THE HONG KONG AND CHINA GAS COMPANY LIMITED

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

PRELIMINARY ANNOUNCEMENT OF 2008 INTERIM RESULTS

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*

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 regions, 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 bunded 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 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

FINANCIAL INFORMATION

Highlights of the Group's Interim Accounts for the first six months ended 30th June 2008 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	**Six months ended 30th June 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		**(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
Profit before Taxation		**2,832.3**	5,919.3
Taxation	4	**(268.4)**	(424.4)
Profit for the period		**2,563.9**	5,494.9
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	5	**799.9**	727.2
Earnings per Share – Basic and Diluted, HK cents	6	**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		**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
		32,788.7	30,283.9
Current Assets			
Completed Property for Sale		**105.2**	99.4
Inventories		**1,004.1**	987.8
Trade and Other Receivables	7	**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
		12,518.1	12,961.2
Current Liabilities			
Trade and Other Payables	8	**(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)
		(7,023.6)	(7,188.3)
Net Current Assets		**5,494.5**	5,772.9
Total Assets less Current Liabilities		**38,283.2**	36,056.8
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)
		(7,076.5)	(6,557.5)
Net Assets		**31,206.7**	29,499.3
Capital and Reserves			
Share Capital		**1,666.4**	1,514.9
Share Premium		**3,618.6**	3,770.1
Reserves		**24,297.5**	22,098.5
Proposed Dividend		**799.9**	1,393.7
Shareholders' Funds		**30,382.4**	28,777.2
Minority Interests		**824.3**	722.1
Total Equity		**31,206.7**	29,499.3

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
	6,537.7	5,763.7

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.

2. **Segment Information** (Continued)

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	2007	**2008**	2007	**2008**	2007
	HK$M	HK$M	**HK$M**	HK$M	**HK$M**	HK$M
Revenue	**5,055.8**	4,738.7	**1,481.9**	1,025.0	**6,537.7**	5,763.7
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					**2,563.9**	5,494.9
Attributable to:						
Shareholders of the Company					**2,524.3**	5,469.9
Minority Interests					**39.6**	25.0
					2,563.9	5,494.9

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	2007
	HK$M	HK$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
	4,517.0	3,666.7

4. 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)**	-
	268.4	424.4

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.

5. 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
	2,193.6	1,994.2

6. 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*

7. 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
	3,325.6	4,791.9

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
	1,395.6	1,386.8

8. 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)	**2,004.5**	2,603.8
	2,556.5	3,140.7

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	**164.9**	111.3
	552.0	536.9

(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.

9. 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.

DIVIDEND

The Board of Directors has declared an interim dividend for the six months ended 30th June 2008 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 10th October 2008. Dividend warrants will be despatched to shareholders on Monday, 20th October 2008.

CLOSING OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 9th October 2008 to Friday, 10th October 2008, 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, 8th October 2008.**

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"). 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 2008.

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.

As at the date of this announcement, 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*

Towngas
The Hong Kong and China Gas Company Limited