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## **THE HONG KONG AND CHINA GAS COMPANY LIMITED**

*(Incorporated in Hong Kong under the Companies Ordinance)*

(Stock Code: 3)

### **PRELIMINARY ANNOUNCEMENT OF 2009 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 2009 amounted to HK\$3,001.3 million, an increase of HK\$477.0 million compared with the same period last year. Earnings per share for the first half of 2009 amounted to HK 45.3 cents. Earnings per share relating to the Group's profit after taxation for principal businesses, which was HK\$2,543.9 million for the period under review, amounted to HK 38.4 cents, an increase of HK 8.0 cents compared with the same period last year.

Highlights of the unaudited results of the Group for the six months ended 30th June 2009, as compared to the same period in 2008, are shown in the following table:

	<b>Unaudited</b>	
	<b>Six months ended 30th June</b>	
	<b>2009</b>	2008
Revenue before Fuel Cost Adjustment, HK million dollars	<b>6,030.0</b>	5,560.2
Revenue after Fuel Cost Adjustment, HK million dollars	<b>6,259.1</b>	6,537.7
Profit Attributable to Shareholders, HK million dollars	<b>3,001.3</b>	2,524.3
Earnings per Share, HK cents	<b>45.3</b>	37.9
Earnings per Share, Principal Businesses, HK cents	<b>38.4</b>	30.4
Interim Dividend per Share, HK cents	<b>12.0</b>	12.0
Town Gas Sold in Hong Kong, million MJ	<b>14,950</b>	15,320
Number of Customers in Hong Kong as at 30th June	<b>1,687,615</b>	1,655,774

## **GAS BUSINESS IN HONG KONG**

During the first half of 2009, an adverse business environment for the restaurant, tourism and hotel sectors due to a weak local economy resulting from the financial tsunami and human swine influenza, together with higher temperatures compared with the same period last year, led to a decrease in the total volume of gas sales in Hong Kong by 2.4 per cent compared to the same period in 2008. Total appliance sales also decreased by 1.6 per cent compared to the same period in 2008 due to the economic downturn. As at 30th June 2009, the number of customers was 1,687,615, an increase of 15,531 since the end of December 2008.

## **BUSINESS DEVELOPMENTS IN MAINLAND CHINA**

The Group's mainland businesses progressed well during the first half of 2009.

Although the whole energy market was affected by the financial tsunami, demand for natural gas was still substantial on the mainland, thus bringing continuous business growth for the Group's city-gas and natural gas businesses. 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"), also progressed well. In the long run, both city-gas and emerging environmentally-friendly energy businesses on the mainland have good prospects and investment value.

The Group and its associate company, Towngas China Company Limited ("Towngas China"), continued to expand city-gas businesses in different regions. The Group currently has 74 city-gas projects, including those of Towngas China, in mainland cities spread across 15 provinces/municipalities. Following construction of a large-scale natural gas transmission pipeline from Sichuan province to eastern and southern China, the start of phase two of the West-to-East pipeline project and an increase in the quantity of imported liquefied natural gas, the Group anticipates its mainland projects will have access to sufficient gas sources 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, and a joint venture that invests in the construction of natural gas pipelines and the exploitation of gas fields in Jilin province. These kinds of midstream investments help develop and strengthen the Group's downstream city-gas market interests.

The Group operates water supply projects in Wujiang, Jiangsu province and in Wuhu, Anhui province, and manages an integrated water supply and wastewater joint venture in Suzhou Industrial Park, Jiangsu province. These projects are progressing well.

In overall total, the Group currently has 92 projects spread across 18 provinces/municipalities/autonomous regions, encompassing upstream, midstream and downstream natural gas sectors (including Towngas China's city-gas projects), the water supply and wastewater treatment sector, natural gas filling stations and emerging environmentally-friendly energy projects.

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.

## **ENVIRONMENTAL INVESTMENT BUSINESSES OF ECO**

Leveraging experience gained from operating environmentally-friendly energy businesses in Hong Kong for several years, the Group is now proactively developing these businesses on the mainland through ECO. In Hong Kong, ECO's dedicated liquefied petroleum gas ("LPG") filling stations and North East New Territories landfill gas treatment facility continue to operate well. ECO is also endeavouring to acquire landfill gas utilization projects at other sites in Hong Kong. By making use of landfill gas which would otherwise be flared off, such projects also help improve air quality in Hong Kong.

Construction of ECO's phase-one permanent aviation fuel facility, comprising a tank farm for storage of aviation fuel served by tanker jetties in Area 38, Tuen Mun, for Hong Kong International Airport, is on schedule, and the project is expected to be commissioned by early 2010. The facility will become a major logistics base for supply of aviation fuel in Hong Kong. Construction of a second tank farm is also progressing well; commissioning is expected by the end of 2010. By then this project will be the world's largest airport-based aviation fuel storage and logistic facility.

ECO has endeavoured to develop clean and emerging environmentally-friendly energy projects on the mainland since early 2008 and has achieved good progress so far. Phase one of the Group's coalbed methane liquefaction facility located in Jincheng, Shanxi province was commissioned during the fourth quarter of 2008. This was the first large-scale coalbed methane liquefaction and utilization project on the mainland. Construction of phase two of the facility, to increase production capacity, is in progress; commissioning is expected in 2010. This project is helping to provide an additional gas source for city-gas projects. ECO is monitoring new technology for the production of clean energies from coal as a substitute for petroleum, and keeping a close check on related market trends and potential investment opportunities associated with these alternative fuels. ECO has acquired a methanol production and coal mining project in Junger, Erdos, Inner Mongolia, which is expected to be commissioned in 2010. The production capacity of this project will be 200,000 tonnes of methanol per annum. ECO's coal mining and coking plant project in Fengcheng, Jiangxi province is also progressing well. ECO is proactively developing vehicular clean fuel filling station businesses in Shandong, Shanxi, Shaanxi and Henan provinces following the successful commissioning of a compressed natural gas filling station in Shaanxi province in 2008, the largest of its kind on the mainland.

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

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

The Group currently has a 45.63 per cent interest in Towngas China. Through the introduction of the Group's quality assets and excellent management philosophy, Towngas China turned a loss to a profit in 2007; its profit level is continuing to grow. During the first half of 2009, Towngas China booked a profit of HK\$128 million, an increase of 27 per cent over the same period last year.

During the first half of 2009, Towngas China set up new city-gas joint ventures in Chiping, Shandong province and in Xinjin county and the Xindu district of Chengdu, Sichuan province. Towngas China will continue to strive for rapid expansion through mergers and acquisitions. In addition to scaling up its market share in north-eastern China and Sichuan province, Towngas China is looking to move to other regions so as to accelerate development.

Towngas China completed the disposal of its LPG business held by a subsidiary company for a total consideration of HK\$419 million in early June 2009. Since the level of gross profit margins for the LPG business is relatively low, this disposal will allow Towngas China to better focus its resources on the development of its city-gas business, thereby enhancing profit levels.

## **PROPERTY DEVELOPMENTS**

An overall total of approximately 1.19 million square feet of the Grand Waterfront property development project, located at the Ma Tau Kok south plant site, had been sold by the end of June 2009, representing over 97 per cent of the total residential floor area of the project. Leasing of the commercial area of the project is also good.

The Group has a 50 per cent interest in the Grand Promenade property development project at Sai Wan Ho. An overall total of approximately 1.72 million square feet had been sold by the end of June 2009, representing over 98 per cent of the total residential floor area of the project.

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 good. The occupancy rate of the project’s hotel complex, comprising the Four Seasons Hotel and Four Seasons Place, remains high.

## **NOTE PROGRAMMES**

In tandem with the Group’s long-term investments on the mainland, HKCG (Finance) Limited, a wholly-owned subsidiary of the Group, successfully issued and sold US\$1 billion notes guaranteed by the Company (the “Notes”; stock code: 4303.HK) in August 2008. The issue was very well-received by investors. A credit rating of A1 (stable) was assigned to the Notes by international rating agency Moody’s Investors Service and A+ (stable) by Standard and Poor’s Rating Services. The issue also won a number of awards granted by several leading financial publications. The Group’s success in completing this transaction before a tightening of credit in the financial markets as a result of the financial tsunami has contributed effectively to the provision of long-term financing for its business developments.

In May 2009, the Group further established a US\$1 billion medium term note programme (the “Programme”) through HKCG (Finance) Limited to facilitate issuing notes from time to time with a maximum aggregate nominal amount not exceeding US\$1 billion, or its equivalent in other currencies, during a 12-month period. The interest rate of the medium term notes for each issue will be fixed by making reference to the market environment. The Programme may be updated annually.

The Group issued HK\$550 million 30-year notes in August 2009 which were the first ever 30-year medium term notes and the longest term corporate paper issued in the Hong Kong dollar bond market. The good reception to this inaugural 30-year corporate transaction in Hong Kong reflects the very strong credit standing of the Group and investors’ confidence and comfort in the long-term prosperity of the Group.

Since the establishment of the Programme, the Group has so far issued medium term notes with an aggregate amount of HK\$2.01 billion at nominal interest rates ranging from 3.90 per cent to 4.85 per cent per annum with a maturity of 10 to 30 years. The Programme allows the Group to raise funds by issuing notes within a short period of time when the market environment is favourable, thus having the flexibility to access a wide range of long-term funding opportunities.

## **EMPLOYEES AND PRODUCTIVITY**

The number of employees engaged in the town gas business was 1,915 as at 30th June 2009, with each employee serving 881 customers, compared to each employee serving 865 customers during the same period last year. Total remuneration for employees involved directly in the town gas business amounted to HK\$321 million for the six months ended 30th June 2009, an increase of HK\$9 million compared with the corresponding period in 2008. The Group offers its employees rewarding careers based on their capabilities and performance and arranges a variety of training programmes in order to constantly enhance the quality of customer services.

## **DIVIDEND**

Your Directors have declared an interim dividend of HK 12 cents per share payable to shareholders whose names are on the register of shareholders of the Company as at 9th October 2009. To enable our Share Registrar to complete the necessary work associated with this payment, the register of shareholders will be closed on Thursday, 8th October 2009 and Friday, 9th October 2009, during which period no share transfers will be effected. Dividend warrants will be posted to shareholders on Monday, 19th October 2009.

## **BUSINESS OUTLOOK FOR 2009**

The Company anticipates steady growth and an increase of about 25,000 new customers in Hong Kong during 2009. Owing to the global financial tsunami, the economic downturn and the threat of human swine influenza, the restaurant, tourism and hotel sectors are still facing a difficult business environment. As a result, the Group expects commercial and industrial gas sales and appliance sales in Hong Kong to slow down slightly in 2009 but considers this will not significantly impact the Group's overall profit. On the other hand, the Group's city-gas and natural gas businesses are expected to continue to progress well. Following the move towards a policy of energy diversification on the mainland, the Group predicts good prospects for its new energy businesses which will provide a new stable foundation for the Group's long-term development.

**LEE Shau Kee**  
Chairman

Hong Kong, 27th August 2009

## FINANCIAL INFORMATION

Highlights of the Group's Interim Accounts for the first six months ended 30th June 2009 are shown below. The Interim Accounts are unaudited but have been reviewed by our audit committee and external auditor, PricewaterhouseCoopers.

### CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		<b>Six months ended 30th June</b>	
		<b>2009</b>	<b>2008</b>
	Note	<b>HK\$M</b>	<b>HK\$M</b>
Revenue	2	<b>6,259.1</b>	6,537.7
Total operating expenses	3	<b>(4,008.6)</b>	(4,517.0)
		<hr/>	<hr/>
		<b>2,250.5</b>	2,020.7
Other gains/(losses), net		<b>503.8</b>	(113.3)
Interest expense		<b>(285.7)</b>	(128.7)
Share of profits less losses of associated companies		<b>494.2</b>	772.0
Share of profits less losses of jointly controlled entities		<b>518.6</b>	281.6
		<hr/>	<hr/>
Profit before taxation		<b>3,481.4</b>	2,832.3
Taxation	4	<b>(410.8)</b>	(268.4)
		<hr/>	<hr/>
Profit for the period		<b>3,070.6</b>	2,563.9
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Shareholders of the Company		<b>3,001.3</b>	2,524.3
Minority interests		<b>69.3</b>	39.6
		<hr/>	<hr/>
		<b>3,070.6</b>	2,563.9
		<hr/> <hr/>	<hr/> <hr/>
Dividend – interim proposed	5	<b>787.3</b>	799.9
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share – basic and diluted, HK cents	6	<b>45.3</b>	37.9
		<hr/> <hr/>	<hr/> <hr/>

**CONSOLIDATED BALANCE SHEET (UNAUDITED)  
AS AT 30TH JUNE 2009**

	Note	At 30th June 2009 HK\$M	At 31st December 2008 HK\$M
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		18,237.2	15,077.0
Investment property		515.0	523.0
Leasehold land		630.6	561.0
Intangible assets		260.0	196.4
Associated companies		10,905.9	10,465.4
Jointly controlled entities		6,201.7	6,164.0
Available-for-sale financial assets		2,061.8	1,105.2
Derivative financial instruments		87.6	-
Retirement benefit assets		64.7	64.7
Other non-current assets		188.7	89.1
		<u>39,153.2</u>	<u>34,245.8</u>
<b>Current assets</b>			
Completed property for sale		57.5	110.1
Inventories		2,167.6	1,806.0
Trade and other receivables	7	2,602.2	2,429.9
Loan and other receivables from associated companies		31.0	29.4
Loan and other receivables from jointly controlled entities		156.7	86.6
Loans to minority interests		44.9	85.4
Housing loans to staff		41.2	46.8
Financial assets at fair value through profit or loss		630.4	767.4
Time deposits over three months		158.8	55.7
Time deposits up to three months, cash and bank balances		10,348.1	12,290.9
		<u>16,238.4</u>	<u>17,708.2</u>
<b>Current liabilities</b>			
Trade and other payables	8	(3,246.1)	(2,746.7)
Amounts due to associated companies		(58.2)	-
Amounts due to jointly controlled entities		(27.0)	(34.0)
Provision for taxation		(611.0)	(384.5)
Borrowings		(2,550.0)	(2,242.5)
		<u>(6,492.3)</u>	<u>(5,407.7)</u>
<b>Net current assets</b>		<u>9,746.1</u>	<u>12,300.5</u>
<b>Total assets less current liabilities</b>		<u>48,899.3</u>	<u>46,546.3</u>
<b>Non-current liabilities</b>			
Customers' deposits		(1,093.1)	(1,074.3)
Deferred taxation		(1,698.0)	(1,272.9)
Borrowings		(13,231.4)	(12,342.5)
Loans from minority interests		(66.1)	(44.7)
Derivative financial instruments		-	(312.1)
		<u>(16,088.6)</u>	<u>(15,046.5)</u>
<b>Net assets</b>		<u>32,810.7</u>	<u>31,499.8</u>
<b>Capital and reserves</b>			
Share capital		1,639.7	1,666.4
Share premium		3,618.6	3,618.6
Reserves		25,350.9	23,833.5
Proposed dividend		787.3	1,533.1
Shareholders' funds		<u>31,396.5</u>	<u>30,651.6</u>
<b>Minority interests</b>		<u>1,414.2</u>	<u>848.2</u>
<b>Total equity</b>		<u>32,810.7</u>	<u>31,499.8</u>

## 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 2008. The Group has applied the following new interpretations to Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1st January 2009. 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 1 (Revised) “Presentation of Financial Statements”
- HKAS 7 Amendment “Financial Instruments: Disclosures”
- HKAS 23 (Revised) “Borrowing Costs”
- HKAS 32 and HKAS 1 Amendments “Puttable Financial Instruments and Obligations Arising on Liquidation”
- HKAS 39 Amendment “Financial Instruments: Recognition and Measurement”
- HKFRS 8 “Operating Segments”
- HK(IFRIC)-Interpretation 13 “Customer Loyalty Programmes”
- HK(IFRIC)-Interpretation 16 “Hedges of a Net Investment in a Foreign Operation”
- HKICPA’s Improvements to HKFRS published in October 2008

The HKICPA has issued a number of new standards, interpretations and amendments to standards which are not effective for accounting period beginning 1st January 2009. The Group has not early adopted these new and revised HKFRS.

### 2. Segment information

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

	Six months ended 30th June	
	2009	2008
	HK\$M	HK\$M
Gas sales before fuel cost adjustment	4,482.1	4,477.1
Fuel cost adjustment	229.1	977.5
Gas sales after fuel cost adjustment	4,711.2	5,454.6
Equipment sales	436.9	493.4
Maintenance and services	148.9	139.6
Water sales	137.0	136.3
Property sales	364.6	8.1
Rental income	14.3	11.4
Other sales	446.2	294.3
	<b>6,259.1</b>	<b>6,537.7</b>



## 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”). ECM reviews the Group’s internal reporting in order to assess performance and allocate resources. ECM considers the business from both a geographical and product perspective. From a product perspective, management assesses the performance of (a) gas, water and related business; and (b) property business. Gas, water and related business is further evaluated on a geographical basis (Hong Kong and Mainland China).

ECM assesses the performance of the operating segments based on a measure of adjusted profit before interest, tax, depreciation and amortisation (the “EBITDA”). Other information provided, except as noted below, to ECM is 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 deposit, cash and bank balances other than those included under segment assets for operation purposes, derivative financial instruments, retirement benefit assets, other non-current assets, loans to minority interests and housing loans to staff.

The segment information provided to the ECM for the reportable segments is as follows:

	Gas, water and related business				Property		All other segments		Total	
	Hong Kong		Mainland China		2009	2008	2009	2008	2009	2008
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
Revenue	<b>4,107.3</b>	5,036.3	<b>1,772.9</b>	1,481.9	<b>378.9</b>	19.5	-	-	<b>6,259.1</b>	6,537.7
Adjusted EBITDA	<b>2,235.0</b>	2,257.3	<b>517.6</b>	352.1	<b>123.2</b>	(53.2)	<b>(1.1)</b>	-	<b>2,874.7</b>	2,556.2
Depreciation and amortisation	<b>(269.1)</b>	(238.1)	<b>(131.5)</b>	(102.1)	<b>(0.1)</b>	(0.1)	-	-	<b>(400.7)</b>	(340.3)
Unallocated corporate expenses									<b>(223.5)</b>	(195.2)
									<b>2,250.5</b>	2,020.7
Other gains/(losses), net									<b>503.8</b>	(113.3)
Interest expense									<b>(285.7)</b>	(128.7)
Share of profits less losses of associated companies	-	-	<b>165.6</b>	100.1	<b>328.6</b>	671.9	-	-	<b>494.2</b>	772.0
Share of profits less losses of jointly controlled entities	-	-	<b>355.4</b>	269.5	<b>163.8</b>	10.9	<b>(0.6)</b>	1.2	<b>518.6</b>	281.6
Profit before taxation									<b>3,481.4</b>	2,832.3
Taxation									<b>(410.8)</b>	(268.4)
Profit for the period									<b>3,070.6</b>	2,563.9
Attributable to:										
Shareholders of the Company									<b>3,001.3</b>	2,524.3
Minority interests									<b>69.3</b>	39.6
									<b>3,070.6</b>	2,563.9

Share of profits of associated companies includes HK\$178.4 million (2008: HK\$536.3 million), being the Group’s share of post-tax change in valuation of investment properties at the International Finance Centre (the “IFC”) complex for the period.

## NOTES TO THE CONDENSED INTERIM ACCOUNTS (UNAUDITED)

### 2. Segment information (Continued)

	Gas, water and related business								Total	
	Hong Kong		Mainland China		Property		All other segments		2009	2008
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
Segment assets	<b>17,451.9</b>	18,098.4	<b>19,975.0</b>	19,196.1	<b>6,436.6</b>	6,504.1	<b>3,485.5</b>	154.8	<b>47,349.0</b>	43,953.4
Unallocated corporate assets										
- available-for-sale financial assets									<b>2,061.8</b>	1,105.2
- financial asset at fair value through profit and loss									<b>630.4</b>	767.4
- time deposit, cash and bank balances excluded from segment assets									<b>4,923.3</b>	5,842.0
- others									<b>427.1</b>	286.0
Total assets	<b>17,451.9</b>	18,098.4	<b>19,975.0</b>	19,196.1	<b>6,436.6</b>	6,504.1	<b>3,485.5</b>	154.8	<b>55,391.6</b>	51,954.0

The Company is domiciled in Hong Kong. The result of the Group's revenue from external customers in Hong Kong for the six months ended 30th June 2009 is HK\$4,486.2 million (2008: HK\$5,055.8 million), and the total of its revenue from external customers in PRC is HK\$1,772.9 million (2008: HK\$1,481.9 million).

At 30th June 2009, the total of non-current assets other than financial instruments and retirement benefit assets located in Hong Kong and other countries is HK\$15,380.5 million (At 31st December 2008: HK\$15,319.4 million) and HK\$21,369.9 million (At 31st December 2008: HK\$17,667.4 million) respectively.

## NOTES TO THE CONDENSED INTERIM ACCOUNTS (UNAUDITED)

### 3. Total operating expenses

	Six months ended 30th June	
	2009	2008
	HK\$M	HK\$M
Stores and materials used	2,175.8	3,043.7
Cost of property sold	98.0	2.4
Manpower costs	523.8	484.5
Depreciation and amortisation	405.4	342.9
Other operating items	805.6	643.5
	<u>4,008.6</u>	<u>4,517.0</u>

### 4. Taxation

	Six months ended 30th June	
	2009	2008
	HK\$M	HK\$M
Current taxation	372.4	278.4
Deferred taxation relating to the origination and reversal of temporary differences	38.4	52.8
Deferred taxation resulting from the decrease in tax rate from 17.5% to 16.5% in 2008	-	(62.8)
	<u>410.8</u>	<u>268.4</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 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	
	2009	2008
	HK\$M	HK\$M
2008 Final, paid, of HK 23 cents per share (2007 Final: HK 23 cents per share)	1,519.2	1,393.7
2009 Interim, proposed, of HK 12 cents per share (2008 Interim: HK 12 cents per share)	787.3	799.9
	<u>2,306.5</u>	<u>2,193.6</u>

## NOTES TO THE CONDENSED INTERIM ACCOUNTS (UNAUDITED)

### 6. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$3,001.3 million (2008: HK\$2,524.3 million) and the weighted average of 6,619,444,751 shares (2008: 6,665,599,584 shares) in issue after adjusting for the shares repurchased during the period.

As there were no diluted potential ordinary shares outstanding during the period (2008: nil), the diluted earnings per share for the period ended 30th June 2009 is the same as the basic earnings per share.

### 7. Trade and other receivables

	At 30th June 2009 HK\$M	At 31st December 2008 HK\$M
Trade receivables (Note)	1,364.0	1,360.5
Instalment receivables	285.7	239.7
Other receivables	629.7	549.3
Payments in advance	322.8	280.4
	<u>2,602.2</u>	<u>2,429.9</u>

The Group recognised a loss of HK\$9.2 million (2008: HK\$4.1 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 2009, the aging analysis of the trade receivables, net of impairment provision, is as follows:

	At 30th June 2009 HK\$M	At 31st December 2008 HK\$M
0 - 30 days	1,100.0	1,128.9
31 - 60 days	42.4	35.8
61 - 90 days	23.9	28.6
Over 90 days	197.7	167.2
	<u>1,364.0</u>	<u>1,360.5</u>

## NOTES TO THE CONDENSED INTERIM ACCOUNTS (UNAUDITED)

### 8. Trade and other payables

	At 30th June 2009 HK\$M	At 31st December 2008 HK\$M
Trade payables (Note a)	607.1	463.4
Other payables and accruals (Note b)	2,639.0	2,283.3
	<u>3,246.1</u>	<u>2,746.7</u>

#### Notes

- (a) As at 30th June 2009, the aging analysis of the trade payables is as follows :

	At 30th June 2009 HK\$M	At 31st December 2008 HK\$M
0 - 30 days	307.8	294.6
31 - 60 days	63.6	35.2
61 - 90 days	46.9	14.2
Over 90 days	188.8	119.4
	<u>607.1</u>	<u>463.4</u>

- (b) The balance includes an amount of approximately HK\$141.2 million (At 31st December 2008: HK\$109.5 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 2009 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 9th October 2009. Dividend warrants will be despatched to shareholders on Monday, 19th October 2009.

## **CLOSING OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Thursday, 8th October 2009 to Friday, 9th October 2009, both days inclusive, during which no transfer of shares will be registered. **In order to qualify for this dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 7th October 2009.**

## **FINANCIAL RESOURCES REVIEW**

### **Liquidity and capital resources**

As at 30th June 2009, the Group had a net current deposits position of HK\$7,957 million (31st December 2008: HK\$10,104 million) and long-term borrowings of HK\$13,231 million (31st December 2008: HK\$12,343 million). After taking into account a portfolio of financial assets at fair value through profit or loss of HK\$630 million (31st December 2008: HK\$767 million), net current funds as at 30th June 2009 amounted to HK\$8,587 million (31st December 2008: HK\$10,871 million). In addition, banking facilities available for use amounted to HK\$5,008 million (31st December 2008: HK\$3,864 million).

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 allows notes to be issued under the Programme within 12 months' period. The Group issued HK\$500 million in 10-year Notes at a fixed coupon rate of 3.90 per cent per annum and HK\$600 million in 15-year Notes at a fixed coupon rate of 4.25 per cent per annum (the "MTNs") in June 2009. The Group raised a total of HK\$1,100 million through the Programme up to 30th June 2009. The carrying value of the MTNs as at 30th June 2009 was HK\$1,083 million.

As at 30th June 2009, 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 and the carrying value was HK\$7,619 million.

As at 30th June 2009, the Group's borrowings amounted to HK\$15,781 million (31st December 2008: HK\$14,585 million). Other than the Guaranteed Notes and the MTNs, all bank loans and overdrafts were unsecured and had a floating interest rate, of which HK\$4,529 million (31st December 2008: HK\$4,730 million) were long-term bank loans while HK\$2,550 million (31st December 2008: HK\$2,242 million) had maturities within one year on revolving credit or term loan facilities. As at 30th June 2009, the maturity profile of the Group's borrowings was 16 per cent within 1 year; 27 per cent within 1 to 2 years, 2 per cent within 2 to 5 years and 55 per cent over 5 years (31st December 2008: 16 per cent within 1 year; 8 per cent within 1 to 2 years, 24 per cent within 2 to 5 years and 52 per cent over 5 years).

The US dollar Guaranteed Notes issued are hedged to Hong Kong dollars by currency swaps and the Group's bank borrowings are primarily denominated in Hong Kong dollars; 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 2009 remained healthy at 14 per cent (31st December 2008: 7 per cent). After taking into account a portfolio of financial assets at fair value through profit or loss of HK\$630 million as at 30th June 2009 (31st December 2008: HK\$767 million), the net gearing ratio [net debt / (shareholders' funds + net debt)] stood at 13 per cent (31st December 2008: 5 per cent).

### **Contingent liabilities**

As at 30th June 2009, 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 2008: 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 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 2009, the investments in securities amounted to HK\$2,692 million (31st December 2008: HK\$1,873 million). The performance of the Group's investments in securities was satisfactory.

## **OTHER INFORMATION**

### **Corporate governance**

During the six months ended 30th June 2009, save as disclosed below, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Under the Code Provision E.1.3 of the Code which was in force on 1st January 2009, notice of annual general meeting should be sent to shareholders at least 20 clear business days before the meeting. As the Company arranged an appropriate venue in 2008 to accommodate all the attendees for the 2009 Annual General Meeting, the Company, in accordance with the requirements under its Articles of Association, gave 21 clear days' notice to the shareholders of the Company before the convening of the Annual General Meeting of the Company which was held on 14th May 2009.

### **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 2009.

### **Purchase, sale or redemption of own shares**

For the six months ended 30th June 2009, the Company repurchased 106,809,000 shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK\$1,471,925,600 before expenses. Out of 106,809,000 shares repurchased, 104,439,000 shares were cancelled during the period while the remaining 2,370,000 shares were cancelled subsequent to the period end. The nominal value of the cancelled shares was transferred to the capital redemption reserve and the aggregate consideration was charged to unappropriated profits. The repurchases were effected by the Directors for the enhancement of shareholder value in the long term. Details of the shares repurchased are as follows:

<b>Month of repurchase</b>	<b>Number of shares repurchased</b>	<b>Price per share</b>		<b>Aggregate consideration paid</b>
		<b>Highest</b>	<b>Lowest</b>	
		HK\$	HK\$	HK\$
March 2009	20,384,000	12.22	10.94	237,917,700
April 2009	43,035,000	14.60	11.88	571,345,500
May 2009	22,898,000	15.50	14.40	341,056,080
June 2009	20,492,000	15.96	15.16	321,606,320
<b>Total</b>	<b>106,809,000</b>			<b>1,471,925,600</b>

Save as mentioned above, 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 2009.



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. Alfred Chan Wing Kin and Mr. James Kwan Yuk Choi

