

THE HONG KONG AND CHINA GAS COMPANY LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock Code: 0003)

PRELIMINARY ANNOUNCEMENT OF 2007 ANNUAL RESULTS

CHAIRMAN'S STATEMENT

THE YEAR'S RESULTS

The performance of the Group's gas business in Hong Kong remained steady in 2007 and related profit was stable. The local gas market is maturing in the face of keen competition from other residential, commercial and industrial energy suppliers. The Group has endeavoured to enhance its operational efficiency, given increasing operating costs associated with an inflationary local economy. The Group expects performance of its gas business to continue to remain stable in future.

Profit after taxation attributable to shareholders of the Group for the year amounted to HK\$9,269.6 million. The increase in profits was mainly due to a one-off gain, profit from the sale of properties and a revaluation surplus from investment properties, totalling HK\$6,471.1 million in all. This comprised a HK\$2,235.7 million one-off gain resulting from the acquisition of shares in Panva Gas Holdings Limited by way of asset injection, HK\$2,775.0 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, HK\$1,269.4 million from the Group's share of a revaluation surplus from an investment property, the International Finance Centre complex, and HK\$191.0 million from a revaluation surplus from another investment property, Grand Waterfront. In comparison, in 2006, the Group's share of profits from the sale of properties was HK\$1,779.4 million and its share of a revaluation surplus from an investment property was HK\$858.8 million. The substantial one-off gain will not be repeated in 2008 and profit from sale of properties will reduce in the coming year.

Earnings per share relating to the Group's profit after taxation for principal businesses for the year amounted to HK 53.1 cents, an increase of 3.2 per cent over 2006.

During the year under review, the Group invested HK\$1,595.2 million in pipelines and facilities in Hong Kong and the mainland.

GAS BUSINESS IN HONG KONG

The Company's gas sales did not keep pace with economic growth in Hong Kong during 2007. As a result of higher temperatures and an extremely hot summer, compounded by keen competition in the energy sector, the volume of residential gas sales decreased slightly by 1.6 per cent compared with 2006, a continuing downward trend. At the same time, despite thriving hotel and restaurant sectors, the volume of commercial and industrial gas sales increased slightly by 2.1 per cent in comparison to the previous year. Overall, total volume of gas sales in Hong Kong for 2007 remained at a similar level to 2006. As at the end of 2007, the number of customers was 1,646,492, an increase of 23,844 over 2006.

TOWNGAS CHINA COMPANY LIMITED (STOCK CODE: 1083)

The Group has an approximately 45.4 per cent interest in Panva Gas Holdings Limited (“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 Panva Gas, the Group extended the geographical reach of its piped city-gas projects on the mainland.

In mid 2007, Towngas China raised approximately HK\$700 million by way of an open offer of one offer share for every ten shares. This increased the number of Towngas China shares held by the Group to approximately 850 million shares and provided an additional capital injection of approximately HK\$300 million to Towngas China. Following a further acquisition of approximately 37 million shares, the Group currently holds approximately 890 million Towngas China shares.

BUSINESS DEVELOPMENT 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. With the re-structuring at state level of the country’s energy mix and the possibility of on-going high international oil prices, the Group, besides investing in piped city-gas projects, is also endeavouring to develop emerging energy projects, including the exploitation and utilisation of coalbed gas and natural gas and projects involving coal-based energy, the chemical industry and environmentally-friendly vehicle fuels. These endeavours are progressing well. The exploitation and utilisation of emerging energies, which can be used as substitutes for petroleum products, are expected to have good prospects, creating more investment opportunities in the energy sector for the Group.

The Group’s first coalbed gas liquefaction joint venture project started in early July 2007 in Jincheng, Shanxi province; commissioning is anticipated by mid 2008. As the components of coalbed gas are similar to those of natural gas, coalbed gas has the potential to become an important environmentally-friendly energy fuel. In September 2007, a further joint venture agreement relating to the second phase of this project was concluded to increase the production capacity of liquefied coalbed gas.

The Group established its first energy exploitation joint venture 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. Experience gained from this project will help the Group to develop other similar upstream energy projects in the mainland.

The Group’s midstream energy projects are also making good progress. These include high-pressure natural gas pipeline joint ventures in Anhui province, Hebei province and Hangzhou, Zhejiang province, and a new joint venture established in 2007 that invests in the construction of natural gas pipelines and the exploitation of oil resources 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. In 2007, the Group further concluded joint venture agreements to invest in piped city-gas projects in Chao An, Guangdong province and Fengcheng, Jiangxi province. The gas market is substantial in both cities because of their prosperous ceramic industries. New projects were also concluded by Towngas China during the year in Qijiang County in Chongqing, Mianyang in Sichuan province and Gongzhuling in Jilin province, bringing the Group's piped city-gas projects to 65 in mainland cities spread across 14 provinces/municipalities in eastern, central, northern, north-eastern, western and south-western China including Guangdong and Shandong provinces. The Group's investment in, and operation of, upstream coalbed gas and natural gas projects will help provide new gas sources for its piped city-gas projects. For example, the major gas source for the project in Chao An, Guangdong province, will be liquefied coalbed gas from Shanxi province. 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 is operating water supply projects in Wujiang, Jiangsu province and in Wuhu, Anhui province, and managing 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 the gas and water sector 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 Towngas China, the Group currently has a total of 77 projects spread across 16 provinces/municipalities, encompassing upstream, midstream and downstream natural gas sectors, the water supply and wastewater treatment sector and natural gas filling stations.

Diversification is rapidly transforming the Group into a sizable, nation-wide, multi-business corporation, with a focus on environmentally-friendly businesses and the energy sector, from a locally-based company centred on a single business.

ENVIRONMENTALLY-FRIENDLY ENERGY BUSINESSES OF ECO

Since 2000, the Group has been proactively developing environmentally-friendly energy businesses in Hong Kong including dedicated liquefied petroleum gas ("LPG") filling stations, landfill gas projects and an aviation fuel facility. Starting in 2008, the Group will step up endeavours to develop clean, emerging energy projects and will enhance its monitoring of developments in the coal-based chemical industry and in new technology for the production of clean energies such as methanol and dimethyl ether, and of related market trends and potential investment opportunities associated with these alternative fuels. From January 2008, ECO Environmental Investments Limited and its subsidiaries (together known as "ECO") will spearhead the Group's business objectives to develop emerging energy and environmentally-friendly businesses in Hong Kong and the mainland.

Revenue from ECO's dedicated LPG filling stations in Hong Kong increased in 2007 compared to 2006 in line with the territory's continuing economic growth. ECO's landfill gas project also progressed well. Following 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 transported to Tai Po gas production plant via a 19 km pipeline to partially substitute for naphtha as a fuel for town gas production. Given the success of the NENT project, ECO is now proactively looking for further opportunities to utilise landfill gas at other sites in order to help improve air quality by reducing flare-off of atmospheric-polluting gases.

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 on schedule and commissioning is expected in early 2010. The facility will become a major logistics base for supply of aviation fuel in Hong Kong.

On the mainland, ECO is now managing an experimental energy-saving and emission-minimising project in Shaanxi province involving the construction and operation of several compressed natural gas filling stations for heavy duty trucks. The stations are expected to be commissioned in mid 2008. Negotiations concerning several coal-based methanol and ether projects are also progressing well. ECO's emerging energy and environmentally-friendly businesses on the mainland are expected to bring economic benefits to the Group.

PIPELAYING PROJECTS

In order to cope with the demand arising from urban developments in Hong Kong, several substantial pipelaying projects are currently under way.

Construction of a 24 km transmission pipeline in the eastern New Territories to augment the capability and reliability of gas supply is at the completion stage. Meanwhile, a 19 km pipeline for the transport of landfill gas from the NENT landfill site to Tai Po gas production plant was completed and commissioned in early 2007. Laying of a 15 km pipeline to bring natural gas from Tai Po to Ma Tau Kok gas production plant to partially replace naphtha as feedstock for the production of town gas has now started. Construction of a 9 km pipeline in the western New Territories to strengthen supply reliability is also under way.

PROPERTY DEVELOPMENTS

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 been good. In late August 2007, newly completed flats were launched to promote further sales and on-site show flats were provided for viewing. The project consists of five apartment buildings, providing 1,782 units with a residential floor area of approximately 1.2 million square feet. Approximately 540,000 square feet were sold during the year, yielding substantial returns for the Group and bringing the total residential area sold by the end of December 2007 to approximately 1.17 million 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 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 370,000 square feet were sold during the year. An overall total of approximately 1.67 million square feet had been sold by the end of December 2007. Residential occupancy started in early 2006.

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. Given the increasing number of inbound visitors and continuing economic growth, 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.

REVALUATION OF TOWN GAS NETWORK SYSTEM

The Company’s network system was revalued by American Appraisal China Limited, a wholly owned subsidiary of American Appraisal Associates Inc., a highly reputable international company experienced in asset valuation, at a fair market value of HK\$25.8 billion as at 31st December 2007.

COMPANY AWARD

The Group endeavours to protect the environment throughout its operations. The Group was awarded the “2007 Hong Kong Awards for Industries: Environmental Performance Grand Award” by the Business Environmental Council in recognition of the Group’s commitment to environmental protection, improvement in environmental performance, and compliance with environmental legislation. The Group was also granted this award in 2004.

EMPLOYEES AND PRODUCTIVITY

The number of employees engaged in the town gas business was 1,919 at the end of 2007. During the year under review, the Company’s customers increased by 23,844 with each employee serving 858 customers, compared to each employee serving 849 customers in 2006. Total remuneration for employees involved directly in the town gas business amounted to HK\$632 million for 2007, an increase of HK\$19 million in comparison with 2006. The Group offers 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.

On behalf of the Board of Directors, I would like to thank all our employees for their dedication and hard work in creating value for shareholders and customers.

BONUS ISSUE OF SHARES

The Directors propose to make a bonus issue of one new share of HK\$0.25 credited as fully paid for every ten shares held on the Register of Members on 9th May 2008. The necessary resolution will be proposed at the forthcoming Annual General Meeting on 19th May 2008, and if passed, share certificates will be posted on 20th May 2008.

DIVIDEND

The Directors are pleased to recommend a final dividend of HK 23 cents per share payable to shareholders whose names are on the Register of Members as at 9th May 2008. Including the interim dividend of HK 12 cents per share paid on 22nd October 2007, the total dividend payout for the whole year shall be HK 35 cents per share.

Barring unforeseen circumstances, the forecast dividends per share for 2008 after bonus share issue shall not be less than that for 2007.

BUSINESS OUTLOOK FOR 2008

The Group's substantial profit for the year 2007 mainly resulted from profit from the sale of properties, a revaluation surplus from investment properties and a one-off book profit 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. As the local gas market is maturing, and operating costs are increasing due to rising remuneration and prices of commodities both associated with an inflationary local economy, the Group's gas business in Hong Kong is expected to come under pressure in 2008.

The Company has not increased its basic 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, 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 last year.

The Company anticipates an increase of about 25,000 new customers and a slight growth in gas sales volume in Hong Kong during 2008. The Group will endeavour to develop upstream, midstream, downstream and emerging energy markets at a faster rate. The Group predicts good prospects for its mainland businesses will continue.

LEE Shau Kee

Chairman

Hong Kong, 26th March 2008

The Board of Directors has pleasure in presenting a summary of results of the Group for the year ended 31st December 2007 with comparative figures for the previous corresponding year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2007

	Note	2007 HK\$ Million	2006 HK\$ Million
Revenue	2	14,225.5	13,465.3
Total Operating Expenses	3	(8,922.5)	(8,296.2)
		<u>5,303.0</u>	<u>5,169.1</u>
Investment Income		364.3	527.2
Other Gains, Net		2,258.4	-
Interest Expense		(364.0)	(310.2)
Share of Profits less Losses of Associated Companies		1,616.3	1,102.0
Share of Profits less Losses of Jointly Controlled Entities		1,130.0	316.1
		<u>10,308.0</u>	<u>6,804.2</u>
Profit before Taxation			
Taxation	4	(974.3)	(914.6)
		<u>9,333.7</u>	<u>5,889.6</u>
Profit for the Year		<u>9,333.7</u>	<u>5,889.6</u>
Attributable to:			
Shareholders of the Company		9,269.6	5,862.6
Minority Interests		64.1	27.0
		<u>9,333.7</u>	<u>5,889.6</u>
Dividends	5	<u>2,120.9</u>	<u>1,928.1</u>
Earnings per Share – Basic and Diluted, HK cents	6	<u>153.0</u>	<u>96.7 #</u>
Town Gas Sold in Hong Kong, million MJ		27,041.0	27,034.1
Number of Customers in Hong Kong as at 31 st December		1,646,492	1,622,648

Adjusted for the bonus issue in 2007

CONSOLIDATED BALANCE SHEET
as at 31st December 2007

	2007	2006
Note	HK\$ Million	HK\$ Million
Assets		
Non-Current Assets		
Property, Plant and Equipment	13,051.6	12,385.9
Investment Property	410.0	-
Leasehold Land	534.1	478.8
Intangible Asset	185.1	48.6
Associated Companies	8,386.5	3,457.0
Jointly Controlled Entities	6,501.7	5,815.0
Available-for-Sale Financial Assets	1,066.9	848.5
Retirement Benefit Assets	42.2	36.1
Other Non-Current Assets	105.8	64.6
	<u>30,283.9</u>	<u>23,134.5</u>
Current Assets		
Completed Property for Sale	99.4	1,147.7
Inventories	987.8	934.2
Trade and Other Receivables	7 4,791.9	4,153.2
Loans to Associated Companies	175.0	2,991.7
Loans to Jointly Controlled Entities	63.0	283.3
Loans to Minority Interests	36.1	-
Housing Loans to Staff	62.5	80.5
Financial Assets at Fair Value through Profit or Loss	1,906.8	1,675.6
Time Deposits over three months	19.9	31.3
Time Deposits up to three months, Cash and Bank Balances	4,818.8	1,730.7
	<u>12,961.2</u>	<u>13,028.2</u>
Current Liabilities		
Trade and Other Payables	8 (3,140.7)	(3,737.9)
Amounts due to Jointly Controlled Entities	(43.9)	-
Provision for Taxation	(498.9)	(834.5)
Borrowings	(3,504.8)	(2,568.6)
	<u>(7,188.3)</u>	<u>(7,141.0)</u>
Net Current Assets	<u>5,772.9</u>	<u>5,887.2</u>
Total Assets less Current Liabilities	<u>36,056.8</u>	<u>29,021.7</u>
Non-Current Liabilities		
Customers' Deposits	(1,046.3)	(1,013.2)
Deferred Taxation	(1,228.2)	(1,131.3)
Borrowings	(4,273.4)	(5,609.2)
Loans from Minority Interests	(9.6)	(49.8)
	<u>(6,557.5)</u>	<u>(7,803.5)</u>
Net Assets	<u>29,499.3</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	22,098.5	14,141.7
Proposed Dividend	1,393.7	1,267.0
Shareholders' Funds	<u>28,777.2</u>	<u>20,693.7</u>
Minority Interests	<u>722.1</u>	<u>524.5</u>
Total Equity	<u>29,499.3</u>	<u>21,218.2</u>

Notes:

1. Changes in Accounting Policies

The principal accounting policies applied in the preparation of the consolidated accounts have been consistently applied to the two years presented, unless otherwise stated.

The Group has applied the following new standard, amendment and interpretation to Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“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 which would be included 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

HKICPA has issued a number of new standards, amendments to standards and interpretations which are not effective for accounting period beginning 1st January 2007. The Group has not early adopted these new and revised HKFRSs.

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:

	2007 HK\$ Million	2006 HK\$ Million
Gas Sales before Fuel Cost Adjustment	7,524.0	6,988.9
Fuel Cost Adjustment	1,021.5	1,359.4
	<hr/>	<hr/>
Gas Sales after Fuel Cost Adjustment	8,545.5	8,348.3
Equipment Sales	770.1	784.8
Maintenance and Services	272.1	255.9
Water Sales	260.9	209.6
Property Sales	3,806.3	3,366.5
Rental Income	9.6	-
Other Sales	561.0	500.2
	<hr/> 14,225.5 <hr/>	<hr/> 13,465.3 <hr/>

2. Segment Information (continued)

(a) Primary Reporting Format – Geographical Segment

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.

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:

	Hong Kong		Mainland China		Total	
	2007 HK\$ Million	2006 HK\$ Million	2007 HK\$ Million	2006 HK\$ Million	2007 HK\$ Million	2006 HK\$ Million
Revenue	11,883.5	11,811.9	2,342.0	1,653.4	14,225.5	13,465.3
Segment Results	5,338.1	5,318.1	370.0	209.2	5,708.1	5,527.3
Unallocated Corporate Expenses					(405.1)	(358.2)
					5,303.0	5,169.1
Investment Income					364.3	527.2
Other Gains, Net					2,258.4	-
Interest Expense					(364.0)	(310.2)
Share of Profits less Losses of Associated Companies	1,486.9	1,059.1	129.4	42.9	1,616.3	1,102.0
Share of Profits less Losses of Jointly Controlled Entities	866.7	170.5	263.3	145.6	1,130.0	316.1
Profit before Taxation					10,308.0	6,804.2
Taxation					(974.3)	(914.6)
Profit for the year					9,333.7	5,889.6
Attributable to:						
Shareholders of the Company					9,269.6	5,862.6
Minority Interests					64.1	27.0
					9,333.7	5,889.6

Share of profits of associated companies includes HK\$1,269.4 million (2006: HK\$858.8 million), being the Group's share of post-tax change in valuation of investment properties at the International Finance Centre complex.

Share of profits of jointly controlled entities includes HK\$866.3 million (2006: HK\$170.0 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.

2. Segment Information (Continued)

(a) Primary Reporting Format – Geographical Segment (Continued)

	Hong Kong		Mainland China		Total	
	2007 HK\$ Million	2006 HK\$ Million	2007 HK\$ Million	2006 HK\$ Million	2007 HK\$ Million	2006 HK\$ Million
Segment Assets	18,865.1	16,178.9	6,033.5	4,731.5	24,898.6	20,910.4
Associated Companies	3,912.8	5,593.6	4,648.7	855.1	8,561.5	6,448.7
Jointly Controlled Entities	1,699.2	1,161.6	4,865.5	4,936.7	6,564.7	6,098.3
Unallocated Assets					3,220.3	2,705.3
Total Assets					43,245.1	36,162.7
Segment Liabilities	(2,034.9)	(2,865.9)	(1,105.8)	(872.0)	(3,140.7)	(3,737.9)
Jointly controlled entities	(28.1)	-	(15.8)	-	(43.9)	-
Unallocated Liabilities					(10,561.2)	(11,206.6)
Total Liabilities					(13,745.8)	(14,944.5)
Capital Expenditures	981.5	1,026.0	702.1	1,329.6	1,683.6	2,355.6
Depreciation	493.7	443.7	181.4	148.6	675.1	592.3
Amortisation	8.5	8.3	4.0	2.7	12.5	11.0

2. Segment Information (Continued)

(b) Secondary Reporting Format – Business Segment

The Group's revenue is mainly generated from the production, distribution and marketing of gas, water and related activities ("Gas and Water Businesses") and the Ma Tau Kok South property development project which is known as Grand Waterfront ("Property Business").

	2007 HK\$ Million	2006 HK\$ Million
Revenue		
Gas and Water Businesses	10,409.6	10,098.8
Property Business	3,815.9	3,366.5
	<u>14,225.5</u>	<u>13,465.3</u>
Total Assets		
Gas and Water Businesses	21,790.7	17,371.7
Property Business	3,107.9	3,538.7
	<u>24,898.6</u>	<u>20,910.4</u>
Associated Companies	8,561.5	6,448.7
Jointly Controlled Entities	6,564.7	6,098.3
Unallocated Assets	3,220.3	2,705.3
	<u>43,245.1</u>	<u>36,162.7</u>
Capital Expenditures		
Gas and Water Businesses	1,600.5	2,317.7
Property Business	83.1	37.9
	<u>1,683.6</u>	<u>2,355.6</u>

3. Total Operating Expenses

	2007 HK\$ Million	2006 HK\$ Million
Stores and Materials Used	4,353.8	4,362.3
Cost of Property Sold	1,280.4	1,230.2
Manpower Costs	993.0	854.9
Depreciation and Amortisation	687.6	603.3
Other Operating Items	1,607.7	1,245.5
	<u>8,922.5</u>	<u>8,296.2</u>

4. Taxation

The amount of taxation charged to the consolidated income statement represents:

	2007 HK\$ Million	2006 HK\$ Million
Current Taxation - Provision for Hong Kong Profits Tax at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year	881.1	861.0
Current Taxation – Provision for PRC Profits Tax at the prevailing rates on the estimated assessable profit for the year	14.8	2.3
Current Taxation – Over Provision in Prior Years	(10.9)	(7.3)
Deferred Taxation relating to the origination and reversal of temporary differences	88.3	58.6
Change of taxation rate for entities operated in the PRC	1.0	-
	<hr/> 974.3 <hr/>	<hr/> 914.6 <hr/>

5. Dividends

	2007 HK\$ Million	2006 HK\$ Million
Interim, paid - HK 12 cents per ordinary share (2006: HK 12 cents per ordinary share)	727.2	661.1
Final, proposed - HK 23 cents per ordinary share (2006: HK 23 cents per ordinary share)	1,393.7	1,267.0
	<hr/> 2,120.9 <hr/>	<hr/> 1,928.1 <hr/>

6. Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$9,269.6 million (2006: HK\$5,862.6 million) and the weighted average of 6,059,635,986 shares (2006: 6,059,635,986 shares #) in issue during the year.

As there were no diluted potential ordinary shares outstanding during the year (2006: nil), the diluted earnings per share for the year ended 31st December 2007 is the same as the basic earnings per share.

Adjusted for the bonus issue in 2007.

7. Trade and Other Receivables

	2007 HK\$ Million	2006 HK\$ Million
Trade Receivables (Note)	1,386.8	1,296.2
Instalment Receivables	2,590.9	2,287.1
Other Receivables	504.1	434.1
Payment in Advance	310.1	135.8
	<hr/>	<hr/>
	4,791.9	4,153.2
	<hr/> <hr/>	<hr/> <hr/>

Note:

The Group has established credit policies for different types of customers. The credit period offered for trade receivables, which subject to periodic review by management, ranges from 30 to 60 days except for gas receivables of the Company which are due by 8 working days after billing date. As at 31st December 2007, the aging analysis of the trade receivables, net of impairment provision, is as follows:

	2007 HK\$ Million	2006 HK\$ Million
0 – 30 days	1,148.4	1,074.3
31 – 60 days	56.7	55.9
61 – 90 days	27.4	24.0
Over 90 days	154.3	142.0
	<hr/>	<hr/>
	1,386.8	1,296.2
	<hr/> <hr/>	<hr/> <hr/>

8. Trade and Other Payables

	2007 HK\$ Million	2006 HK\$ Million
Trade Payables (Note a)	536.9	442.7
Other Payables and Accruals (Note b)	2,603.8	3,295.2
	<hr/>	<hr/>
	3,140.7	3,737.9
	<hr/> <hr/>	<hr/> <hr/>

Notes:

(a) As at 31st December 2007, the aging analysis of the trade payables is as follows:

	2007 HK\$ Million	2006 HK\$ Million
0 – 30 days	370.3	325.4
31 – 60 days	40.1	34.9
61 – 90 days	15.2	7.3
Over 90 days	111.3	75.1
	<hr/>	<hr/>
	536.9	442.7
	<hr/> <hr/>	<hr/> <hr/>

(b) The balance includes an amount of approximately HK\$695 million (2006: HK\$637 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 AND BONUS SHARE ISSUE

The Board now recommends a final dividend of HK 23 cents per share payable to shareholders of the Company whose names are on the register of members on 9th May 2008. The Board also recommends the issue of bonus shares on the basis of one bonus share for every ten existing shares held by shareholders registered as such on the register of members on 9th May 2008. The necessary resolutions will be proposed at the forthcoming Annual General Meeting on 19th May 2008, and if passed, dividend warrants and share certificates will be posted on 20th May 2008.

CLOSING OF REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 7th May 2008 to Friday, 9th May 2008, both days inclusive, during which period no share transfer will be effected. In order to qualify for the proposed issue of bonus shares and final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 6th May 2008.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Monday, 19th May 2008. For details of the Annual General Meeting, please refer to the Notice of Annual General Meeting which is expected to be published on or about Tuesday, 22nd April 2008.

FINANCIAL RESOURCES REVIEW

Liquidity and Capital Resources

As at 31st December 2007, the Group had a net current deposits position of HK\$1,334 million (net current borrowings position as at 31st December 2006: HK\$807 million) and long-term borrowings of HK\$4,273 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\$1,907 million (31st December 2006: HK\$1,676 million), net current fund as at 31st December 2007 amounted to HK\$3,241 million (31st December 2006: HK\$869 million). In addition, banking facilities available for use amounted to HK\$5,902 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 31st December 2007, the Group's borrowings amounted to HK\$7,778 million (31st December 2006: HK\$8,178 million). All bank loans and overdrafts were unsecured and had a floating interest rate, of which HK\$4,256 million (31st December 2006: HK\$5,577 million) were long-term bank loans while HK\$3,437 million (31st December 2006: HK\$2,521 million) had maturities within one year on revolving credit or term loan facilities. As at 31st December 2007, a subsidiary of the Group in mainland China had a finance lease of HK\$85 million (31st December 2006: HK\$80 million) equivalent for a portion of its pipeline with instalment payment up to 2009. As at 31st December 2007, the maturity profile of the Group's borrowings was 45 per cent within 1 year and 55 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 31st December 2007 remained healthy at 9 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\$1,907 million as at 31st December 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 31st December 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 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 31st December 2007, the investments in securities amounted to HK\$2,974 million (31st December 2006: HK\$2,524 million). The performance of the Group's investments in securities was satisfactory.

CORPORATE GOVERNANCE

During the year ended 31st December 2007, the Company 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 audit committee has reviewed the Group's consolidated accounts for the year ended 31st December 2007, including the accounting principles and practices adopted by the Group, in conjunction with PricewaterhouseCoopers, the Group's external auditor and internal auditor.

PURCHASE, SALE OR REDEMPTION OF OWN SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its own shares during the year under review.

By Order of the Board
Ronald T.H. Chan
Executive Director & Company Secretary

Hong Kong, 26th March 2008

As at the date of this announcement, the Board comprises:

Non-executive Directors: Dr. The Hon. Lee Shau Kee (Chairman), Mr. Colin Lam Ko Yin, Mr. Lee Ka Kit and Mr. Lee Ka Shing

Independent Non-executive Directors: Mr. Liu Lit Man, Mr. Leung Hay Man and Dr. The Hon. David Li Kwok Po

Executive Directors: Mr. Ronald Chan Tat Hung, Mr. Alfred Chan Wing Kin and Mr. James Kwan Yuk Choi

