential to expand. ECO's development of 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, recorded a profit of HK$172 million for the first half of 2010, an increase of approximately 34 per cent over the same period last year.

On 17th March 2010, the Group entered into a sale and purchase agreement with Towngas China whereby the Group agreed to dispose of its entire equity interests in six piped city-gas project companies in Liaoning and Zhejiang provinces to Towngas China in exchange for the allotment and issue of 485 million new shares by Towngas China. The transaction was approved by Towngas China's independent shareholders at an extraordinary general meeting held on 29th April 2010. The transaction, completed on 15th July 2010 and in accordance with a joint announcement by both parties on 15th July 2010, increased the Group's interest in Towngas China from approximately 893 million to approximately 1,378 million shares and raised the Group's shareholding from approximately 45.5 per cent to approximately 56.3 per cent. As such, Towngas China has become a majority-owned subsidiary of the Group, and its position as a leading operator of piped-gas businesses on the mainland has been enhanced. Standard & Poor's Ratings Services, an international rating agency, has raised its long-term foreign currency corporate credit rating on Towngas China to BBB with a stable rating outlook, demonstrating its positive evaluation of Towngas China's closer integration with the Group.

During the first half of 2010, Towngas China set up new city-gas project companies in Linqu county, Weifang, Shandong province; in the New Industrial District of Anshan and Dalian Lvshun Economic Development Zone in Liaoning province; and in the Lingui New District of Guilin which is the Group's first project in the Guangxi Zhuang Autonomous Region. Towngas China is focused on developing city-gas businesses in small to medium-sized cities and will continue to strive for rapid expansion through mergers and acquisitions.

PROPERTY DEVELOPMENTS

An overall total of approximately 1.21 million square feet of the Grand Waterfront property development project, located at the Ma Tau Kok south plant site, had been sold by the end of June 2010, representing over 99 per cent of the total residential floor area of the project. Leasing of the commercial areas is good.

The Group has a 50 per cent interest in the Grand Promenade property development project at Sai Wan Ho. An overall total of approximately 1.73 million square feet had been sold by the end of June 2010, representing over 99 per cent of the total residential floor area of the project.

The Group 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 good. The occupancy rate of the project's hotel complex, comprising the Four Seasons Hotel and Four Seasons Place, remains high.

NOTES PROGRAMMES

In tandem with the Group's long-term investments on the mainland, HKCG (Finance) Limited, a wholly-owned subsidiary of the Group, successfully issued and sold US$1 billion of notes guaranteed by the Company (the "Notes"; stock code: 4303.HK) in August 2008 and further established a US$1 billion medium term note programme (the "MTN Programme") in May 2009. Since the establishment of the MTN Programme, the Group has issued medium term notes with an aggregate amount of HK$3.01 billion, up to now, at nominal interest rates ranging from 3.90 per cent to 5.00 per cent per annum and with a maturity of 10 to 40 years. These term notes have included the first ever issue of 30-year and 40-year notes, the longest term corporate papers ever issued, in the Hong Kong dollar bond market. The good reception to these corporate papers reflects investors' confidence towards the Group's very strong credit standing and long-term development.

EMPLOYEES AND PRODUCTIVITY

As at 30th June 2010, the number of employees engaged in the town gas business in Hong Kong was 1,892, the number of customers had increased by 24,839 since the same period last year, and each employee served the equivalent of 905 customers, slightly up compared to each employee serving 881 customers as at the end of June 2009. Total remuneration for employees directly involved in the town gas business amounted to HK$320 million for the first half of 2010, a decrease of HK$1 million compared with the corresponding period in 2009. The Group will continue to offer employees rewarding careers based on their capabilities and performance and arranges 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 8th October 2010. To enable our Share Registrar to complete the necessary work associated with this payment, the register of shareholders will be closed on Thursday, 7th October 2010 and Friday, 8th October 2010, during which period no share transfers will be effected. Dividend warrants will be posted to shareholders on Monday, 18th October 2010.

BUSINESS OUTLOOK FOR 2010

The Company anticipates steady growth and an increase of about 25,000 new customers in Hong Kong for the whole of 2010. Hong Kong's economy has resumed growth momentum following the global financial tsunami, with different business sectors including tourism, restaurant, and hotel sectors now prospering. The Group expects commercial and industrial gas sales and appliance sales in Hong Kong will increase in 2010 compared to 2009. In addition, the Group's city-gas and natural gas businesses on the mainland are expected to continue to achieve good growth. 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 anticipated that the results of the Group's emerging environmentally-friendly energy businesses and mainland utility businesses will reach the same level as that of Hong Kong gas businesses in 2012, and will maintain growth momentum faster than Hong Kong businesses thereafter.

LEE Shau Kee
Chairman

Hong Kong, 24th August 2010

FINANCIAL INFORMATION

Highlights of the Group's Interim Accounts for the first six months ended 30th June 2010 are shown below. The Interim Accounts are unaudited but have been reviewed by our audit committee and external auditor, PricewaterhouseCoopers.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Note	**2010 HK$M**	2009 HK$M
Revenue	2	**10,410.8**	6,259.1
Total operating expenses	3	**(7,676.8)**	(4,008.6)
		2,734.0	2,250.5
Other gains, net		**178.4**	503.8
Interest expense		**(353.5)**	(285.7)
Share of profits less losses of associated companies		**667.0**	494.2
Share of profits less losses of jointly controlled entities		**537.3**	518.6
Profit before taxation		**3,763.2**	3,481.4
Taxation	4	**(572.0)**	(410.8)
Profit for the period		**3,191.2**	3,070.6
Attributable to:			
Shareholders of the Company		**2,967.4**	3,001.3
Minority interests		**223.8**	69.3
		3,191.2	3,070.6
Dividend – interim proposed	5	**861.9**	787.3
Earnings per share – basic and diluted, HK cents	6	**41.3**	41.3*

*Adjusted for the bonus issue in 2010

CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 30TH JUNE 2010

	Note	**At 30th June 2010 HK$M**	At 31st December 2009 HK$M
Assets			
Non-current assets			
Property, plant and equipment		**24,809.6**	23,573.3
Investment property		**501.0**	501.0
Leasehold land		**893.5**	879.3
Intangible asset		**2,463.4**	2,461.7
Associated companies		**8,942.4**	8,338.0
Jointly controlled entities		**7,267.3**	7,011.2
Available-for-sale financial assets		**3,543.8**	2,996.0
Derivative financial instruments		**356.2**	186.4
Retirement benefit assets		**59.3**	59.3
Other non-current assets		**2,185.3**	477.0
		51,021.8	46,483.2
Current assets			
Completed property for sale		**4.8**	29.0
Inventories		**1,154.2**	2,588.0
Trade and other receivables	7	**3,444.1**	3,164.7
Loan and other receivables from associated companies		**172.3**	41.2
Loan and other receivables from jointly controlled entities		**356.7**	83.2
Loan and other receivables from minority interests		**52.1**	106.7
Housing loans to staff		**30.5**	35.0
Financial assets at fair value through profit or loss		**524.3**	405.2
Time deposits over three months		**3,551.5**	351.9
Time deposits up to three months, cash and bank balances		**8,607.6**	12,817.4
		17,898.1	19,622.3
Current liabilities			
Trade and other payables	8	**(4,892.7)**	(5,190.7)
Amounts due to associated companies		**(58.2)**	-
Amounts due to jointly controlled entities		**(13.9)**	(22.2)
Loan and other payables to minority interests		**(80.3)**	(111.4)
Provision for taxation		**(806.4)**	(556.9)
Borrowings		**(8,831.3)**	(4,747.6)
		(14,682.8)	(10,628.8)
Net current assets		**3,215.3**	8,993.5
Total assets less current liabilities		**54,237.1**	55,476.7
Non-current liabilities			
Customers' deposits		**(1,118.3)**	(1,114.4)
Deferred taxation		**(2,001.2)**	(1,890.0)
Borrowings		**(12,484.3)**	(15,672.0)
Loans payable to minority interests		**(33.3)**	(12.2)
		(15,637.1)	(18,688.6)
Net assets		**38,600.0**	36,788.1
Capital and reserves			
Share capital		**1,795.6**	1,632.3
Share premium		**3,455.3**	3,618.6
Reserves		**28,280.7**	26,093.1
Proposed dividend		**861.9**	1,501.8
Shareholders' funds		**34,393.5**	32,845.8
Minority interests		**4,206.5**	3,942.3
Total equity		**38,600.0**	36,788.1

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 condensed consolidated interim accounts are consistent with those set out in the annual report for the year ended 31st December 2009. The Group has applied the following new interpretations to Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA, which are effective for the Group's financial year beginning 1st January 2010. There is however no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies.

- HKAS 27 (revised) "Consolidated and Separate Financial Statements"
- HKAS 32 (amendment) "Classification of Rights Issues"
- HKAS 39 (amendment) "Financial Instruments: Recognition and Measurement"
- HKFRS 2 (amendment) "Group Cash-settled Share-based Payment Transactions"
- HKFRS 3 (revised) "Business Combinations''
- HK(IFRIC) 14 "Prepayments of a Minimum Funding Requirement"
- HK(IFRIC) 17 "Distributions of Non-cash Assets to Owners"
- HKICPA's Improvements to HKFRS 2008 and 2009

The HKICPA has issued a number of new standards, interpretations and amendments to standards which are not effective for accounting period beginning 1st January 2010. The Group has not early adopted these new and revised HKFRS.

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	
	2010	2009
	HK$M	HK$M
Gas sales before fuel cost adjustment	**6,221.2**	4,482.1
Fuel cost adjustment	**581.4**	229.1
Gas sales after fuel cost adjustment	**6,802.6**	4,711.2
Equipment sales	**524.9**	436.9
Maintenance and services	**161.0**	148.9
Water sales	**175.3**	137.0
Property sales	**142.5**	364.6
Rental income	**15.2**	14.3
Aviation fuel facility construction income	**1,707.7**	-
Other sales	**881.6**	446.2
	10,410.8	6,259.1

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"). ECM reviews the Group's internal reporting in order to assess performance and allocate resources. ECM considers the business from both a geographical and product 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).

ECM assesses the performance of the operating segments based on a measure of adjusted profit before interest, tax, depreciation and amortisation (the "EBITDA"). Other information provided, except as noted below, to 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 deposit, 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 for operation purposes, loan and other receivables from minority interests and housing loans to staff.

The segment information for the six months ended 30th June 2010 and 2009 provided to the ECM for the reportable segments is as follows:

	Gas, water and energy related business									
	Hong Kong		**Mainland China**		**Property**		**All other segments**		**Total**	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$M	HK$M	**HK$M**	HK$M	**HK$M**	HK$M	**HK$M**	HK$M	**HK$M**	HK$M
Revenue	**6,381.3**	4,089.8	**3,843.1**	1,772.9	**157.7**	378.9	**28.7**	17.5	**10,410.8**	6,259.1
Adjusted EBITDA	**2,402.3**	2,226.9	**1,032.6**	517.6	**109.9**	123.2	**7.8**	7.0	**3,552.6**	2,874.7
Depreciation and amortisation	**(279.1)**	(265.2)	**(260.7)**	(131.5)	**(0.1)**	(0.1)	**(4.9)**	(3.9)	**(544.8)**	(400.7)
Unallocated corporate expenses									**(273.8)**	(223.5)
									2,734.0	2,250.5
Other gains, net									**178.4**	503.8
Interest expense									**(353.5)**	(285.7)
Share of profits less losses of associated companies	-	-	**225.8**	165.6	**441.4**	328.6	**(0.2)**	-	**667.0**	494.2
Share of profits less losses of jointly controlled entities	-	-	**492.5**	355.4	**45.3**	163.8	**(0.5)**	(0.6)	**537.3**	518.6
Profit before taxation									**3,763.2**	3,481.4
Taxation									**(572.0)**	(410.8)
Profit for the period									**3,191.2**	3,070.6
Attributable to:										
Shareholders of the Company									**2,967.4**	3,001.3
Minority interests									**223.8**	69.3
									3,191.2	3,070.6

Share of profits of associated companies includes HK$263.0 million (2009: HK$178.4 million), being the Group's share of post-tax change in valuation of investment properties at the International Finance Centre (the "IFC") complex for the period.

NOTES TO THE CONDENSED INTERIM ACCOUNTS (UNAUDITED)

2. Segment information *(Continued)*

The segment assets at 30th June 2010 and 31st December 2009 is as follows:

	Gas, water and energy related business									
	Hong Kong		**Mainland China**		**Property**		**All other segments**		**Total**	
	2010 HK$M	2009 HK$M	**2010 HK$M**	2009 HK$M	**2010 HK$M**	2009 HK$M	**2010 HK$M**	2009 HK$M	**2010 HK$M**	2009 HK$M
Segment assets	**18,371.8**	18,185.4	**29,530.5**	27,537.4	**6,384.3**	6,328.2	**4,848.6**	4,158.6	**59,135.2**	56,209.6
Unallocated corporate assets										
- available-for-sale financial assets									**3,543.8**	2,996.0
- financial asset at fair value through profit and loss									**524.3**	405.2
- time deposit, cash and bank balances excluded from segment assets									**4,791.2**	5,630.3
- others									**925.4**	864.4
Total assets	**18,371.8**	18,185.4	**29,530.5**	27,537.4	**6,384.3**	6,328.2	**4,848.6**	4,158.6	**68,919.9**	66,105.5

The Company is domiciled in Hong Kong. The result of the Group's revenue from external customers in Hong Kong for the six months ended 30th June 2010 is HK$6,561.5 million (2009: HK$4,486.2 million), and the total of its revenue from external customers in PRC is HK$3,849.3 million (2009: HK$1,772.9 million).

At 30th June 2010, the total of non-current assets other than financial instruments and retirement benefit assets located in Hong Kong and other countries is HK$15,840.1 million (At 31st December 2009: HK$15,596.9 million) and HK$29,037.1 million (At 31st December 2009: HK$27,167.6 million) respectively.

NOTES TO THE CONDENSED INTERIM ACCOUNTS (UNAUDITED)

3. Total operating expenses

	Six months ended 30th June	
	2010	2009
	HK$M	HK$M
Stores and materials used	**3,888.1**	2,175.8
Cost of property sold	**27.2**	98.0
Manpower costs	**672.9**	523.8
Depreciation and amortisation	**549.9**	405.4
Other operating items	**2,538.7**	805.6
	7,676.8	4,008.6

4. Taxation

	Six months ended 30th June	
	2010	2009
	HK$M	HK$M
Current taxation	**468.5**	372.4
Deferred taxation relating to the origination and reversal of temporary differences	**103.5**	38.4
	572.0	410.8

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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	
	2010	2009
	HK$M	HK$M
2009 Final, paid, of HK 23 cents per share (2008 Final: HK 23 cents per share)	**1,501.8**	1,519.2
2010 Interim, proposed, of HK 12 cents per share (2009 Interim: HK 12 cents per share)	**861.9**	787.3
	2,363.7	2,306.5

NOTES TO THE CONDENSED INTERIM ACCOUNTS (UNAUDITED)

6. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK$2,967.4 million (2009: HK$3,001.3 million) and the weighted average of 7,182,321,942 shares (2009: 7,272,383,109 shares *) in issue during the period.

As there were no diluted potential ordinary shares outstanding during the period (2009: nil), the diluted earnings per share for the period ended 30th June 2010 is the same as the basic earnings per share.

* Adjusted for the bonus issue in 2010.

7. Trade and other receivables

	At 30th June 2010 HK$M	At 31st December 2009 HK$M
Trade receivables (Note)	**1,777.1**	1,646.4
Instalment receivables	**46.1**	57.4
Other receivables	**890.7**	833.3
Payments in advance	**730.2**	627.6
	3,444.1	3,164.7

The Group recognised a loss of HK$3.4 million (2009: HK$9.2 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 2010, the aging analysis of the trade receivables, net of impairment provision, is as follows:

	At 30th June 2010 HK$M	At 31st December 2009 HK$M
0 - 30 days	**1,525.2**	1,404.6
31 - 60 days	**46.6**	38.5
61 - 90 days	**31.9**	26.3
Over 90 days	**173.4**	177.0
	1,777.1	1,646.4

NOTES TO THE CONDENSED INTERIM ACCOUNTS (UNAUDITED)

8. Trade and other payables

	At 30th June 2010 HK$M	At 31st December 2009 HK$M
Trade payables (Note a)	**1,159.6**	1,171.7
Other payables and accruals (Note b)	**3,733.1**	4,019.0
	4,892.7	5,190.7

Notes

(a) As at 30th June 2010, the aging analysis of the trade payables is as follows :

	At 30th June 2010 HK$M	At 31st December 2009 HK$M
0 - 30 days	**598.8**	581.4
31 - 60 days	**166.2**	63.6
61 - 90 days	**96.9**	40.4
Over 90 days	**297.7**	486.3
	1,159.6	1,171.7

(b) The balance includes an amount of approximately HK$77.3 million (At 31st December 2009: HK$60.7 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 2010 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 8th October 2010. Dividend warrants will be despatched to shareholders on Monday, 18th October 2010.

CLOSING OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 7th October 2010 to Friday, 8th October 2010, both days inclusive, during which 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, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 6th October 2010.**

FINANCIAL RESOURCES REVIEW

Liquidity and capital resources

As at 30th June 2010, the Group had a net current deposits position of HK$3,328 million (31st December 2009: HK$8,422 million) and long-term borrowings of HK$12,484 million (31st December 2009: HK$15,672 million). After taking into account a portfolio of financial assets at fair value through profit or loss of HK$524 million (31st December 2009: HK$405 million), net current funds as at 30th June 2010 amounted to HK$3,852 million (31st December 2009: HK$8,827 million). In addition, banking facilities available for use amounted to HK$6,399 million (31st December 2009: HK$5,897 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 allows notes to be issued under the Programme within 12 months' period. Up to 30th June 2010, the Group issued notes in the total amount of HK$3,010 million (31st December 2009: HK$2,760 million) with maturity terms of 10 years, 15 years, 30 years and 40 years in Hong Kong dollar under the Programme (the "MTNs"). The carrying value of the MTNs as at 30th June 2010 was HK$2,950 million (31st December 2009: HK$2,710 million).

As at 30th June 2010, 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 2009: US$995 million) and the carrying value was HK$7,666 million (31st December 2009: HK$7,626 million).

As at 30th June 2010, the outstanding principal amount of the 7-year US dollar Guaranteed Senior Notes due 2011 (the "Guaranteed Senior Notes") issued in September 2004 by a subsidiary of the Group, Towngas China Company Limited, was US$141 million (31st December 2009: US$141 million) and the carrying value was HK$1,112 million (31st December 2009: HK$1,110 million). The Guaranteed Senior Notes are listed on the Singapore Exchange Securities Trading Limited.

As at 30th June 2010, the Group's borrowings amounted to HK$21,316 million (31st December 2009: HK$20,420 million). The increase was mainly due to new issue of MTNs of HK$250 million and net drawn down of bank loans for the rest. Other than the Notes mentioned on above which had fixed interest rate while the Guaranteed Senior Notes were secured by a pledge of shares of certain subsidiaries of Towngas China Company Limited, all bank and other loans were unsecured and had a floating interest rate, of which HK$757 million (31st December 2009: HK$4,226 million) were long-term bank loans while HK$8,831 million (31st December 2009: HK$4,748 million) had maturities within one year on revolving credit or term loan facilities. As at 30th June 2010, the maturity profile of the Group's borrowings was 41 per cent within 1 year; 7 per cent within 1 to 2 years, 2 per cent within 2 to 5 years and 50 per cent over 5 years (31st December 2009: 23 per cent within 1 year; 23 per cent within 1 to 2 years, 3 per cent within 2 to 5 years and 51 per cent over 5 years).

The US dollar Guaranteed Notes issued are hedged to Hong Kong dollars by currency swaps and the Group's bank borrowings are primarily denominated in Hong Kong dollars; 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 2010 remained healthy at 21 per cent (31st December 2009: 18 per cent). After taking into account a portfolio of financial assets at fair value through profit or loss of HK$524 million as at 30th June 2010 (31st December 2009: HK$405 million), the net gearing ratio [net debt / (shareholders' funds + net debt)] stood at 20 per cent (31st December 2009: 17 per cent).

Contingent liabilities

As at 30th June 2010, 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 2009: 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 either Hong Kong dollars 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 2010, the investments in securities amounted to HK$4,068 million (31st December 2009: HK$3,401 million). The performance of the Group's investments in securities was satisfactory.

OTHER INFORMATION

Corporate governance

During the six months ended 30th June 2010, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of 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 of the Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). All Directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standard set out in the Model Code during the six months ended 30th June 2010.

Purchase, sale or redemption of own shares

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the six months ended 30th June 2010.

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

Towngas
The Hong Kong and China Gas Company Limited