

2008

Interim Report



Towngas

The Hong Kong and China Gas Company Limited
(stock code: 3)

THE HONG KONG AND CHINA GAS COMPANY LIMITED

2008 INTERIM REPORT

To Shareholders

Dear Sir or Madam,

HALF-YEARLY RESULTS

The Directors wish to report that the unaudited profit after taxation attributable to shareholders of the Group for the six months ended 30th June 2008 amounted to HK\$2,524.3 million, a decrease of HK\$2,945.6 million compared with the same period last year. During the first half of 2007, non-recurrent gain amounted to HK\$3,506.1 million due to a one-off gain resulting from the acquisition of shares in Panva Gas Holdings Limited ("Panva Gas") by way of asset injection, profit from the sale of properties and a revaluation surplus from the International Finance Centre ("IFC") complex. In comparison, during the first half of 2008, non-recurrent gain arising from the sale of properties and a revaluation surplus from the IFC complex amounted to only HK\$496.7 million. Although the Group's gas business in Hong Kong grew steadily during the first half of 2008, the substantial 2007 one-off gain will not be repeated this year while profit from the sale of properties will reduce substantially for the whole of 2008 compared with 2007.

Highlights of the unaudited results of the Group for the six months ended 30th June 2008, as compared to the same period in 2007, are shown in the following table:

	Unaudited	
	Six months ended 30th June	
	2008	2007
Revenue before Fuel Cost Adjustment, HK million dollars	5,560.2	5,235.8
Revenue after Fuel Cost Adjustment, HK million dollars	6,537.7	5,763.7
Profit Attributable to Shareholders, HK million dollars	2,524.3	5,469.9
Earnings per Share, HK cents	37.9	82.1*
Earnings per Share, Principal Businesses, HK cents	30.4	29.5*
Interim Dividends per Share, HK cents	12.0	12.0
Town Gas Sold in Hong Kong, million MJ	15,320	15,020
Number of Customers in Hong Kong as at 30th June	1,655,774	1,631,302

* Adjusted for the bonus issue in 2008

The condensed consolidated interim accounts are provided on pages 7 to 22 of this Interim Report. The interim accounts are unaudited but have been reviewed by the Group's audit committee and external auditor, PricewaterhouseCoopers.

GAS BUSINESS IN HONG KONG

Total volume of gas sales in Hong Kong for the first half of 2008 increased by 2.0 per cent compared with the same period last year, mainly resulting from an increase in residential gas sales. As at 30th June 2008, the number of customers was 1,655,774, an increase of 24,472 since the end of June 2007 which represented over 90 per cent of the market share of customers living in new flats in Hong Kong. Total appliance sales also grew by 5.9 per cent over the same period last year.

BUSINESS DEVELOPMENTS IN MAINLAND CHINA

The Group's mainland businesses are progressing well. The acquisition of Panva Gas in March 2007 injected an additional 25 piped city-gas projects into the Group and extended the Group's footprint in north-eastern and south-western China. The Group, besides investing in piped city-gas projects, is also endeavouring to develop emerging energy projects through its wholly-owned subsidiary ECO Environmental Investments Limited and its subsidiaries (together known as "ECO").

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, and a joint venture that invests in the construction of natural gas pipelines and the exploitation of gas fields in Jilin province. These kinds of midstream investments underpin downstream joint venture projects thus enabling the Group to strengthen its piped city-gas market interests in the regions concerned.

Following the acquisition of Panva Gas as an associated company in early March 2007, the Group's piped city-gas projects increased in number. The addition of a new joint venture company set up by Towngas China Company Limited ("Towngas China") in Huangshan City, Anhui province earlier in 2008 increased the number of the Group's piped city-gas projects to 67 in mainland cities spread across 14 provinces/municipalities in eastern, central, northern, north-eastern, western and south-western China including Guangdong and Shandong provinces. With the implementation of a state plan for transmitting natural gas from Sichuan province to eastern and southern China, the construction of phase two of the West-to-East pipeline, and a recent increase in the quantity of imported liquefied natural gas, the Group's mainland projects are forecast to thrive during the next three years.

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, Jiangsu province. The Group is able to capture synergies between these water projects and its gas joint ventures, thus achieving cost savings. Both gas and water sectors will gradually become market-based, in line with the opening up of the mainland's utility markets, creating more business opportunities for the Group.

Including the piped city-gas projects of Towngas China, the Group currently has a total of 80 projects spread across 17 provinces/municipalities/autonomous region, encompassing upstream, midstream and downstream natural gas sectors, the water supply and wastewater treatment sector and ECO's emerging energy projects.

Diversification is 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 businesses and the energy sector.

ENVIRONMENTALLY-FRIENDLY ENERGY BUSINESSES OF ECO

The Group has been proactively developing environmentally-friendly energy businesses in Hong Kong through ECO, including dedicated liquefied petroleum gas (“LPG”) filling stations, landfill gas projects and an aviation fuel facility. Revenue from ECO’s dedicated LPG filling stations increased during the first half of 2008 compared to the same period last year. ECO’s North East New Territories (“NENT”) landfill gas project is also progressing well. NENT’s landfill gas treatment facility was commissioned in early 2007 and is connected to Tai Po gas production plant via a 19 km pipeline. Treated landfill gas is now partially replacing naphtha as a fuel for town gas production. Given the success of the NENT project, ECO is proactively looking for further opportunities to utilise landfill gas at other sites in Hong Kong. By reducing flare-off of atmospheric-polluting gases, such projects also help improve air quality.

In 2002, ECO signed a 40-year franchise agreement with the Hong Kong Airport Authority to design, construct and commission a permanent aviation fuel facility at Tuen Mun Area 38 for the supply of aviation fuel to Hong Kong International Airport. The facility will consist of a large-scale tank farm for storage of aviation fuel served by tanker jetties. The project is on schedule and commissioning is expected in late 2009. The facility will become a major logistics base for supply of aviation fuel in Hong Kong. ECO has also recently concluded an agreement with the Hong Kong Airport Authority to develop a second phase facility comprising another banded area for additional tank storage capacity so as to cope with increasing demand from the air transport industry; commissioning is expected by the end of 2010.

Since January 2008, the Group has formally taken ECO as an investment vehicle to develop clean and emerging energy projects. On the mainland, the Group’s first coalbed methane liquefaction facility is now under construction in Shanxi province. Phase one is expected to be commissioned within this year. Construction of phase two is projected to commence during the fourth quarter of this year; commissioning is anticipated by the end of 2009. As coalbed methane is an environmentally-friendly energy with components similar to those of natural gas, it can be used as a supplement and additional gas source for piped city-gas projects. Investment in, and operation of, upstream coalbed methane projects will help provide new gas sources for the Group’s piped city-gas projects. ECO is monitoring developments in the coal-based chemical industry and in new technology for the production of clean energies, such as methanol and dimethyl ether, and monitoring related market trends and potential investment opportunities associated with these alternative fuels. ECO is also making plans to run a coal-based chemical project in Erdos, Inner Mongolia. In Shanxi province, ECO is conducting an in-depth study regarding development of a methanol production project using coke gas as feedstock. In Fengcheng, Jiangxi province, ECO has signed an agreement to invest in a coal mining project and is studying the feasibility of participating in a coal mine coking plant. In addition, ECO is now managing an experimental energy-saving and emission-minimising project in Shaanxi province involving the construction and operation of compressed natural gas (“CNG”) filling stations for heavy duty trucks. CNG can be used as a substitute for diesel oil. The stations are expected to be commissioned by the end of September 2008. Negotiations regarding several coal-based chemical and coal mining projects are also progressing well.

In mid 2008, ECO successfully negotiated the Group's first overseas oil and gas resource project by entering into an agreement with Madagascar Energy International Limited ("MEIL"), a wholly-owned subsidiary of Sino Union Petroleum & Chemical International Limited ("SUNPEC"; stock code: 346), to jointly invest and manage the exploration, exploitation and operation of Madagascar Oilfield Block 3113 in Africa. Prior to this, a similar agreement had been signed between MEIL and Shaanxi Yanchang Petroleum (Group) Limited ("Yanchang Petroleum"), the fourth largest petroleum enterprise on the mainland, relating to this project. A new tri-party agreement later confirmed that Yanchang Petroleum, MEIL and ECO would invest 40 per cent, 31 per cent and 29 per cent respectively in this project. Cooperation with SUNPEC and Yanchang Petroleum will strengthen the technical capability and experience of the Group with regard to exploration, exploitation, operation and enhancement of its upstream oil and energy developments.

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

TOWNGAS CHINA COMPANY LIMITED (STOCK CODE: 1083)

Towngas China, through the introduction of the Group's quality assets and excellent management philosophy, turned a loss to a profit in 2007. During the first half of 2008, Towngas China booked a profit of HK\$101 million, an increase of 100% over the same period last year. Towngas China's credit rating was upgraded by Standard and Poor's Rating Services ("Standard & Poor's") in August 2007 and by Moody's Investors Service ("Moody's") in April 2008, reflecting greater confidence in the management of, and prospects for, the company thus underpinning any future application for banking facilities regarding business expansion.

Towngas China has set up one new piped city-gas joint venture so far this year in Huangshan city, Anhui province. Towngas China will continue to strive for rapid expansion through mergers and acquisitions. In addition to scaling up its market share in north-eastern China and Sichuan province, Towngas China is looking to move to other regions so as to accelerate development.

The Group currently holds approximately 893 million shares in Towngas China, representing a 45.63 per cent interest in the company.

PROPERTY DEVELOPMENTS

An overall total of approximately 1,168,000 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 2008, representing about 95.6 per cent of the total residential floor area of the project. Residential occupancy started in May 2007. The commercial area of the project is approximately 150,000 square feet. Rental of the commercial area started in the second half of 2007.

The Group has a 50 per cent interest in the Grand Promenade property development project at Sai Wan Ho. An overall total of approximately 1,670,000 square feet had been sold by the end of June 2008, representing about 96 per cent of the total residential floor area of the project. Residential occupancy started in early 2006.

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

INAUGURAL OFFERING OF US\$1 BILLION GUARANTEED NOTES

HKCG (Finance) Limited, a wholly-owned subsidiary of the Group, issued and sold US\$1 billion (HK\$7.8 billion) Reg S/Rule 144A Guaranteed Notes (the “Notes”) in August 2008. Listed on The Stock Exchange of Hong Kong Limited on 8th August 2008 (stock code: 4303), the Notes are guaranteed by the Company and were issued at a fixed coupon rate of 6.25 per cent per annum at an issue price of 99.319 per cent. The Notes have a maturity of 10 years. After swapping into Hong Kong dollar, the effective Hong Kong dollar fixed interest rate is at 5.4 per cent per annum. The net proceeds will be applied towards refinancing part of the existing indebtedness of the Group, funding capital expenditure of the Company or the Group, or for general corporate purposes. The Hongkong and Shanghai Banking Corporation Limited and Morgan Stanley acted as joint book runners and joint lead managers.

The transaction is currently the largest investment grade corporate debt issue to-date from Asia in 2008. Notwithstanding a challenging bond market environment, the new issue was able to price within a narrow favourable market window, on the back of falling US Treasury yields and was successfully priced at the tight end of the revised price guidance at 237.5bps over 10-year US Treasury. The issue was very well-received by top quality investors, who viewed the Company as a quality investment opportunity. A credit rating of A1 (stable) was assigned to the Notes by international rating agency Moody’s and A+ (stable) by Standard and Poor’s.

REVALUATION OF GAS PRODUCTION PLANTS, NETWORK SYSTEM, BUILDINGS AND LAND

The Company’s gas production plants, network system, buildings and land in Hong Kong were revalued as at 30th June 2008 by American Appraisal China Limited, a highly reputable international professional company experienced in asset valuation. After revaluation, the total net fixed asset value relating to the Company’s Hong Kong gas business amounted to HK\$33 billion as at 30th June 2008.

DONATIONS TO EARTHQUAKE VICTIMS IN SICHUAN PROVINCE OF CHINA

In May 2008, a devastating earthquake took place in Sichuan province, seriously affecting an extensive spread of places. Henderson group and the Company swiftly pledged donation totalling HK\$10 million for Sichuan earthquake relief work. In addition, including Towngas China, the Group’s Hong Kong as well as mainland staff, companies, and contractors also made generous contributions, reaching more than HK\$10 million. The Group also set up a “5. 12 Relief Support Team” and dispatched staff to Chengdu to work alongside local colleagues to support national relief initiatives. The Group procured emergency relief supplies, including more than 10,000 tents, 30,000 boxes of relief food, 6,000 gas stoves, and other medical supplies which were delivered and distributed directly to the earthquake victims. Staff members of Towngas China’s joint venture in Mianyang city, Sichuan province also formed a volunteer team after the incident, paying visits to the affected areas and extending a helping hand to the earthquake victims with timely emergency materials and emotional support.

EMPLOYEES AND PRODUCTIVITY

The number of employees engaged in the town gas business was 1,915 as at 30th June 2008. During the first half of 2008, the number of customers increased by 24,472 with each employee serving 865 customers, compared to each employee serving 850 customers during the same period last year. Total remuneration for employees involved directly in the town gas business amounted to HK\$312 million for the six months ended 30th June 2008, an increase of HK\$4 million compared with the corresponding period in 2007. The Group offers its employees rewarding careers based on their capabilities and performance and arranges a variety of training programmes in order to constantly enhance the quality of 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 10th October 2008. To enable our Share Registrar to complete the necessary work associated with this payment, the register of shareholders will be closed on Thursday, 9th October 2008 and Friday, 10th October 2008, during which period no share transfers will be effected. Dividend warrants will be posted to shareholders on Monday, 20th October 2008.

BUSINESS OUTLOOK FOR 2008

Notwithstanding contribution from the growth of local and mainland businesses, the Group's substantial profit for the year 2007 mainly resulted from an extraordinary book profit from the sale of properties, a revaluation surplus from investment properties and a one-off gain from the acquisition of Panva Gas. The substantial one-off gain will not be repeated in 2008 and profit from sale of properties will reduce in the coming year.

The Company has not increased its standard gas tariff for the past ten years. Nevertheless the Company has made every effort to enhance its operational efficiency while increasing the standard of services provided, thus maintaining steady performance of its gas business in Hong Kong. As a result of the implementation of a dual naphtha and natural gas feedstock mix in October 2006, feedstock costs have decreased to the benefit of customers. This has also helped the Company to off-set the economic impact resulting from the surge in international oil prices over the period under review. However, the local gas market is maturing and operational costs are rising caused by an inflationary local economy. Therefore, on 4th July 2008, the Company announced its plan to raise the standard gas tariff by HK0.3 cents per MJ with effect from 1st October 2008.

The Company anticipates an increase of about 25,000 new customers and a stable growth in gas sales volume in Hong Kong during 2008. The Group will endeavour to develop natural gas and emerging energy businesses at a faster rate in the coming year. The Group predicts that good prospects for its mainland businesses will continue.

LEE Shau Kee
Chairman

Hong Kong, 12th September 2008

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

for the six months ended 30th June

	Note	2008 HK\$M	2007 HK\$M
Revenue	2	6,537.7	5,763.7
Total Operating Expenses	3	(4,517.0)	(3,666.7)
		2,020.7	2,097.0
Other (Losses)/Gains, net	4	(113.3)	2,589.9
Interest Expense		(128.7)	(167.4)
Share of Profits less Losses of Associated Companies		772.0	689.6
Share of Profits less Losses of Jointly Controlled Entities		281.6	710.2
		2,832.3	5,919.3
Profit before Taxation	5		
Taxation	6	(268.4)	(424.4)
		2,563.9	5,494.9
Profit for the period			
Attributable to:			
Shareholders of the Company		2,524.3	5,469.9
Minority Interests		39.6	25.0
		2,563.9	5,494.9
Dividends – Interim Proposed	7	799.9	727.2
Earnings per Share – Basic and Diluted, HK cents	8	37.9	82.1*

* Adjusted for the bonus issue in 2008

CONSOLIDATED BALANCE SHEET (UNAUDITED)

as at 30th June 2008

	Note	At 30th June 2008 HK\$M	At 31st December 2007 HK\$M
Assets			
Non-Current Assets			
Property, Plant and Equipment	9	14,531.6	13,051.6
Investment Property		526.0	410.0
Leasehold Land		551.6	534.1
Intangible Asset		197.1	185.1
Associated Companies		9,329.7	8,386.5
Jointly Controlled Entities		6,572.8	6,501.7
Available-for-Sale Financial Assets		939.9	1,066.9
Retirement Benefit Assets		42.2	42.2
Other Non-Current Assets		97.8	105.8
		<u>32,788.7</u>	<u>30,283.9</u>
Current Assets			
Completed Property for Sale		105.2	99.4
Inventories		1,004.1	987.8
Trade and Other Receivables	10	3,325.6	4,791.9
Loans to Associated Companies		89.5	175.0
Loans to Jointly Controlled Entities		62.7	63.0
Loans to Minority Interests		84.9	36.1
Housing Loans to Staff		54.8	62.5
Financial Assets at Fair Value through Profit or Loss		1,628.0	1,906.8
Time Deposits over three months		14.2	19.9
Time Deposits up to three months, Cash and Bank Balances		6,149.1	4,818.8
		<u>12,518.1</u>	<u>12,961.2</u>
Current Liabilities			
Trade and Other Payables	11	(2,556.5)	(3,140.7)
Amounts due to Jointly Controlled Entities		(8.3)	(43.9)
Provision for Taxation		(577.8)	(498.9)
Borrowings		(3,881.0)	(3,504.8)
		<u>(7,023.6)</u>	<u>(7,188.3)</u>
Net Current Assets		<u>5,494.5</u>	<u>5,772.9</u>
Total Assets less Current Liabilities		<u>38,283.2</u>	<u>36,056.8</u>
Non-Current Liabilities			
Customers' Deposits		(1,054.0)	(1,046.3)
Deferred Taxation		(1,225.6)	(1,228.2)
Borrowings		(4,773.6)	(4,273.4)
Loans from Minority Interests		(23.3)	(9.6)
		<u>(7,076.5)</u>	<u>(6,557.5)</u>
Net Assets		<u>31,206.7</u>	<u>29,499.3</u>
Capital and Reserves			
Share Capital	12	1,666.4	1,514.9
Share Premium	13	3,618.6	3,770.1
Reserves	14	24,297.5	22,098.5
Proposed Dividend	14	799.9	1,393.7
Shareholders' Funds		<u>30,382.4</u>	<u>28,777.2</u>
Minority Interests		<u>824.3</u>	<u>722.1</u>
Total Equity		<u>31,206.7</u>	<u>29,499.3</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

for the six months ended 30th June

	2008 HK\$M	2007 HK\$M
Net Cash from Operating Activities	3,012.3	2,865.9
Net Cash (Used in)/from Investing Activities	(965.5)	1,759.7
Net Cash Used in Financing Activities	(791.4)	(1,852.3)
Increase in Cash and Cash Equivalents	1,255.4	2,773.3
Cash and Cash Equivalents at 1st January	4,808.8	1,720.3
Effect of Foreign Exchange Rate Changes	67.0	14.2
Cash and Cash Equivalents at 30th June	<u>6,131.2</u>	<u>4,507.8</u>
Analysis of Balances of Cash and Cash Equivalents		
Cash and Bank Balances	1,090.0	797.4
Time Deposits up to three months	5,059.1	3,741.9
Bank Overdrafts	(17.9)	(31.5)
	<u>6,131.2</u>	<u>4,507.8</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

for the six months ended 30th June 2008

	Attributable to Share- holders of the Company HK\$M	Minority Interests HK\$M	Total HK\$M
Total Equity as at 1st January 2008	28,777.2	722.1	29,499.3
Revaluation Deficits of Available-for-Sale Financial Assets transferred to Equity	(189.2)	–	(189.2)
Exchange Differences	663.8	50.2	714.0
Net Income Recognised directly in Equity Profit for the period	474.6 2,524.3	50.2 39.6	524.8 2,563.9
Total Recognised Net Income for the period	2,998.9	89.8	3,088.7
Capital Injection	–	29.4	29.4
Dividends Paid	(1,393.7)	–	(1,393.7)
Dividends Paid to Minority Interests	–	(17.0)	(17.0)
Total Equity as at 30th June 2008	<u>30,382.4</u>	<u>824.3</u>	<u>31,206.7</u>
Total Equity as at 1st January 2007	20,693.7	524.5	21,218.2
Revaluation Surplus of Available-for-Sale Financial Assets transferred to Equity	48.4	–	48.4
Exchange Differences	248.9	16.8	265.7
Recognition of Exchange Reserve on Disposal of Subsidiaries	(21.3)	–	(21.3)
Net Income Recognised directly in Equity Profit for the period	276.0 5,469.9	16.8 25.0	292.8 5,494.9
Total Recognised Net Income for the period	5,745.9	41.8	5,787.7
Capital Injection	–	12.5	12.5
Disposal of Interests in Subsidiaries	–	(20.0)	(20.0)
Dividends Paid	(1,267.0)	–	(1,267.0)
Dividends Paid to Minority Interests	–	(6.2)	(6.2)
Total Equity as at 30th June 2007	<u>25,172.6</u>	<u>552.6</u>	<u>25,725.2</u>

NOTES TO THE 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 2007. 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 2008. There is however no significant impact on the Group’s results and financial position nor any substantial changes in the Group’s accounting policies.

- HK (IFRIC) – Interpretation 12 “Service Concession Arrangements”
- HK (IFRIC) – Interpretation 14 “HKAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction”

The HKICPA has issued a number of new standards, interpretations and amendments to standards which are not effective for accounting period beginning 1st January 2008. 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 related activities in Hong Kong and mainland China. The revenue comprises the following:

	Six months ended 30th June	
	2008	2007
	HK\$M	HK\$M
Gas Sales before Fuel Cost Adjustment	4,477.1	3,998.1
Fuel Cost Adjustment	977.5	527.9
Gas Sales after Fuel Cost Adjustment	5,454.6	4,526.0
Equipment Sales	493.4	393.3
Maintenance and Services	139.6	134.2
Water Sales	136.3	120.1
Property Sales	8.1	384.8
Rental Income	11.4	–
Other Sales	294.3	205.3
	<u>6,537.7</u>	<u>5,763.7</u>

NOTES TO THE INTERIM ACCOUNTS (UNAUDITED)

2. Segment Information *(continued)*

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

As the Group derives more than 90 per cent of the Group's revenue and total segment results from and has more than 90 per cent of the Group's total segment assets for the production, distribution and marketing of gas and related activities, no business segment information is presented.

The Company, its subsidiaries, associated companies and jointly controlled entities operate in Hong Kong and mainland China. Information about the Group's operations by geographical segments is as follows:

	Six months ended 30th June					
	Hong Kong		Mainland China		Total	
	2008 HK\$M	2007 HK\$M	2008 HK\$M	2007 HK\$M	2008 HK\$M	2007 HK\$M
Revenue	<u>5,055.8</u>	<u>4,738.7</u>	<u>1,481.9</u>	<u>1,025.0</u>	<u>6,537.7</u>	<u>5,763.7</u>
Segment Results	1,963.3	2,128.7	250.0	144.5	2,213.3	2,273.2
Unallocated Corporate Expenses					(192.6)	(176.2)
					2,020.7	2,097.0
Other (Losses)/Gains, net					(113.3)	2,589.9
Interest Expense					(128.7)	(167.4)
Share of Profits less Losses of Associated Companies	671.9	625.7	100.1	63.9	772.0	689.6
Share of Profits less Losses of Jointly Controlled Entities	10.9	547.2	270.7	163.0	281.6	710.2
Profit before Taxation					2,832.3	5,919.3
Taxation					(268.4)	(424.4)
Profit for the period					<u>2,563.9</u>	<u>5,494.9</u>
Attributable to:						
Shareholders of the Company					2,524.3	5,469.9
Minority Interests					39.6	25.0
					<u>2,563.9</u>	<u>5,494.9</u>

2. Segment Information *(continued)*

Share of profits of associated companies includes HK\$536.3 million (2007: HK\$542.2 million), being the Group's share of post-tax change in valuation of investment properties at the International Finance Centre ("IFC") complex for the period.

Share of profits of jointly controlled entities includes HK\$10.9 million (2007: HK\$547.2 million), being the Group's share of post-tax profits arising from the sale of a portion of the residential units of the Grand Promenade during the period.

3. Total Operating Expenses

	Six months ended 30th June	
	2008 HK\$M	2007 HK\$M
Stores and Materials Used	3,043.7	2,205.1
Cost of Property Sold	2.4	135.3
Manpower Costs	484.5	449.7
Depreciation and Amortisation	342.9	330.9
Other Operating Items	643.5	545.7
	<u>4,517.0</u>	<u>3,666.7</u>

4. Other (Losses)/Gains, net

	Six months ended 30th June	
	2008 HK\$M	2007 HK\$M
Fair Value Gain on Investment Property	116.0	–
Net Investment (Losses)/Gains	(248.8)	354.2
Gain on Disposal of Interests in Subsidiaries (Note)	–	2,235.7
Others	19.5	–
	<u>(113.3)</u>	<u>2,589.9</u>

Note:

On 1st March 2007, the Group completed the disposal of the eight wholly-owned subsidiaries, which held ten piped city-gas joint ventures, to Towngas China Company Limited ("Towngas China"), formerly known as Panva Gas Holdings Limited. The disposal gain was determined based on the difference in the fair value of the Towngas China shares issued as the consideration as at 1st March 2007 of HK\$3.77 per Towngas China share over the aggregate of the net asset value of the subsidiaries, the carrying amount of shareholder loans and the related transaction costs. The exchange reserve attributable to the disposed subsidiaries has also been recognised in the gain on disposal.

NOTES TO THE INTERIM ACCOUNTS (UNAUDITED)

5. Profit before Taxation

Profit before Taxation is stated after charging cost of inventories sold of HK\$3,305.3 million (2007: HK\$2,369.0 million).

6. Taxation

	Six months ended 30th June	
	2008	2007
	HK\$M	HK\$M
Current Taxation	278.4	407.6
Deferred Taxation relating to the origination and reversal of temporary differences	52.8	16.8
Deferred Taxation resulting from the decrease in tax rate from 17.5% to 16.5%	(62.8)	—
	<u>268.4</u>	<u>424.4</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2007:17.5%) 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.

7. Dividends

	Six months ended 30th June	
	2008	2007
	HK\$M	HK\$M
2007 Final, paid, of HK 23 cents per share (2006 Final: HK 23 cents per share)	1,393.7	1,267.0
2008 Interim, proposed, of HK 12 cents per share (2007 Interim: HK 12 cents per share)	799.9	727.2
	<u>2,193.6</u>	<u>1,994.2</u>

8. Earnings per Share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$2,524.3 million (2007: HK\$5,469.9 million) and the weighted average of 6,665,599,584 shares (2007: 6,665,599,584 shares*) in issue during the period.

As there were no diluted potential ordinary shares outstanding during the period (2007: nil), the diluted earnings per share for the period ended 30th June 2008 is the same as the basic earnings per share.

* Adjusted for the bonus issue in 2008.

9. Property, Plant and Equipment

	Buildings, Plant, Mains and Other Equipment HK\$M
Cost	
At 1st January 2008	19,889.7
Additions	1,543.4
Disposals/Write off	(48.6)
Exchange Differences	312.5
	<hr/>
At 30th June 2008	21,697.0
	<hr/> <hr/>
Accumulated Depreciation	
At 1st January 2008	6,838.1
Charge for the period	336.1
Disposals/Write off	(43.8)
Exchange Differences	35.0
	<hr/>
At 30th June 2008	7,165.4
	<hr/> <hr/>
Net Book Value	
At 30th June 2008	14,531.6
	<hr/> <hr/>
At 31st December 2007	13,051.6
	<hr/> <hr/>

NOTES TO THE INTERIM ACCOUNTS (UNAUDITED)

9. Property, Plant and Equipment (continued)

	Property under Development HK\$M	Buildings, Plant, Mains and Other Equipment HK\$M	Total HK\$M
Cost			
At 1st January 2007	95.4	18,691.1	18,786.5
Additions	84.8	628.4	713.2
Disposal of Subsidiaries	–	(232.2)	(232.2)
Disposals/Write off	–	(47.6)	(47.6)
Exchange Differences	–	129.6	129.6
	<u>180.2</u>	<u>19,169.3</u>	<u>19,349.5</u>
At 30th June 2007	<u>180.2</u>	<u>19,169.3</u>	<u>19,349.5</u>
Accumulated Depreciation			
At 1st January 2007	–	6,400.6	6,400.6
Charge for the period	–	324.0	324.0
Disposal of Subsidiaries	–	(14.4)	(14.4)
Disposals/Write off	–	(38.5)	(38.5)
Exchange Differences	–	11.3	11.3
	<u>–</u>	<u>6,683.0</u>	<u>6,683.0</u>
At 30th June 2007	<u>–</u>	<u>6,683.0</u>	<u>6,683.0</u>
Net Book Value			
At 30th June 2007	<u>180.2</u>	<u>12,486.3</u>	<u>12,666.5</u>
At 31st December 2006	<u>95.4</u>	<u>12,290.5</u>	<u>12,385.9</u>

10. Trade and Other Receivables

	At 30th June 2008 HK\$M	At 31st December 2007 HK\$M
Trade Receivables (Note)	1,395.6	1,386.8
Instalment receivables	1,088.6	2,590.9
Other Receivables	423.6	504.1
Payments in Advance	417.8	310.1
	<u>3,325.6</u>	<u>4,791.9</u>

The Group recognised a loss of HK\$4.1 million (2007: 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 period 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 2008, the aging analysis of the trade receivables, net of impairment provision, is as follows:

	At 30th June 2008 HK\$M	At 31st December 2007 HK\$M
0 – 30 days	1,130.1	1,148.4
31 – 60 days	66.4	56.7
61 – 90 days	33.9	27.4
Over 90 days	165.2	154.3
	<u>1,395.6</u>	<u>1,386.8</u>

NOTES TO THE INTERIM ACCOUNTS (UNAUDITED)

11. Trade and Other Payables

	At 30th June 2008 HK\$M	At 31st December 2007 HK\$M
Trade Payables (Note a)	552.0	536.9
Other Payables and Accruals (Note b)	<u>2,004.5</u>	<u>2,603.8</u>
	<u><u>2,556.5</u></u>	<u><u>3,140.7</u></u>

Notes

(a) At 30th June 2008, the aging analysis of the trade payables is as follows :

	At 30th June 2008 HK\$M	At 31st December 2007 HK\$M
0 – 30 days	262.2	370.3
31 – 60 days	112.8	40.1
61 – 90 days	12.1	15.2
Over 90 days	<u>164.9</u>	<u>111.3</u>
	<u><u>552.0</u></u>	<u><u>536.9</u></u>

(b) The balance includes an amount of approximately HK\$333 million (31st December 2007: HK\$695 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.

12. Share Capital

	Number of Shares		Nominal Value	
	At 30th June 2008	At 31st December 2007	At 30th June 2008 HK\$M	At 31st December 2007 HK\$M
Authorised:				
Ordinary Shares of HK\$0.25 each	10,000,000,000	10,000,000,000	2,500.0	2,500.0
Issued and Fully Paid:				
At beginning of period/year	6,059,635,986	5,508,759,988	1,514.9	1,377.2
Bonus Issue (Note 13)	605,963,598	550,875,998	151.5	137.7
At end of period/year	6,665,599,584	6,059,635,986	1,666.4	1,514.9

By an ordinary resolution passed on 19th May 2008, the issued share capital was increased by way of a bonus issue by applying HK\$151.5 million charging to the share premium account in payment in full at par of 605,963,598 shares of HK\$0.25 each on the basis of one new share for every ten shares held on 9th May 2008. These shares rank pari passu with the existing shares.

13. Share Premium

	At 30th June 2008 HK\$M	At 31st December 2007 HK\$M
At beginning of period/year	3,770.1	3,907.8
Less: Bonus Issue (Note 12)	(151.5)	(137.7)
At end of period/year	3,618.6	3,770.1

NOTES TO THE INTERIM ACCOUNTS (UNAUDITED)

14. Reserves

	Investment Revaluation Reserve HK\$M	General Reserve HK\$M	Capital Redemption Reserve HK\$M	Capital Reserve HK\$M	Exchange Reserve HK\$M	Unappro- priated Profits HK\$M	Total HK\$M
At 1st January 2008	249.3	3,320.0	189.7	141.9	888.8	17,308.8	22,098.5
Profit Attributable to Shareholders	-	-	-	-	-	2,524.3	2,524.3
Change in Fair Value of Available-for-Sale Financial Assets	(189.2)	-	-	-	-	-	(189.2)
Exchange Differences	-	-	-	-	663.8	-	663.8
2007 Final Dividend proposed	-	-	-	-	-	1,393.7	1,393.7
2007 Final Dividend paid	-	-	-	-	-	(1,393.7)	(1,393.7)
	<u>60.1</u>	<u>3,320.0</u>	<u>189.7</u>	<u>141.9</u>	<u>1,552.6</u>	<u>19,833.1</u>	<u>25,097.4</u>
At 30th June 2008	60.1	3,320.0	189.7	141.9	1,552.6	19,833.1	25,097.4
Balance after 2008	60.1	3,320.0	189.7	141.9	1,552.6	19,033.2	24,297.5
Interim Dividend proposed	-	-	-	-	-	799.9	799.9
2008 Interim Dividend proposed	-	-	-	-	-	799.9	799.9
	<u>60.1</u>	<u>3,320.0</u>	<u>189.7</u>	<u>141.9</u>	<u>1,552.6</u>	<u>19,833.1</u>	<u>25,097.4</u>
	Investment Revaluation Reserve HK\$M	General Reserve HK\$M	Capital Redemption Reserve HK\$M	Capital Reserve HK\$M	Exchange Reserve HK\$M	Unappro- priated Profits HK\$M	Total HK\$M
At 1st January 2007	64.2	3,320.0	189.7	137.4	270.6	10,159.8	14,141.7
Profit Attributable to Shareholders	-	-	-	-	-	5,469.9	5,469.9
Change in Fair Value of Available-for-Sale Financial Assets	48.4	-	-	-	-	-	48.4
Exchange Differences	-	-	-	-	248.9	-	248.9
Recognition of Exchange Reserve on Disposal of Subsidiaries	-	-	-	-	(21.3)	-	(21.3)
2006 Final Dividend proposed	-	-	-	-	-	1,267.0	1,267.0
2006 Final Dividend paid	-	-	-	-	-	(1,267.0)	(1,267.0)
	<u>112.6</u>	<u>3,320.0</u>	<u>189.7</u>	<u>137.4</u>	<u>498.2</u>	<u>15,629.7</u>	<u>19,887.6</u>
At 30th June 2007	112.6	3,320.0	189.7	137.4	498.2	15,629.7	19,887.6
Balance after 2007	112.6	3,320.0	189.7	137.4	498.2	14,902.5	19,160.4
Interim Dividend proposed	-	-	-	-	-	727.2	727.2
2007 Interim Dividend proposed	-	-	-	-	-	727.2	727.2
	<u>112.6</u>	<u>3,320.0</u>	<u>189.7</u>	<u>137.4</u>	<u>498.2</u>	<u>15,629.7</u>	<u>19,887.6</u>

15. Contingent Liabilities

The Group did not have any significant contingent liabilities as at 30th June 2008 (31st December 2007: nil).

16. Commitments

(a) Capital Expenditures for Property, Plant and Equipment

	At 30th June 2008 HK\$M	At 31st December 2007 HK\$M
Authorised but not brought into the accounts	<u>2,066.7</u>	<u>2,091.3</u>
Of which, contracts had been entered into	<u>1,839.0</u>	<u>1,786.6</u>

(b) Share of Capital Expenditures for Property, Plant and Equipment of Jointly Controlled Entities

	At 30th June 2008 HK\$M	At 31st December 2007 HK\$M
Authorised but not brought into the accounts	<u>1,632.1</u>	<u>1,206.0</u>
Of which, contracts had been entered into	<u>1,028.1</u>	<u>726.9</u>

- (c) The Group has committed to provide sufficient funds in the forms of capital and loan contributions to certain joint ventures under various joint venture contracts to finance relevant oil and gas projects. The directors estimate that as at 30th June 2008, the Group's commitments to these projects would be approximately HK\$547.1 million (31st December 2007: HK\$62.0 million).

NOTES TO THE INTERIM ACCOUNTS (UNAUDITED)

16. Commitments (continued)

(d) Lease Commitments

Lessee

At 30th June 2008, future aggregate minimum lease payments of land, buildings and equipment under non-cancellable operating leases are as follows:

	At 30th June 2008 HK\$M	At 31st December 2007 HK\$M
Not later than 1 year	39.0	35.8
Later than 1 year and not later than 5 years	82.7	73.9
Later than 5 years	246.8	250.9
	<u>368.5</u>	<u>360.6</u>

Lessor

The Group leases out the building facilities of the commercial complex and car parks of Grand Waterfront under operating leases. Except for certain car parks are rented out on an hourly or a monthly basis, these leases typically run for an initial period of 2 to 3 years. Future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	At 30th June 2008 HK\$M	At 31st December 2007 HK\$M
Not later than 1 year	13.0	12.3
Later than 1 year and not later than 5 years	22.5	25.7
Later than 5 years	–	1.6
	<u>35.5</u>	<u>39.6</u>

17. Related Party Transactions

Save as disclosed elsewhere in the accounts, no significant related party transactions were undertaken by the Group at any time during the period.

18. Events After Balance Sheet Date

On 7th August 2008, HKCG (Finance) Limited, a wholly-owned subsidiary of the Company, issued Guaranteed Notes (the "Notes") in the aggregate principal amount of US\$1.0 billion. The Notes are guaranteed by the Company as to repayment, carry a fixed coupon rate of 6.25 per cent per annum payable semi-annually in arrear and have a maturity term of 10 years. The Notes are listed on The Stock Exchange of Hong Kong Limited.

FINANCIAL RESOURCES REVIEW

Liquidity and Capital Resources

As at 30th June 2008, the Group had a net current deposits position of HK\$2,282 million (31st December 2007: HK\$1,334 million) and long-term borrowings of HK\$4,774 million (31st December 2007: HK\$4,273 million). After taking into account of a portfolio of financial assets at fair value through profit or loss of HK\$1,628 million (31st December 2007: HK\$1,907 million), net current fund as at 30th June 2008 amounted to HK\$3,910 million (31st December 2007: HK\$3,241 million). In addition, banking facilities available for use amounted to HK\$4,183 million (31st December 2007: HK\$5,902 million).

The operating and capital expenditures of the Group are funded by cash flow from operations, internal liquidity and banking facilities. 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

As at 30th June 2008, the Group's borrowings amounted to HK\$8,655 million (31st December 2007: HK\$7,778 million). All bank loans and overdrafts were unsecured and had a floating interest rate, of which HK\$4,755 million (31st December 2007: HK\$4,256 million) were long-term bank loans while HK\$3,809 million (31st December 2007: HK\$3,437 million) had maturities within one year on revolving credit or term loan facilities. As at 30th June 2008, a subsidiary of the Group in mainland China had a finance lease of HK\$91 million (31st December 2007: HK\$85 million) equivalent for a portion of its pipeline with instalment payment up to 2009. As at 30th June 2008, the maturity profile of Group's borrowings was 45 per cent within 1 year; 3 per cent within 1 to 2 years and 52 per cent within 2 to 5 years (31st December 2007: 45 per cent within 1 year; 55 per cent within 2 to 5 years).

The Group's borrowings are primarily denominated in Hong Kong dollars and the Group has no significant exposure to foreign exchange fluctuations. The gearing ratio [net borrowing / (shareholders' funds + net borrowing)] for the Group as at 30th June 2008 remained healthy at 8 per cent (31st December 2007: 9 per cent). After taking into account of a portfolio of financial assets at fair value through profit or loss of HK\$1,628 million as at 30th June 2008 (31st December 2007: HK\$1,907 million), the net gearing ratio [net debt / (shareholders' funds + net debt)] stood at 3 per cent (31st December 2007: 3 per cent).

On 7th August 2008, HKCG (Finance) Limited, a wholly-owned subsidiary of the Company, issued Guaranteed Notes due 2018 in the principal amount of US\$1 billion at a fixed coupon rate of 6.25 per cent per annum and at an issue price of 99.319 per cent to qualified institutional buyers in the US and other investors outside the US.

Contingent Liabilities

As at 30th June 2008, 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 2007: 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 however 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 2008, the investments in securities amounted to HK\$2,568 million (31st December 2007: HK\$2,974 million).

OTHER INFORMATION

Corporate Governance

During the six months ended 30th June 2008, 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"). 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 review period.

Audit Committee

An audit committee was formed in May 1996 to review and supervise the financial reporting process and internal controls of the Group. An audit committee meeting was held in September 2008 to review the unaudited interim accounts for the six months ended 30th June 2008. PricewaterhouseCoopers, the Group's external auditor, carried out a review of the unaudited interim accounts for the six months ended 30th June 2008 in accordance with the Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. An unmodified review report was issued subsequent to the review.

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 2008.

Disclosure of Interests

A. Directors

As at 30th June 2008, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Shares and Underlying Shares (Long Positions)

Name of Company	Director	Interest in Shares				Interest in underlying shares pursuant to share options	Aggregate interest	%**
		Personal Interests	Family Interests	Corporate Interests	Other			
The Hong Kong and China Gas Company Limited	Dr. The Hon. Lee Shau Kee	3,903,670		2,705,807,442 (Note 5)			2,709,711,112	40.65
	Mr. Liu Lit Man	2,152,202					2,152,202	0.03
	Dr. The Hon. David Li Kwok Po	18,149,999					18,149,999	0.27
	Mr. Ronald Chan Tat Hung	2,347					2,347	0.00
	Mr. Lee Ka Kit				2,705,807,442 (Note 4)		2,705,807,442	40.59
	Mr. Alfred Chan Wing Kin	124,417*					124,417*	0.00
	Mr. James Kwan Yuk Choi	43,923	49,765				93,688	0.00
	Mr. Lee Ka Shing				2,705,807,442 (Note 4)		2,705,807,442	40.59
Lane Success Development Limited	Dr. The Hon. Lee Shau Kee			9,500 (Note 6)			9,500	95
	Mr. Lee Ka Kit				9,500 (Note 6)		9,500	95
	Mr. Lee Ka Shing				9,500 (Note 6)		9,500	95
Yieldway International Limited	Dr. The Hon. Lee Shau Kee			2 (Note 7)			2	100
	Mr. Lee Ka Kit				2 (Note 7)		2	100
	Mr. Lee Ka Shing				2 (Note 7)		2	100
Towngas China Company Limited	Dr. The Hon. Lee Shau Kee			893,172,901 (Note 8)			893,172,901	45.63
	Mr. Lee Ka Kit				893,172,901 (Note 8)		893,172,901	45.63
	Mr. Lee Ka Shing				893,172,901 (Note 8)		893,172,901	45.63
	Mr. Alfred Chan Wing Kin					3,618,000 (Note 9)	3,618,000	0.18
	Mr. James Kwan Yuk Choi					3,015,000 (Note 9)	3,015,000	0.15

* These shares were jointly held by Mr. Alfred Chan Wing Kin and his spouse.

** Percentage which the aggregate long position in the shares or underlying shares represents to the issued share capital of the Company or any of its associated corporations.

Save as mentioned above, as at 30th June 2008, there were no other interests or short positions of the Directors or chief executives of the Company in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

B. Substantial Shareholders and Others (Long Positions)

As at 30th June 2008, the interests and short positions of every person, other than the Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

	Name of Company	No. of Shares in which interested	%***
Substantial Shareholders (a person who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting)	Disralei Investment Limited (Note 1)	1,402,419,759	21.04
	Timpani Investments Limited (Note 1)	1,988,332,010	29.83
	Faxson Investment Limited (Note 1)	2,603,627,504	39.06
	Henderson Land Development Company Limited (Note 1)	2,603,627,504	39.06
	Henderson Development Limited (Note 2)	2,608,426,934	39.13
	Hopkins (Cayman) Limited (Note 3)	2,705,807,442	40.59
	Riddick (Cayman) Limited (Note 4)	2,705,807,442	40.59
	Rimmer (Cayman) Limited (Note 4)	2,705,807,442	40.59
Persons other than Substantial Shareholders	Macrostar Investment Limited (Note 1)	615,295,494	9.23
	Chelco Investment Limited (Note 1)	615,295,494	9.23
	Medley Investment Limited (Note 1)	585,912,251	8.79
	Commonwealth Bank of Australia (Note 10)	361,528,320	5.42

*** Percentage which the aggregate long position in the shares represents to the issued share capital of the Company.

Save as mentioned above, as at 30th June 2008, the register maintained by the Company pursuant to section 336 of the SFO recorded no other interests or short positions in shares and underlying shares of the Company.

Notes:

- These 2,603,627,504 shares were beneficially owned by Macrostar Investment Limited ("Macrostar"), Medley Investment Limited ("Medley") and Disralei Investment Limited ("Disralei"). Macrostar was a wholly-owned subsidiary of Chelco Investment Limited, which was in turn, a wholly-owned subsidiary of Faxson Investment Limited ("FIL"). Medley and Disralei were wholly-owned subsidiaries of Timpani Investments Limited, which was in turn, a wholly-owned subsidiary of FIL. FIL was a wholly-owned subsidiary of Henderson Land Development Company Limited ("HLD").
- Henderson Development Limited ("HD") beneficially owned 53.01% of the total issued shares of HLD. Of these 2,608,426,934 shares, 2,603,627,504 shares represented the shares described in Note 1 and the other shares were beneficially owned by a wholly-owned subsidiary of HD.

3. Of these 2,705,807,442 shares, 2,608,426,934 shares represented the shares described in Notes 1 and 2 and 97,380,508 shares were beneficially owned by Fu Sang Company Limited (“Fu Sang”). Hopkins (Cayman) Limited (“Hopkins”) owned all the issued ordinary shares which carry the voting rights in the share capital of HD and Fu Sang as trustee of a unit trust (“Unit Trust”).
4. These 2,705,807,442 shares are duplicated in the interests described in Note 3. Rimmer (Cayman) Limited (“Rimmer”) and Riddick (Cayman) Limited (“Riddick”), as trustees of the respective discretionary trusts, held units in the Unit Trust. Mr. Lee Ka Kit and Mr. Lee Ka Shing, as discretionary beneficiaries of the discretionary trusts, were taken to have duties of disclosure in relation to these shares by virtue of Part XV of the SFO.
5. These 2,705,807,442 shares included the shares described in Notes 1 to 4. Dr. The Hon. Lee Shau Kee beneficially owned all the issued shares in Rimmer, Riddick and Hopkins and was taken to be interested in these shares by virtue of Part XV of the SFO.
6. These 9,500 shares in Lane Success Development Limited were beneficially owned by a wholly-owned subsidiary of the Company (as to 4,500 shares) and a wholly-owned subsidiary of HLD (as to 5,000 shares). Dr. The Hon. Lee Shau Kee, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in HLD and the Company as set out in Notes 1 to 5 by virtue of Part XV of the SFO.
7. These 2 shares in Yieldway International Limited were beneficially owned by a wholly-owned subsidiary of the Company (as to 1 share) and a wholly-owned subsidiary of HLD (as to 1 share). Dr. The Hon. Lee Shau Kee, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in HLD and the Company as set out in Notes 1 to 5 by virtue of Part XV of the SFO.
8. These 893,172,901 shares in Towngas China Company Limited (“Towngas China”) representing 45.63% of the total issued shares in Towngas China were beneficially owned by Hong Kong & China Gas (China) Limited (as to 850,202,901 shares), Planwise Properties Limited (as to 40,470,000 shares) and Superfun Enterprises Limited (as to 2,500,000 shares), wholly-owned subsidiaries of the Company. Dr. The Hon. Lee Shau Kee, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in the Company as set out in Notes 1 to 5 by virtue of Part XV of the SFO.
9. These options represent personal interests held by the Directors.
10. Commonwealth Bank of Australia (“Commonwealth Bank”) was taken to be interested in these 361,528,320 shares which were held by indirect wholly-owned subsidiaries of Commonwealth Bank.

CORPORATE INFORMATION

Board of Directors

As at the date of this report, the board of directors of the Company comprises: Dr. The Hon. Lee Shau Kee (Chairman), Mr. Liu Lit Man*, Mr. Leung Hay Man*, Mr. Colin Lam Ko Yin, Dr. The Hon. David Li Kwok Po*, Mr. Ronald Chan Tat Hung, Mr. Lee Ka Kit, Mr. Alfred Chan Wing Kin, Mr. James Kwan Yuk Choi and Mr. Lee Ka Shing.

* *Independent Non-executive Director*

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Company's Website

www.towngas.com

Share Registrar

Computershare Hong Kong Investor Services Limited
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183 Queen's Road East,
Hong Kong

Investor Relations

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A printed version of this Interim Report is available on request from the Company and the Company's Share Registrar free of charge. The website version of this Interim Report is also available on the Company's website.

If a shareholder wishes to change his choice of language and/or means of receipt of future corporate communications, the shareholder may at any time free of charge notify the Company's Share Registrar by reasonable notice in writing, stating his name(s) in both English and Chinese (if applicable), address, contact telephone number, number of shares held and details of his change of choice.