

THE HONG KONG AND CHINA GAS COMPANY LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock Code: 0003)

PRELIMINARY ANNOUNCEMENT OF 2007 INTERIM RESULTS

HALF-YEARLY RESULTS

The Directors are pleased to report that the unaudited profit after taxation attributable to shareholders of the Group for the six months ended 30th June 2007 amounted to HK\$5,469.9 million, including a HK\$2,235.7 million one-off gain resulting from the acquisition of shares in Panva Gas Holdings Limited (“Panva Gas”) by way of asset injection and a HK\$1,270.4 million profit resulting from an investment property revaluation surplus and the sale of properties. During the first half of 2007, the volume of residential gas sales in Hong Kong decreased whilst the total volume of gas sales rose slightly by 0.2 per cent compared with the same period last year. The Group’s gas business in Hong Kong grew slightly during the first half of 2007.

Highlights of the unaudited results of the Group for the six months ended 30th June 2007, as compared to the same period in 2006, are shown in the following table:

	Unaudited Six months ended 30th June	
	2007	2006
Revenue before Fuel Cost Adjustment, HK million dollars	5,235.8	4,588.0
Revenue after Fuel Cost Adjustment, HK million dollars	5,763.7	5,418.4
Profit Attributable to Shareholders, HK million dollars	5,469.9	2,509.5
Earnings per Share excluding Profit from Sale of Properties, Investment Property Revaluation Surplus and Gain from Disposal of Interests in Subsidiaries, HK cents	32.4	29.8*
Earnings per Share including Profit from Sale of Properties, Investment Property Revaluation Surplus and Gain from Disposal of Interests in Subsidiaries, HK cents	90.3	41.4*
Interim Dividends per Share, HK cents	12.0	12.0
Town Gas Sold in Hong Kong, million MJ	15,020	14,995
Number of Customers in Hong Kong as at 30th June	1,631,302	1,606,841

* Adjusted for the bonus issue in 2007

Profit after taxation attributable to shareholders of the Group for the six months ended 30th June 2007 included a HK\$2,235.7 million gain from the Group's disposal of interests in ten piped city-gas joint ventures to Panva Gas (Stock code: 1083; the company has since been renamed as Towngas China Company Limited), HK\$728.2 million from the Group's share of profits arising from the sale of units at Grand Promenade, Grand Waterfront and King's Park Hill property development projects, and HK\$542.2 million from the Group's share of a revaluation surplus from an investment property, the International Finance Centre complex. For the same period last year, the Group's share of profits from its sale of properties was HK\$117.7 million and its share of a revaluation surplus from the investment property was HK\$588.2 million.

After excluding profit from the sale of properties, the revaluation surplus from the investment property and the gain from disposal of interests in subsidiaries, earnings per share for the six months ended 30th June 2007 amounted to HK 32.4 cents. For the same period last year, after excluding both profit from the sale of properties and also the revaluation surplus from the investment property, earnings per share amounted to HK 29.8 cents.

GAS BUSINESS IN HONG KONG

The Company's gas sales are not keeping pace with the economic growth of Hong Kong. Higher temperatures during the first half of 2007 and an extremely hot summer, compounded by a change in living and dining habits of residential customers, led to a decrease of 1.9 per cent in the volume of residential gas sales compared with the same period in 2006. A downward trend for gas sales in the residential sector has emerged. On the other hand, during the first half of 2007, the volume of commercial and industrial gas sales increased by 3.2 per cent compared with the same period in 2006. Overall, total volume of gas sales in Hong Kong for the six months ended 30th June 2007 rose slightly by 0.2 per cent compared with the same period last year. As at 30th June 2007, the number of customers was 1,631,302, an increase of 24,461 since the end of June 2006.

TOWNGAS CHINA COMPANY LIMITED

The Group has an approximately 43.9 per cent interest in Panva Gas which was renamed as Towngas China Company Limited ("Towngas China") on 23rd May 2007. The well-recognised and reputable brand name "Towngas" in Chinese has been adopted by the Group for its mainland city-gas businesses. In acquiring Towngas China, the Group extended the geographical location of its piped city-gas projects on the mainland, thus helping to promote its brand name even more.

In mid-2007, Towngas China raised approximately HK\$700 million by way of an open offer at a price of HK\$4 per offer share for every ten shares. This increased the number of shares of Towngas China held by the Group to approximately 850 million shares and provided an additional capital injection of approximately HK\$300 million to Towngas China by the Group.

BUSINESS DEVELOPMENT IN MAINLAND CHINA

The Group's mainland businesses are progressing well. Since the acquisition of Panva Gas in March 2007, the Group's piped city-gas projects have increased in number and also been extended to northeastern and southwestern China. Upstream emerging energy projects such as coalbed gas liquefaction are also making good progress. Business growth is expected to accelerate resulting from this expanding scope of investments on the mainland.

The Group's first coalbed gas liquefaction joint venture project started in early July 2007 in Jincheng, Shanxi province with commissioning expected by mid-2008. As the components of coalbed gas are similar to those of natural gas, coalbed gas has potential for development as an important environmentally-friendly energy fuel. The strong economy on the mainland has boosted the demand for energy, thus creating a huge potential market for liquefied coalbed gas.

The Group also established its first joint venture for energy exploitation in early 2007 in Jilin province. By participating in the exploitation and sale of petroleum and natural gas, the Group will be able to provide additional gas sources for downstream gas projects within the region. Experience gained from this project will help in developing other similar upstream projects in the mainland.

The Group has high-pressure natural gas pipeline joint ventures in Anhui province, Hebei province and Hangzhou, Zhejiang province. This kind of midstream investment underpins downstream joint venture projects thus enabling the Group to strengthen its piped city-gas market interests.

Following the acquisition of Panva Gas as an associated company in early March 2007, the Group now has 60 piped city-gas projects in mainland cities across eastern, central, northern, northeastern, western and southwestern China as well as in Guangdong and Shandong provinces. Towngas China will continue to focus on piped city-gas markets in southwestern and northeastern China. The Group's investment in, and operation of, upstream coalbed gas and natural gas projects will help provide new gas sources for our piped city-gas projects. With the implementation of a state plan for transmitting natural gas from Sichuan province to eastern and southern China, and a recent increase in the quantity of imported liquefied natural gas, the Group's mainland projects are projected to thrive during the next three years.

The Group's water supply projects in Wujiang, Jiangsu province and in Wuhu, Anhui province, and the integrated water supply and wastewater joint venture in Suzhou Industrial Park, Suzhou, Jiangsu province are going well. The Group is able to capture synergies between these water projects and its gas joint ventures, thus achieving cost savings. Increasing economic prosperity and an expansion of population on the mainland are boosting demand for clean water sources. The Group will continue to seek opportunities to develop water projects in other cities.

Supplement IV to The Mainland and Hong Kong Closer Economic Partnership Arrangement allows Hong Kong service providers to set up majority-owned or wholly-owned operations to construct and operate gas, heating, water supply and water drainage networks for medium-sized cities in the mainland from 1st January 2008. These industries will gradually become more market-based due to this further opening up of the mainland's utility market, bringing more business opportunities for the Group.

Inclusive of Towngas China, the Group currently has a total of 70 projects spread across 13 provinces and an area of Beijing, encompassing upstream, midstream and downstream natural gas sectors as well as the water supply and wastewater treatment sector. The Group will continue to extend its business interests on the mainland and develop emerging clean-energy projects. The Group is also monitoring developments in new coal-based alcohol and ether fuel technology, related market trends and investment opportunities associated with these alternative fuels.

Diversification is rapidly transforming the Group into a sizable, nation-wide, multi-business corporation from its origins as a local company focused on a single business.

ENVIRONMENTALLY-FRIENDLY ENERGY BUSINESSES

The energy businesses run by ECO Energy Company Limited, which is wholly-owned by the Group, and its subsidiaries (together known as “ECO”) are progressing well.

Revenue from ECO’s dedicated liquefied petroleum gas filling stations increased during the first half of 2007 in line with Hong Kong’s continuing economic recovery. ECO is now leveraging its expertise by developing environmentally-friendly energy businesses on the mainland. An experimental project involving the construction and operation of several compressed natural gas filling stations for heavy duty trucks is running in Shaanxi province.

ECO’s landfill gas project is also progressing well. After several years of planning and construction, the North East New Territories (“NENT”) landfill gas treatment facility was commissioned in early 2007. Treated landfill gas is being transported to Tai Po gas production plant via a 19 km pipeline to partially substitute naphtha as a fuel for town gas production. With the successful implementation of the project at NENT, ECO is now proactively looking for opportunities to utilise landfill gas on other sites in order to help alleviate air pollution and 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. This is an important infrastructure project that will supply aviation fuel directly to Hong Kong International Airport. The facility will consist of a large-scale tank farm for storage of aviation fuel and will be served by two jetties, one capable of berthing tankers up to 80,000 tonnes and the other tankers up to 40,000 tonnes. The project is progressing as scheduled and is expected to be commissioned by 2010. The facility will become the major logistical base for supply of aviation fuel in Hong Kong.

PROPERTY DEVELOPMENTS

The Group has a 50 per cent interest in the Grand Promenade property development project at Sai Wan Ho. This project provides 2,020 units, with a total floor area of approximately 1.7 million square feet. Approximately 260,000 square feet were sold during the first half of 2007, yielding substantial returns for the Group. An overall total of approximately 1.56 million square feet had been sold by the end of June 2007. Residential occupancy started in early 2006.

Pre-sale of the Grand Waterfront property development project, located at the Ma Tau Kok south plant site, commenced in late August 2006. Take-up has since been good. The project consists of five apartment buildings, providing 1,782 units with a residential floor area of approximately 1.2 million square feet. Approximately 60,000 square feet were sold during the first half of 2007 bringing the total residential area sold by the end of June 2007 to approximately 700,000 square feet. The Group is entitled to 73 per cent of the net sales proceeds of the residential portion 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 an approximately 15.8 per cent interest in the International Finance Centre (“IFC”). The shopping mall and office towers of IFC are fully let. With an increasing number of inbound visitors, the occupancy rate of the project’s hotel complex, comprising the Four Seasons Hotel and Four Seasons Place, remains at a high level and business is very successful.

EMPLOYEES AND PRODUCTIVITY

The number of employees engaged in the town gas business was 1,919 as at 30th June 2007. During the first half of 2007, the number of customers increased by 24,461; with each employee serving 850 customers, overall productivity remained similar to the same period last year. Total remuneration for employees involved directly in the town gas business amounted to HK\$308 million for the six months ended 30th June 2007, an increase of HK\$12 million compared with the corresponding period in 2006. The Group offers our 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 HK 12 cents per share payable to shareholders whose names are on the register of shareholders of the Company as at 12th October 2007. To enable our Registrars to complete the necessary work associated with this payment, the register of shareholders will be closed on Thursday, 11th October 2007 and Friday, 12th October 2007, during which period no share transfers will be effected. Dividend warrants will be posted to shareholders on Monday, 22nd October 2007.

BUSINESS OUTLOOK FOR 2007

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. However, due to the maturity of the local gas market, the total volume of gas sales rose by only 0.2 per cent during the first half of 2007. In the past few years, the Group's profit growth has been mainly due to profit from property developments. However, it is anticipated that the Group's profit resulting from property developments will decrease in future. Compounded by growing operational costs associated with a rebounding local economy, the Group's business in Hong Kong is expected to come under increasing pressure.

As for its mainland businesses, the Group will develop upstream, midstream, downstream and emerging energy markets at a faster rate. The Group anticipates good prospects for its mainland businesses.

LEE Shau Kee
Chairman

Hong Kong, 13th September 2007

FINANCIAL INFORMATION

Highlights of the Group's Interim Accounts for the first six months ended 30th June 2007 are shown below. The Interim Accounts are unaudited but have been reviewed by our audit committee and external auditor, PricewaterhouseCoopers.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		Six months ended 30th June	
	Note	2007	2006
		HK\$M	HK\$M
Revenue	2	5,763.7	5,418.4
Operating Profit before Returns on Investments	3	2,097.0	1,969.8
Investment Income		354.2	182.8
Operating Profit		2,451.2	2,152.6
Interest Expense		(167.4)	(146.2)
Gain on Disposal of Interests in Subsidiaries		2,235.7	-
Share of Profits less Losses of Associated Companies		689.6	714.5
Share of Profits less Losses of Jointly Controlled Entities		710.2	168.0
Profit before Taxation		5,919.3	2,888.9
Taxation	4	(424.4)	(369.3)
Profit for the Period		5,494.9	2,519.6
Attributable to:			
Shareholders of the Company		5,469.9	2,509.5
Minority Interests		25.0	10.1
		5,494.9	2,519.6
Dividends – Interim Proposed	5	727.2	661.1
Earnings per Share – Basic and Diluted, HK cents	6	90.3	41.4 *

* Adjusted for bonus issue in 2007

CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at 30th June 2007

	Note	At 30th June 2007 HK\$M	At 31st December 2006 HK\$M
Assets			
Non-Current Assets			
Property, Plant and Equipment		12,666.5	12,385.9
Leasehold Land		463.9	478.8
Intangible Asset		45.3	48.6
Associated Companies	7	7,074.9	3,457.0
Jointly Controlled Entities		6,316.9	5,815.0
Available-for-Sale Financial Assets		917.4	848.5
Retirement Benefit Assets		36.1	36.1
Other Non-Current Assets		82.2	64.6
		<u>27,603.2</u>	<u>23,134.5</u>
Current Assets			
Completed Property for Sale		1,031.8	1,147.7
Inventories		850.7	934.2
Trade and Other Receivables	8	2,732.5	4,153.2
Loans to Associated Companies		205.5	2,991.7
Loans to Jointly Controlled Entities		38.9	283.3
Housing Loans to Staff		70.0	80.5
Financial Assets at Fair Value through Profit or Loss		2,402.0	1,675.6
Time Deposits over three months		12.5	31.3
Time Deposits up to three months, Cash and Bank Balances		4,539.3	1,730.7
		<u>11,883.2</u>	<u>13,028.2</u>
Current Liabilities			
Trade and Other Payables	9	(2,877.8)	(3,737.9)
Amount due to a Jointly Controlled Entity		(124.8)	-
Provision for Taxation		(777.5)	(834.5)
Borrowings		(2,143.9)	(2,568.6)
		<u>(5,924.0)</u>	<u>(7,141.0)</u>
Net Current Assets		<u>5,959.2</u>	<u>5,887.2</u>
Total Assets less Current Liabilities		<u>33,562.4</u>	<u>29,021.7</u>
Non-Current Liabilities			
Customers' Deposits		(1,025.0)	(1,013.2)
Deferred Taxation		(1,148.1)	(1,131.3)
Borrowings		(5,610.9)	(5,609.2)
Loans from Minority Interests		(53.2)	(49.8)
		<u>(7,837.2)</u>	<u>(7,803.5)</u>
Net Assets		<u>25,725.2</u>	<u>21,218.2</u>
Capital and Reserves			
Share Capital		1,514.9	1,377.2
Share Premium		3,770.1	3,907.8
Reserves		19,160.4	14,141.7
Proposed Dividend		727.2	1,267.0
Shareholders' Funds		<u>25,172.6</u>	<u>20,693.7</u>
Minority Interests		<u>552.6</u>	<u>524.5</u>
Total Equity		<u>25,725.2</u>	<u>21,218.2</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 2006. The Group has applied the following new standard, amendment and interpretations to Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1st January 2007. There is however no significant impact on the Group’s results and financial position nor any substantial changes in the Group’s accounting policies, whereas the adoption of HKAS 1 (Amendment) and HKFRS 7 requires additional disclosures to be made in the annual consolidated accounts.

- HKFRS 7, Financial Instruments: Disclosures
- Amendment to HKAS 1, Presentation of Financial Statements – Capital Disclosures
- HK (IFRIC) – Int 10, Interim Financial Reporting and Impairment

The HKICPA has issued a number of new standards, interpretations and amendments to standards which are not effective for accounting period beginning 1st January 2007. 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. Revenue comprises turnover which includes the following:

	Six months ended 30th June	
	2007	2006
	HK\$M	HK\$M
Gas Sales before Fuel Cost Adjustment	3,998.1	3,757.2
Fuel Cost Adjustment	527.9	830.4
Gas Sales after Fuel Cost Adjustment	4,526.0	4,587.6
Equipment Sales	393.3	374.2
Maintenance and Services	134.2	128.0
Water Sales	120.1	90.5
Property Sales	384.8	-
Other Sales	205.3	238.1
	5,763.7	5,418.4

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 turnover 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 Group operates, through its subsidiaries, associated companies and jointly controlled entities, 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	
	2007	2006	2007	2006	2007	2006
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
Revenue	4,738.7	4,688.9	1,025.0	729.5	5,763.7	5,418.4
Segment Results	2,128.7	2,040.1	144.5	92.5	2,273.2	2,132.6
Unallocated Corporate Expenses					(176.2)	(162.8)
Operating Profit before Returns on Investments					2,097.0	1,969.8
Investment Income					354.2	182.8
Operating Profit					2,451.2	2,152.6
Interest Expense					(167.4)	(146.2)
Gain on Disposal of Interests in Subsidiaries (Note)					2,235.7	-
Share of Profits less Losses of Associated Companies	625.7	698.5	63.9	16.0	689.6	714.5
Share of Profits less Losses of Jointly Controlled Entities	547.2	74.1	163.0	93.9	710.2	168.0
Profit before Taxation					5,919.3	2,888.9
Taxation					(424.4)	(369.3)
Profit for the Period					5,494.9	2,519.6
Attributable to:						
Shareholders of the Company					5,469.9	2,509.5
Minority Interests					25.0	10.1
					5,494.9	2,519.6

Share of profits of associated companies includes HK\$542.2 million (2006: HK\$588.2 million), being the Group's share of 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\$547.2 million (2006: HK\$74.1 million), being the Group's share of profits arising from the sale of a portion of the residential units of the Grand Promenade during the period.

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.

3. Operating Profit before Returns on Investments

	Six months ended 30th June	
	2007	2006
	HK\$M	HK\$M
Revenue	5,763.7	5,418.4
Less Expenses:		
Stores and Materials Used	(2,205.1)	(2,373.1)
Cost of Property Sold	(135.3)	-
Manpower Costs	(449.7)	(416.6)
Depreciation and Amortisation	(330.9)	(283.9)
Other Operating Items	(545.7)	(375.0)
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Operating Profit before Returns on Investments	2,097.0	1,969.8
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4. Taxation

	Six months ended 30th June	
	2007	2006
	HK\$M	HK\$M
Current Taxation – Provision for Hong Kong Profits Tax at the rate of 17.5% (2006:17.5%) on the estimated assessable profit for the period	407.6	302.9
Deferred Taxation relating to the origination and reversal of temporary differences	16.8	66.4
	<hr/>	<hr/>
	424.4	369.3
	<hr/> <hr/>	<hr/> <hr/>

5. Dividends

	Six months ended 30th June	
	2007	2006
	HK\$M	HK\$M
2006 Final, paid, of HK 23 cents per share (2005 Final: HK 23 cents per share)	1,267.0	1,267.0
2007 Interim, proposed, of HK 12 cents per share (2006 Interim: HK 12 cents per share)	727.2	661.1
	<hr/>	<hr/>
	1,994.2	1,928.1
	<hr/> <hr/>	<hr/> <hr/>

6. Earnings per Share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$5,469.9 million (2006: HK\$2,509.5 million) and the weighted average of 6,059,635,986 shares (2006: 6,059,635,986 shares*) in issue during the period.

As there were no diluted potential ordinary shares outstanding during the period (2006: nil), the diluted earnings per share for the period ended 30th June 2007 is the same as the basic earnings per share.

* Adjusted for bonus issue in 2007.

7. Associated Companies

On 1st March 2007, the Group obtained 772,911,729 new shares of Towngas China in consideration for the disposal of eight wholly-owned subsidiaries, which held ten piped city-gas joint ventures, to Towngas China (Note 2). Pursuant to an open offer of Towngas China in June 2007, the Group further acquired 77,291,172 shares of Towngas China. As at 30th June 2007, the Group held approximately 43.9 per cent issued shares capital of Towngas China, an associated company, with a net carrying value of approximately HK\$3,292.0 million.

8. Trade and Other Receivables

	At 30th June 2007 HK\$M	At 31st December 2006 HK\$M
Trade Receivables (Note a)	1,381.2	1,296.2
Other Receivables (Note b)	1,187.5	2,721.2
Payment in Advance	163.8	135.8
	<hr/> 2,732.5 <hr/>	<hr/> 4,153.2 <hr/>

The Group recognised a loss of HK\$9.2 million (2006: HK\$10.3 million) for the impairment of its trade and other receivables during the period. The impairment has been included in other operating items (Note 3).

Notes

- (a) The Group has established credit policies for different types of customers. The credit period offered for trade receivables ranges from 30 to 60 days. These are subject to periodic review by management. At 30th June 2007, the aging analysis of the trade receivables, net of impairment provision, was as follows:

	At 30th June 2007 HK\$M	At 31st December 2006 HK\$M
0 - 30 days	1,167.2	1,074.3
31 - 60 days	58.8	55.9
61 - 90 days	21.4	24.0
Over 90 days	133.8	142.0
	<hr/> 1,381.2 <hr/>	<hr/> 1,296.2 <hr/>

- (b) Other receivables include HK\$282.0 million (31st December 2006: HK\$2,287.1 million) instalment receivables for the sale of residential units of Grand Waterfront and loans of HK\$201.7 million (31st December 2006: nil) to certain jointly controlled entities and associated company of Towngas China, the interests of which are held by the former subsidiaries of the Group disposed to Towngas China on 1st March 2007 (Note 2).

9. Trade and Other Payables

	At 30th June 2007 HK\$M	At 31st December 2006 HK\$M
Trade Payables (Note a)	323.5	442.7
Other Payables and Accruals (Note b)	2,554.3	3,295.2
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	2,877.8	3,737.9
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Notes

(a) At 30th June 2007, the aging analysis of the trade payables was as follows :

	At 30th June 2007 HK\$M	At 31st December 2006 HK\$M
0 - 30 days	176.2	325.4
31 - 60 days	23.1	34.9
61 - 90 days	13.4	7.3
Over 90 days	110.8	75.1
	<hr/>	<hr/>
	323.5	442.7
	<hr/> <hr/>	<hr/> <hr/>

(b) The balance includes an amount of approximately HK\$310.7 million (31st December 2006: HK\$637.0 million) payable to Henderson Land Development Company Limited in relation to its entitlement to 27 per cent of the net sales proceeds generated from the sales of residential units of Grand Waterfront.

DIVIDEND

The Board of Directors has declared an interim dividend for the six months ended 30th June 2007 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 12th October 2007. Dividend warrants will be despatched to shareholders on Monday, 22nd October 2007.

CLOSING OF REGISTER OF MEMBERS

The register of members will be closed on Thursday, 11th October 2007 and Friday, 12th October 2007, both days inclusive, during which period no transfer of shares will be registered. **In order to qualify for this dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 10th October 2007.**

FINANCIAL RESOURCES REVIEW

Liquidity and Capital Resources

As at 30th June 2007, the Group had a net current deposits position of HK\$2,408 million (net current borrowings as at 31st December 2006: HK\$807 million) and long-term borrowings of HK\$5,611 million (31st December 2006: HK\$5,609 million). After taking into account of a portfolio of financial assets at fair value through profit or loss of HK\$2,402 million (31st December 2006: HK\$1,676 million), net current fund as at 30th June 2007 amounted to HK\$4,810 million (31st December 2006: HK\$869 million). In addition, banking facilities available for use amounted to HK\$5,780 million (31st December 2006: HK\$4,681 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 2007, the Group's borrowings amounted to HK\$7,755 million (31st December 2006: HK\$8,178 million). All bank loans and overdrafts were unsecured and had a floating interest rate, of which HK\$5,583 million (31st December 2006: HK\$5,577 million) were long-term bank loans while HK\$2,090 million (31st December 2006: HK\$2,521 million) had maturities within one year on revolving credit or term loan facilities. As at 30th June 2007, a subsidiary of the Group in the mainland China had a finance lease of HK\$82 million (31st December 2006: HK\$80 million) equivalent for a portion of its pipeline with instalment payment up to 2009. As at 30th June 2007, the maturity profile of Group's borrowings was 28 per cent within 1 year; 3 per cent within 1 to 2 years and 69 per cent within 2 to 5 years (31st December 2006: 31 per cent within 1 year; 20 per cent within 1 to 2 years and 49 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 2007 was healthy at 11 per cent (31st December 2006: 24 per cent). After taking into account of a portfolio of financial assets at fair value through profit or loss of HK\$2,402 million as at 30th June 2007 (31st December 2006: HK\$1,676 million), the net gearing ratio [net debt / (shareholders' funds + net debt)] stood at 3 per cent (31st December 2006: 19 per cent).

Contingent Liabilities

As at 30th June 2007, 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 2006: nil).

Currency Profile

The Group's operations and activities are predominantly based in Hong Kong and the 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 the 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 2007, the investments in securities amounted to HK\$3,319 million (31st December 2006: HK\$2,524 million). The performance of the Group's investments in securities was satisfactory.

OTHER INFORMATION

Corporate Governance

During the six months ended 30th June 2007, 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 2007.

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 2007.

As at the date of this announcement, the board of directors of the Company comprises: Dr. 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