THE HONG KONG AND CHINA GAS COMPANY LIMITED

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

PRELIMINARY ANNOUNCEMENT OF 2011 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 2011 amounted to HK$3,222.9 million, an increase of HK$203.5 million compared with the restated profit for the same period last year. Earnings per share for the first half of 2011 amounted to HK 40.8 cents, an increase of 6.8 per cent compared with the same period last year. During the period under review, the Group's businesses in both Hong Kong and the mainland recorded good growth. Exclusive of profit from the sale of properties and a revaluation surplus from an investment property, the Group's profit after taxation increased by approximately 16 per cent compared to the same period last year.

Highlights of the unaudited results of the Group for the six months ended 30th June 2011, as compared to the same period in 2010, are shown in the following table:

	Unaudited Six months ended 30th June	
	2011	**2010**
Revenue before Fuel Cost Adjustment, HK million dollars	**9,681.7**	9,829.4*
Revenue after Fuel Cost Adjustment, HK million dollars	**10,470.1**	10,410.8*
Profit Attributable to Shareholders, HK million dollars	**3,222.9**	3,019.4#
Earnings per Share, HK cents	**40.8**	38.2#
Interim Dividend per Share, HK cents	**12.0**	12.0
Town Gas Sold in Hong Kong, million MJ	**15,537**	15,106
Gas Sold in mainland China City-gas Business, ten thousand cubic metres; natural gas equivalent##	**520,268**	428,554
Number of Customers in Hong Kong as at 30th June	**1,736,923**	1,712,454
Number of City-gas Customers in mainland China as at 30th June##	**12,405,748**	11,211,014

* *In 2010, revenue included a one-off item arising from the construction of an aviation fuel facility amounting to approximately HK$1,710 million.*

\# *Comparative figures for 2010 have been restated due to the adoption of HKAS 12 (amendment), and earnings per share has been further adjusted for the bonus issue in 2011.*

\## *Inclusive of all mainland city-gas projects of the Group.*

GAS BUSINESS IN HONG KONG

The local economy continued to recover during the first half of 2011. An increase in the number of inbound tourists, prosperous tourism, restaurant and hotel sectors and lower average temperatures compared with the same period last year all helped increase gas sales in residential, commercial and industrial sectors, raising the total volume of gas sales in Hong Kong by 2.9 per cent compared with the same period last year. Overall appliance sales also increased by about 10 per cent compared with the same period last year.

As at 30th June 2011, the number of customers was 1,736,923, an increase of 12,607, as anticipated, since the end of December 2010.

BUSINESS DEVELOPMENTS IN MAINLAND CHINA

The Group's mainland businesses progressed well during the first half of 2011.

The mainland economy continued to maintain relatively rapid growth during the first half of 2011 though the pace of this was slower than last year alongside rising inflation. The Group's city-gas and natural gas businesses benefited from this economic progress and recorded continuous growth during the period under review. The Group's development of emerging environmentally-friendly energy projects, through its wholly-owned subsidiary ECO Environmental Investments Limited and the latter's subsidiaries (together known as "ECO"), continues and is progressing well with ECO now at various stages of project investment, construction and gradual commissioning. In the long run, both city-gas and emerging environmentally-friendly energy businesses on the mainland have good prospects and investment value.

Overall, inclusive of projects of the Group's subsidiary, Towngas China Company Limited ("Towngas China"; stock code: 1083.HK), the Group currently has 127 projects spread across 21 provinces/municipalities/autonomous regions, encompassing upstream, midstream and downstream natural gas sectors, water supply and wastewater treatment sectors, natural gas filling stations, emerging environmentally-friendly energy and energy resources businesses and telecommunications.

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

UTILITY BUSINESSES IN MAINLAND CHINA

The Group's city-gas businesses have progressed well so far this year, with one new project successfully committed in Chaozhou, Guangdong province. The scope of operation of this new project covers Raoping county, the urban district of Chaozhou and the surrounding areas of Chaoan county. Inclusive of three new projects established by Towngas China so far this year, the Group currently has 97 city-gas projects in mainland cities spread across 18 provinces/municipalities/autonomous regions. As at the end of June 2011, the number of gas customers on the mainland reached approximately 12.4 million and total volume of gas sales was 5,200 million cubic metres. The Group is now the largest city-gas enterprise on the mainland.

With gradual completion of large-scale natural gas projects, including transmission pipelines from Sichuan province to eastern and southern China and phase two of the West-to-East pipeline, and an increase in the quantity of imported liquefied natural gas, together with domestic sources, the shortfall in natural gas supply in the past few years is now gradually being mitigated. The Group therefore anticipates its mainland projects will have access to sufficient gas resources to enable them to continue to thrive in the future.

The Group's midstream natural gas projects are making good progress. These include high-pressure natural gas pipeline joint ventures in Anhui province, Hebei province and Hangzhou, Zhejiang province; a joint venture that invests in the construction of natural gas pipelines and the exploitation of gas fields in Jilin province; the Guangdong Liquefied Natural Gas Receiving Terminal project; and a natural gas valve station project in Suzhou Industrial Park, Suzhou, Jiangsu province. These kinds of high-pressure, natural gas pipeline joint ventures generate good returns and help the Group develop and strengthen its downstream city-gas markets.

During the third quarter of this year, the Group added a second integrated wastewater treatment project, for a special industry, to its existing integrated water supply and wastewater joint venture in Suzhou Industrial Park, Suzhou, Jiangsu province. Together with water supply projects in Wujiang, Jiangsu province and in Wuhu, Anhui province, the Group has so far invested and operated four water projects all of which are progressing well.

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

EMERGING ENVIRONMENTALLY-FRIENDLY ENERGY BUSINESSES

Coalbed Methane and Non-conventional Methane Utilisation Businesses

ECO's coalbed methane and non-conventional methane utilisation businesses have been developed based on the technology and operational experience gained from its landfill gas utilisation project which has been successfully operating in Hong Kong for several years. The North East New Territories landfill gas treatment facility contributes to improving air quality, minimising the use of fossil fuels and reducing greenhouse gas emissions. Since 2008, ECO has been developing similar clean and environmentally-friendly energy projects on the mainland with an extended scope of application. A phase-two coalbed methane liquefaction facility located in Jincheng, Shanxi province was commissioned during the first quarter of this year, thereby increasing annual production capacity of the whole facility to approximately 250 million standard cubic metres of liquefied coalbed methane. This is now the largest liquefaction and utilisation project of its kind on the mainland and, with its enhanced supply capability, is operating well. The liquefied methane produced is transported by road tankers to downstream markets.

ECO's coal-mine methane liquefaction project in Yangquan mining district, Shanxi province, is progressing as scheduled; commissioning is expected in the first quarter of 2013. Coal-mine gas, which typically contains about 40 per cent of methane, will be used to produce liquefied methane deploying coal-mine gas deoxidisation and coalbed methane cryogenic liquefaction technologies. With an estimated annual production capacity of 80 million standard cubic metres, this project will provide the Group's city-gas businesses with a more environmentally-friendly gas source to help conserve energy and reduce gas emissions.

Coal Resources and Coal Chemical Processing

ECO started to develop coal resources and coal chemical processing businesses in 2009, focusing mainly on more environmentally-friendly and cleaner technologies for coal resources utilisation. To this end, ECO's construction of a methanol production plant, with an annual production capacity of 200,000 tonnes, in Junger, Erdos, Inner Mongolia, has now been completed; the plant is at the pilot production stage and is expected to be fully commissioned by the end of 2011. Construction of the Xiaoyugou coal mine, which is associated with the methanol production plant, is also progressing well. Pilot commissioning of an associated coal washing plant commenced in June this year. Xiaoyugou coal mine is expected to start pilot production by the fourth quarter of this year. ECO's coking coal mining and plant project in Fengcheng, Jiangxi province, is also on schedule; commissioning is expected in 2012. This project will utilise coking coal to produce coke for refining steel, and its by-product, coked gas, will provide an additional gas source for the Group's Fengcheng city-gas project. ECO will continue to expand its resources reserves of both thermal coal and coking coal and to endeavour to develop more far-sighted clean coal utilisation technologies so as to produce more clean fuels for use as substitutes for oil products.

Energy-related Logistics and Facilities Businesses

ECO's energy-related logistics and facilities businesses originated from its five dedicated liquefied petroleum gas filling stations in Hong Kong, which have been operating steadily for several years servicing taxis and minibuses. ECO started to develop a gas filling station business on the mainland in 2008. Since then, ECO has gradually established a network of compressed and liquefied natural gas filling stations servicing heavy-duty trucks in Shaanxi, Shandong, Liaoning, Henan and Anhui provinces.

ECO's aviation fuel facility in Area 38, Tuen Mun, servicing Hong Kong International Airport, was completed and commissioned in November 2010. Jetties and facilities are available for berthing tankers of 80,000 tonnes and 50,000 tonnes and for unloading these tankers' aviation fuel into eight large tanks with a total capacity of 264,000 cubic metres. After re-certification, this fuel is then transported to the airport via submarine pipelines. ECO's facility has now become a major logistics base for supply of aviation fuel in Hong Kong.

In tandem with the development of its coal resources business, ECO has also embarked on the development of a coal logistics business and the setting up of trading platforms in important coal distribution areas such as Qinhuangdao, Hebei province. ECO is now searching for more opportunities to continue its investment in coal logistics facilities of strategic importance.

Establishment of Chinese Holding Companies

Alongside the rapid development of its emerging environmentally-friendly energy businesses on the mainland, ECO has established two Chinese holding companies as investment platforms, one in Erdos, Inner Mongolia, at the end of 2009, mainly for its coal related businesses, and another in Xian, Shaanxi province, in early 2011, mainly for its oil and gas related businesses. These platforms help enhance ECO's business management and optimise ECO's financing channels.

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

TOWNGAS CHINA COMPANY LIMITED (STOCK CODE: 1083.HK)

Towngas China, a subsidiary of the Group, continued to record good growth in profit after taxation attributable to its shareholders, amounting to HK$302 million for the first half of 2011, an increase of approximately 76 per cent over the same period last year. As at the end of June 2011, the Group had an approximately 66.18 per cent interest in Towngas China.

In April 2011, Moody's Investors Service, an international rating agency, upgraded Towngas China's issuer and senior unsecured bond ratings from Baa3 to Baa2 with a stable outlook in view of Towngas China's favourable industry trends offering growth potential. These new ratings demonstrate the increasing credit strength of Towngas China which is helping to lower its cost of capital and widen its channels of financing.

Towngas China has acquired three new projects so far this year located in Xiushui county and Wuning Industrial Park, both in Jiujiang, Jiangxi province, and in Miluo, the latter being the Group's first in Hunan province. Towngas China is focused on developing city-gas businesses in small to medium-sized cities and will continue to strive for rapid expansion through mergers and acquisitions.

PROPERTY DEVELOPMENTS

The entire residential floor area of the Grand Waterfront property development project located at Ma Tau Kok south plant site had been sold by the end of December 2010. Leasing of the commercial area of the project is good. All of the residential units of Grand Promenade were also sold out during the first quarter of this year.

The Group has an approximately 15.8 per cent interest in the International Finance Centre ("IFC") complex. Rental demand for the shopping mall and office towers of IFC continues to be robust. The occupancy rate of the project's hotel complex, comprising the Four Seasons Hotel and rental serviced apartments, remains high.

FINANCING PROGRAMMES

In February 2011, the Group concluded a HK$3.8 billion 5-year syndicated term loan and revolving credit facility, mainly for refinancing a HK$3.0 billion inaugural syndicated facility, taken up in 2006, and for the Group's business development. This syndicated facility was backed by a total of 11 international and regional financial institutions including Japanese, American, Taiwanese, Spanish and Hong Kong banks. The facility carries an interest margin of 0.49 per cent per annum over HIBOR. The success of this syndicated facility demonstrates the banking community's strong confidence in the Group's business prospects.

In tandem with the Group's long-term investments on the mainland, HKCG (Finance) Limited, a wholly-owned subsidiary of the Group, established a US$1 billion medium term note programme (the "MTN Programme") in May 2009. Under the MTN Programme, the Group issued its first renminbi-denominated notes in Hong Kong in late March 2011 with a total amount of RMB1 billion for a term of five years at a coupon interest rate of 1.4 per cent (the "RMB Notes"). The RMB Notes are listed on The Stock Exchange of Hong Kong Limited under stock code 86003.HK. Response to these RMB Notes was also overwhelming with an over-subscription of more than five times. This enabled the issue amount to be increased from an initial RMB0.5 billion to RMB1 billion. Two international rating agencies, Moody's Investors Service and Standard and Poor's rating services, assigned high credit ratings of A1 and A+ respectively to the RMB Notes. The Group is the first company among Hang Seng Index Constituent Stocks in Hong Kong to raise funds through the offshore renminbi debt capital market. Inclusive of the RMB Notes, the Group has issued medium term notes with, up to now, an aggregate amount equivalent to HK$4.2 billion.

EMPLOYEES AND PRODUCTIVITY

As at 30th June 2011, the number of employees engaged in the town gas business in Hong Kong was 1,914, the number of customers had increased by 24,469 since the same period last year, and each employee served the equivalent of 907 customers, slightly up compared to each employee serving 905 customers at the end of June 2010. Total manpower costs for employees directly involved in the town gas business amounted to HK$329 million for the first half of 2011, an increase of HK$9 million compared with the corresponding period in 2010. The Group will continue to offer employees rewarding careers based on their capabilities and performance and arrange a variety of training programmes in order to constantly enhance the quality of the Group's customer services.

DIVIDEND

Your Directors have declared an interim dividend of HK 12 cents per share payable to shareholders whose names are on the register of shareholders of the Company as at 16th September 2011. To enable our Share Registrar to complete the necessary work associated with this payment, the register of shareholders will be closed on Thursday, 15th September 2011 and Friday, 16th September 2011, during which period no share transfers will be effected. Dividend warrants will be posted to shareholders on Monday, 3rd October 2011.

BUSINESS OUTLOOK FOR 2011

The Company predicts steady growth and an increase of about 25,000 new customers in Hong Kong during 2011. Hong Kong's economy maintains momentum, with different business sectors, including tourism, restaurant, and hotel sectors, continuing to prosper. The Group expects commercial and industrial gas sales and appliance sales in Hong Kong to increase overall in 2011 compared to 2010. However, due to global economic instability, all business sectors have been impacted by the pressure of inflation, resulting in a surge in operating costs due to rising remuneration and commodity prices. The Company will continue to enhance its operational efficiency and uphold stable revenue from its gas business in Hong Kong.

In line with the gradual implementation of the Twelfth Five-Year Plan, the mainland central government advocates increasing urbanisation, expanding domestic demand, more energy conservation and a reduction of gas emissions. As the mainland economy is sustaining good growth, it is anticipated that there will be rising demand for utility services and clean energy. The Group's city-gas and natural gas businesses on the mainland are therefore expected to continue to achieve good growth. Furthermore, following the mainland government's move towards a policy of energy diversification and environmental protection, the Group predicts good prospects for its emerging environmentally-friendly energy businesses, which will ignite a new light illuminating the way for the Group's long-term development and business growth.

It is projected that the Group's businesses will maintain good growth for the year 2011. The combined results of the Group's emerging environmentally-friendly energy businesses and mainland utility businesses will overtake that of its Hong Kong gas business in 2012, and will have faster growth momentum than its Hong Kong gas business thereafter given their good prospects.

LEE Shau Kee
Chairman

Hong Kong, 23rd August 2011

FINANCIAL INFORMATION

Highlights of the Group's interim accounts for the first six months ended 30th June 2011 are shown below. The unaudited interim accounts have been reviewed by the Group's audit committee and external auditor, PricewaterhouseCoopers.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED 30TH JUNE

	Note	**2011** **HK$M**	Restated 2010 HK$M
Revenue	2	**10,470.1**	10,410.8
Total operating expenses	3	**(7,612.1)**	(7,676.8)
		2,858.0	2,734.0
Other gains, net		**368.8**	178.4
Interest expense		**(382.1)**	(353.5)
Share of profits less losses of associated companies		**706.3**	719.0
Share of profits less losses of jointly controlled entities		**572.3**	537.3
Profit before taxation		**4,123.3**	3,815.2
Taxation	4	**(636.0)**	(572.0)
Profit for the period		**3,487.3**	3,243.2
Attributable to:			
Shareholders of the Company		**3,222.9**	3,019.4
Non-controlling interests		**264.4**	223.8
		3,487.3	3,243.2
Dividend – interim proposed	5	**948.1**	861.9
Earnings per share – basic and diluted, HK cents	6	**40.8**	38.2*

* Adjusted for the bonus issue in 2011 and the adoption of HKAS 12 (amendment)

CONSOLIDATED BALANCE SHEET (UNAUDITED)
AS AT 30TH JUNE 2011

	Note	At 30th June 2011 HK$M	At 31st December 2010 HK$M
Assets			
Non-current assets			
Property, plant and equipment		**28,399.6**	26,890.1
Investment property		**501.0**	501.0
Leasehold land		**963.2**	935.7
Intangible asset		**2,698.3**	2,575.6
Associated companies		**11,240.0**	10,802.2
Jointly controlled entities		**8,701.7**	7,768.8
Available-for-sale financial assets		**3,821.6**	3,441.2
Derivative financial instruments		**158.6**	351.8
Retirement benefit assets		**68.3**	68.3
Other non-current assets		**2,573.5**	2,371.8
		59,125.8	55,706.5
Current assets			
Inventories		**1,326.0**	1,303.3
Trade and other receivables	7	**3,820.3**	3,312.5
Loan and other receivables from associated companies		**162.6**	70.7
Loan and other receivables from jointly controlled entities		**316.3**	338.5
Loan and other receivables from non-controlling shareholders		**142.4**	38.1
Housing loans to staff		**22.4**	27.5
Financial assets at fair value through profit or loss		**381.6**	528.7
Time deposits over three months		**1,553.4**	1,642.0
Time deposits up to three months, cash and bank balances		**10,463.5**	9,696.3
		18,188.5	16,957.6
Current liabilities			
Trade and other payables	8	**(6,170.7)**	(5,801.6)
Amounts due to jointly controlled entities		**(6.3)**	(5.0)
Loan and other payables to non-controlling shareholders		**(53.9)**	(26.2)
Provision for taxation		**(987.8)**	(708.2)
Borrowings		**(5,349.7)**	(9,982.4)
		(12,568.4)	(16,523.4)
Net current assets		**5,620.1**	434.2
Total assets less current liabilities		**64,745.9**	56,140.7
Non-current liabilities			
Customers' deposits		**(1,146.8)**	(1,133.9)
Deferred taxation		**(2,107.5)**	(2,017.5)
Borrowings		**(18,043.3)**	(11,745.7)
Loans payable to non-controlling shareholders		**(18.7)**	(35.0)
		(21,316.3)	(14,932.1)
Net assets		**43,429.6**	41,208.6
Capital and reserves			
Share capital		**1,975.1**	1,795.6
Share premium		**3,275.8**	3,455.3
Reserves		**33,081.3**	30,561.3
Proposed dividend		**948.1**	1,651.9
Shareholders' funds		**39,280.3**	37,464.1
Non-controlling interests		**4,149.3**	3,744.5
Total equity		**43,429.6**	41,208.6

NOTES TO THE CONDENSED INTERIM ACCOUNTS (UNAUDITED)

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim accounts, which do not constitute statutory accounts, have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in compliance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies used in the preparation of these condensed consolidated interim accounts are consistent with those set out in the annual report for the year ended 31st December 2010. Comparative figures have been restated to reflect the impact of the early adoption of HKAS 12 (amendment) "Deferred Tax: Recovery of Underlying Assets" in 31st December 2010. The Group has applied the following revised standards, interpretations and amendments to Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA, which are effective for the Group's financial year beginning 1st January 2011. There is however no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies.

- HKAS 24 (revised) "Related Party Disclosures"
- HKAS 32 (amendment) "Classification of Rights Issues"
- HK(IFRIC) 14 "Prepayments of a Minimum Funding Requirement"
- HK (IFRIC) 19 "Extinguishing Financial Liabilities with Equity Instruments"
- HKICPA's Improvements to HKFRS 2010

Except for the above, the HKICPA has issued a number of new standards, interpretations and amendments to standards which are not effective for accounting period beginning 1st January 2011 and has not been early adopted by the Group.

2. Segment information

The Group's principal activity is the production, distribution and marketing of gas, water and energy related activities in Hong Kong and mainland China. The revenue comprises the following:

	Six months ended 30th June	
	2011	2010
	HK$M	HK$M
Gas sales before fuel cost adjustment	**7,648.6**	6,221.2
Fuel cost adjustment	**788.4**	581.4
Gas sales after fuel cost adjustment	**8,437.0**	6,802.6
Equipment sales	**575.0**	524.9
Maintenance and services	**162.9**	161.0
Water sales	**204.2**	175.3
Property sales	**-**	142.5
Rental income	**16.0**	15.2
Aviation fuel facility construction income	**-**	1,707.7
Other sales	**1,075.0**	881.6
	10,470.1	10,410.8

NOTES TO THE CONDENSED INTERIM ACCOUNTS (UNAUDITED)

2. Segment information *(Continued)*

The chief operating decision-maker has been identified as the executive committee members (the "ECM"). The ECM reviews the Group's internal reporting in order to assess performance and allocate resources. The ECM considers the business from both a product and geographical perspective. From a product perspective, management assesses the performance of (a) gas, water and energy related business; and (b) property business. Gas, water and energy related business is further evaluated on a geographical basis (Hong Kong and Mainland China).

The ECM assesses the performance of the operating segments based on a measure of adjusted profit before interest, tax, depreciation and amortisation (the "adjusted EBITDA"). Other information provided, except as noted below, to the ECM are measured in a manner consistent with that in the accounts.

Segment assets exclude available-for-sale financial assets, financial assets at fair value through profit or loss, time deposits, cash and bank balances other than those included under segment assets for operation purposes, derivative financial instruments, retirement benefit assets, other non-current assets other than those included under segment assets, loan and other receivables from non-controlling interests and housing loans to staff.

The segment information for the six months ended 30th June 2011 and 2010 provided to the ECM for the reportable segments is as follows:

	Gas, water and energy related business									
	Hong Kong		**Mainland China**		**Property**		**All other segments**		**Total**	
						Restated				Restated
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$M	HK$M	**HK$M**	HK$M	**HK$M**	HK$M	**HK$M**	HK$M	**HK$M**	HK$M
Revenue	**5,090.1**	6,381.3	**5,199.6**	3,843.1	**16.0**	157.7	**164.4**	28.7	**10,470.1**	10,410.8
Adjusted EBITDA	**2,424.0**	2,402.3	**1,311.9**	1,032.6	**9.1**	109.9	**5.5**	7.8	**3,750.5**	3,552.6
Depreciation and amortisation	**(296.0)**	(279.1)	**(297.7)**	(260.7)	**(0.1)**	(0.1)	**(2.0)**	(4.9)	**(595.8)**	(544.8)
Unallocated corporate expenses									**(296.7)**	(273.8)
									2,858.0	2,734.0
Other gains, net									**368.8**	178.4
Interest expense									**(382.1)**	(353.5)
Share of profits less losses of associated companies	**-**	-	**275.4**	225.8	**430.8**	493.4	**0.1**	(0.2)	**706.3**	719.0
Share of profits less losses of jointly controlled entities	**-**	-	**562.8**	492.5	**11.5**	45.3	**(2.0)**	(0.5)	**572.3**	537.3
Profit before taxation									**4,123.3**	3,815.2
Taxation									**(636.0)**	(572.0)
Profit for the period									**3,487.3**	3,243.2

Share of profits of associated companies includes HK$235.0 million (restated 2010: HK$315.0 million), being the Group's share of change in valuation of investment properties at the International Finance Centre (the "IFC") complex for the period.

2. Segment information *(Continued)*

The segment assets at 30th June 2011 and 31st December 2010 is as follows:

	Gas, water and energy related business									
	Hong Kong		**Mainland China**		**Property**		**All other segments**		**Total**	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$M	HK$M	**HK$M**	HK$M	**HK$M**	HK$M	**HK$M**	HK$M	**HK$M**	HK$M
Segment assets	**18,368.5**	18,312.7	**35,542.8**	31,782.3	**7,868.2**	7,743.8	**6,440.9**	5,404.6	**68,220.4**	63,243.4
Unallocated corporate assets										
- available-for-sale financial assets									**3,821.6**	3,441.2
- financial assets at fair value through profit and loss									**381.6**	528.7
- time deposit, cash and bank balances excluded from segment assets									**4,163.6**	4,576.3
- others									**727.1**	874.5
Total assets	**18,368.5**	18,312.7	**35,542.8**	31,782.3	**7,868.2**	7,743.8	**6,440.9**	5,404.6	**77,314.3**	72,664.1

The Company is domiciled in Hong Kong. The Group's revenue from external customers in Hong Kong for the six month ended 30th June 2011 is HK$5,131.6 million (2010: HK$6,561.5 million), and the revenue from external customers in the People's Republic of China ("PRC") is HK$5,338.5 million (2010: HK$3,849.3 million).

At 30th June 2011, the total of non-current assets other than financial instruments and retirement benefit assets located in Hong Kong and other countries are HK$17,500.9 million and HK$35,002.9 million (2010: HK$17,331.2 million and HK$32,142.2 million) respectively.

NOTES TO THE CONDENSED INTERIM ACCOUNTS (UNAUDITED)

3. Total operating expenses

	Six months ended 30th June	
	2011	2010
	HK$M	HK$M
Stores and materials used	**5,347.5**	3,888.1
Cost of property sold	**-**	27.2
Manpower costs	**760.1**	672.9
Depreciation and amortisation	**599.6**	549.9
Other operating items	**904.9**	2,538.7
	7,612.1	7,676.8

4. Taxation

	Six months ended 30th June	
	2011	2010
	HK$M	HK$M
Current taxation	**555.0**	468.5
Deferred taxation relating to the origination and reversal of temporary differences	**81.0**	103.5
	636.0	572.0

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits for the period. PRC profits tax has been calculated on the estimated assessable profits for the period at the rates prevailing in the respective jurisdictions.

5. Dividends

	Six months ended 30th June	
	2011	2010
	HK$M	HK$M
2010 Final, paid, of HK 23 cents per share (2009 Final: HK23 cents per share)	**1,651.9**	1,501.8
2011 Interim, proposed, of HK 12 cents per share (2010 Interim: HK12 cents per share)	**948.1**	861.9
	2,600.0	2,363.7

6. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK$3,222.9 million (restated 2010: HK$3,019.4 million) and the weighted average of 7,900,554,136 shares (2010: 7,900,554,136 shares *) in issue during the period.

As the impact of diluted potential ordinary shares of a subsidiary is insignificant during the period (2010: nil), the diluted earnings per share for the period ended 30th June 2011 is approximately the same as the basic earnings per share.

* Adjusted for the bonus issue in 2011.

7. Trade and other receivables

	At 30th June 2011 HK$M	At 31st December 2010 HK$M
Trade receivables (Note)	**1,985.5**	1,839.3
Instalment receivables	**2.4**	6.9
Other receivables	**977.0**	864.4
Payments in advance	**855.4**	601.9
	3,820.3	3,312.5

The Group recognised a loss of HK$2.6 million (2010: HK$3.4 million) for the impairment of its trade and other receivables during the period. The impairment has been included in other operating items (Note 3).

Note

The Group has established credit policies for different types of customers. The credit period offered for trade receivables, which subject to periodic review by management, ranges from 30 to 60 days except for gas receivables of the Company which are due by 8 working days after billing date. As at 30th June 2011, the aging analysis of the trade receivables, net of impairment provision, is as follows:

	At 30th June 2011 HK$M	At 31st December 2010 HK$M
0 - 30 days	**1,711.2**	1,604.1
31 - 60 days	**67.4**	48.7
61 - 90 days	**32.0**	19.0
Over 90 days	**174.9**	167.5
	1,985.5	1,839.3

NOTES TO THE CONDENSED INTERIM ACCOUNTS (UNAUDITED)

8. Trade and other payables

	At 30th June 2011 HK$M	At 31st December 2010 HK$M
Trade payables (Note a)	**1,393.7**	1,271.5
Other payables and accruals (Note b)	**4,777.0**	4,530.1
	6,170.7	5,801.6

Notes

(a) As at 30th June 2011, the aging analysis of the trade payables is as follows :

	At 30th June 2011 HK$M	At 31st December 2010 HK$M
0 - 30 days	**663.3**	733.5
31 - 60 days	**140.1**	151.4
61 - 90 days	**131.9**	91.6
Over 90 days	**458.4**	295.0
	1,393.7	1,271.5

(b) The balance includes an amount of approximately HK$37.2 million (At 31st December 2010: HK$37.2 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 2011 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 16th September 2011. Dividend warrants will be despatched to shareholders on Monday, 3rd October 2011.

CLOSING OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 15th September 2011 to Friday, 16th September 2011, 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, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 14th September 2011.**

FINANCIAL RESOURCES REVIEW

Liquidity and capital resources

As at 30th June 2011, the Group had a net current deposits position of HK$6,667 million (31st December 2010: HK$1,356 million) and long-term borrowings of HK$18,043 million (31st December 2010: HK$11,746 million). After taking into account a portfolio of financial assets at fair value through profit or loss of HK$382 million (31st December 2010: HK$529 million), net current funds as at 30th June 2011 amounted to HK$7,049 million (31st December 2010: HK$1,885 million). In addition, banking facilities available for use amounted to HK$7,457 million (31st December 2010: HK$6,966 million).

In February 2011, the Group concluded a HK$3.8 billion 5-year syndicated term loan and revolving credit facility, the first syndicated financing transaction for the Group since 2006, for refinancing the HK$3.0 billion inaugural syndicated facility taken up in 2006. The response to the syndication was overwhelming with an over-subscription of more than 70 per cent. This enabled the facility amount to be increased from an initial HK$3.0 billion to HK$3.8 billion backed by a total of 11 international and regional financial institutions including Japanese, American, Taiwanese, Spanish and Hong Kong banks. The success of this syndicated facility demonstrates the banking community's strong confidence in the Group's business development prospects.

The operating and capital expenditures of the Group are funded by cash flow from operations, internal liquidity, banking facilities and debt financing. The Group has adequate and stable sources of funds and unutilised banking facilities to meet its future capital expenditures and working capital requirements.

Borrowing structure

In May 2009, the Group established a US$1 billion Medium Term Note Programme (the "Programme") which gives the Group the flexibility to issue notes at favorable terms and timing under the Programme. In late March 2011, the Group issued its first RMB Note of RMB1 billion at a fixed coupon rate of 1.40 per cent per annum and 5-year maturity term in Hong Kong. Up to 30th June 2011, the Group issued notes in the total amount of HK$4,214 million (31st December 2010: HK$3,010 million) with maturity terms of 5 years, 10 years, 15 years, 30 years and 40 years in both Renminbi and Hong Kong dollar under the Programme (the "MTNs"). The carrying value of the issued MTNs as at 30th June 2011 was HK$4,150 million (31st December 2010: HK$2,951 million).

As at 30th June 2011, the outstanding principal amount of the 10-year US dollar Guaranteed Notes (the "Guaranteed Notes") issued in August 2008 at a fixed coupon rate of 6.25 per cent per annum was US$995 million (31st December 2010: US$995 million) and the carrying value was HK$7,669 million (31st December 2010: HK$7,654 million).

As at 30th June 2011, the outstanding principal amount of the 7-year US dollar Guaranteed Senior Notes due 2011 (the "Guaranteed Senior Notes") issued in September 2004 by a subsidiary of the Group, Towngas China Company Limited, was US$141 million (31st December 2010: US$141 million) and the carrying value was HK$1,121 million (31st December 2010: HK$1,114 million). The Guaranteed Senior Notes are listed on the Singapore Exchange Securities Trading Limited.

As at 30th June 2011, the Group's borrowings amounted to HK$23,393 million (31st December 2010: HK$21,728 million). The increase was mainly due to the new issue of RMB Note of RMB1 billion, equivalent of HK$1,204 million, and net drawn down of bank loans for the rest. Other than the Notes mentioned on above which had fixed interest rate while the Guaranteed Senior Notes were secured by a pledge of shares of certain subsidiaries of Towngas China Company Limited, all bank and other loans were unsecured and had a floating interest rate, of which HK$6,224 million (31st December 2010: HK$1,141 million) were long-term bank loans while HK$4,229 million (31st December 2010: HK$8,868 million) had maturities within one year on revolving credit or term loan facilities. As at 30th June 2011, the maturity profile of the Group's borrowings was 23 per cent within 1 year, 1 per cent within 1 to 2 years, 25 per cent within 2 to 5 years and 51 per cent over 5 years (31st December 2010: 46 per cent within 1 year, 5 per cent within 2 to 5 years and 49 per cent over 5 years).

The US dollar Guaranteed Notes issued are hedged to Hong Kong dollars by currency swaps and the Group's borrowings are primarily denominated in Hong Kong dollars and Renminbi; thus, the Group has no significant exposure to foreign exchange risk. The gearing ratio [net borrowing / (shareholders' funds + net borrowing)] for the Group as at 30th June 2011 remained healthy at 23 per cent (31st December 2010: 22 per cent). After taking into account a portfolio of financial assets at fair value through profit or loss of HK$382 million as at 30th June 2011 (31st December 2010: HK$529 million), the net gearing ratio [net debt / (shareholders' funds + net debt)] stood at 22 per cent (31st December 2010: 21 per cent).

Contingent liabilities

As at 30th June 2011, 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 2010: 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 Hong Kong dollars, Renminbi or United States dollars, whereas borrowings for the Group's subsidiaries and joint ventures in mainland China are predominantly denominated in the local currency, Renminbi, in order to provide natural hedging for the investment there.

Group's investments in securities

Under the guidance of the Group's Treasury Committee, investments have been made in equity and debt securities. As at 30th June 2011, the investments in securities amounted to HK$4,203 million (31st December 2010: HK$3,970 million). The performance of the Group's investments in securities was satisfactory.

OTHER INFORMATION

Corporate governance

During the six months ended 30th June 2011, 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 2011.

Purchase, sale or redemption of the Company's listed securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June 2011.

By Order of the Board
JOHN H.M. HO
Chief Financial Officer and Company Secretary

Hong Kong, 23rd August 2011

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

Non-executive Directors:	Dr. the Hon. Lee Shau Kee (Chairman), Mr. Colin Lam Ko Yin, Mr. Lee Ka Kit and Mr. Lee Ka Shing
Independent Non-executive Directors:	Mr. Leung Hay Man, Dr. the Hon. David Li Kwok Po and Professor Poon Chung Kwong
Executive Directors:	Mr. Alfred Chan Wing Kin and Mr. James Kwan Yuk Choi

Towngas
The Hong Kong and China Gas Company Limited