

2006

Interim Report



Towngas

The Hong Kong and China Gas Company Limited
(stock code: 0003)

THE HONG KONG AND CHINA GAS COMPANY LIMITED

2006 INTERIM REPORT

To Shareholders

Dear Sir or Madam,

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 2006 amounted to HK\$2,509.5 million, including HK\$1,803.6 million arising from the Group's gas business and property rental income – an increase of HK\$38.7 million as compared with the corresponding period in 2005. Profit after taxation attributable to shareholders from the sale of properties, together with a revaluation surplus from an investment property, amounted to HK\$705.9 million for the six months ended 30th June 2006.

Highlights of the unaudited results of the Group for the six months ended 30th June 2006, as compared to the same period in 2005, are shown in the following table:

	Unaudited	
	Six months ended 30th June	
	2006	2005
Turnover before Fuel Cost Adjustment, HK million dollars	4,588.0	4,327.3
Turnover after Fuel Cost Adjustment, HK million dollars	5,418.4	4,837.2
Profit Attributable to Shareholders, HK million dollars	2,509.5	3,125.2
Earnings per Share excluding Profits from Sale of Properties and Revaluation Surplus of an Investment Property, HK cents	32.7	31.6
Earnings per Share including Profits from Sale of Properties and Revaluation Surplus of an Investment Property, HK cents	45.6	55.9
Interim Dividends per Share, HK cents	12.0	12.0
Town Gas Sold in Hong Kong, million MJ	14,995	15,226
Number of Customers in Hong Kong as at 30th June	1,606,841	1,574,513

Profit after taxation attributable to shareholders of the Group for the six months ended 30th June 2006 included approximately HK\$117.7 million, which represented the Group's share of profits arising from the sale of units at Grand Promenade and King's Park Hill property development projects, and HK\$588.2 million, which represented the Group's share of a revaluation surplus from an investment property, the International Finance Centre complex. In comparison, the Group's share of profits from sale of properties was HK\$1,034.8 million, and its share of a revaluation surplus from the investment property was HK\$325.5 million, for the same period last year.

After excluding both profit from the sale of properties and also the revaluation surplus from the investment property, earnings per share for the six months ended 30th June 2006 amounted to HK32.7 cents compared to HK31.6 cents for the same period last year.

A detailed financial statement is provided on pages 5 to 20 of this Interim Report. The interim accounts are unaudited but have been reviewed by our audit committee and external auditors, PricewaterhouseCoopers.

GAS BUSINESS IN HONG KONG

A slower pace of completion and occupancy of new residential units, compounded by higher temperatures during the first half of 2006, has led to a decrease of 2.1 per cent in the volume of residential gas sales compared with the corresponding period in 2005, whilst the volume of commercial and industrial gas sales has decreased by 0.6 per cent. Total volume of gas sales in Hong Kong for the six months ended 30th June 2006 decreased slightly by 1.5 per cent compared with the same period last year. As at 30th June 2006, the number of customers was 1,606,841, an increase of 32,328 from the end of June 2005.

INTRODUCTION OF NATURAL GAS TO HONG KONG

The Group will introduce natural gas from the Guangdong Liquefied Natural Gas (LNG) Terminal to Hong Kong during the fourth quarter of this year to partially replace naphtha as feedstock for the production of town gas. The Group has a 3 per cent interest in this terminal project (the "Project"). The official commissioning ceremony of the first phase of the Project was hosted by Chinese Premier Wen Jiabao and Australian Prime Minister John Howard on 28th June 2006. LNG for the Project will be supplied from Australia under a 25-year contract.

Tai Po gas production plant is now undertaking trial runs of the production of town gas using a dual naphtha and natural gas feedstock mix. Full implementation is scheduled to start in October this year. The Group has a contract for natural gas to be supplied at a price currently lower than naphtha which will help reduce production costs thus enhancing the competitiveness of the gas tariff. Fuel savings will be passed on to customers through the existing fuel cost adjustment mechanism. In addition, the introduction of natural gas will also help protect the environment.

BUSINESS DEVELOPMENT IN MAINLAND CHINA

The Group is diversifying its business on the mainland. Having built up a well-established base, the Group's focus remains on natural gas and expansion of its city piped gas and other energy-related businesses. It is also studying the feasibility of participating in upstream projects. In addition, using its gas business as a role model, the Group is continuing to expand its water supply and wastewater business. Involvement in another utility sector is further extending the scope of the Group's investments on the mainland.

Following signing of a joint venture agreement to establish a piped gas project in Xian, Shaanxi province in early 2006, the Group has since signed further agreements this year to establish joint ventures in Yuhang, Hangzhou, Zhejiang province; Tongling, Anhui province; and Jintan, Jiangsu province. The Group now has city piped gas joint venture projects in 34 mainland cities across Guangdong province, eastern China, Shandong province, central China, northern China, northeastern China and western China. Following the arrival of natural gas in some regions in recent years, the Group's joint ventures there converted to natural gas. After the Guangdong LNG Terminal is formally commissioned in the fourth quarter of 2006, the Group's joint ventures in Guangdong province will also convert to natural gas. As availability of natural gas will greatly boost gas consumption, these mainland joint ventures are poised to enter a thriving period of business development.

Complementing its city piped gas projects are the Group's other energy-related businesses. In addition to investing in the Guangdong LNG Terminal project, the Group is also participating in high-pressure natural gas pipeline joint ventures in Anhui province, Hebei province and Hangzhou, Zhejiang province. This kind of investment underpins downstream joint venture projects which enable the Group to strengthen its city-gas market interests.

Due to the high level of international oil prices in recent years and the central government's progressive environmental energy policy, demand for natural gas is increasing rapidly. In view of this, the Group is now conducting feasibility studies regarding participation in natural gas upstream projects and the exploitation of other energy sources such as coal-bed gas in order to meet the increasing demand for energy on the mainland.

The Group has diversified its portfolio to include the water supply and wastewater business on the mainland, entering this sector in 2005. The Group now operates a water supply project in Wujiang, Jiangsu province and in Wuhu, Anhui province, and manages an integrated water supply and wastewater joint venture in Suzhou Industrial Park, Suzhou, Jiangsu province. Increasing urbanisation and growth in the size of cities are boosting water consumption. To cope with the rising need for clean water sources, the central government is opening up the water utility market. In view of the expanding business opportunities in this sector, the Group will continue to seek opportunities to develop city-water projects with a view to further expanding its scope of investments.

The Group currently has a total of 43 projects spread across 36 cities in nine provinces and an area of Beijing. The Group's mainland city-gas joint ventures have built up an excellent brand reputation across all cities where they are located. Diversification is rapidly transforming the Group into a sizable, nation-wide, multi-business corporation from its origins as a local company focused on a single business.

ENVIRONMENTALLY-FRIENDLY ENERGY BUSINESSES

The Group's liquefied petroleum gas (LPG) filling station business, run by a wholly-owned subsidiary company, ECO Energy Company Limited (ECO), continues to achieve growth in turnover. Following the implementation of a new pricing mechanism in March 2006, ECO filling stations have been able to adjust their LPG selling prices every month instead of every six months, thus improving business prospects as prices can now be more directly linked to the cost of LPG.

ECO's landfill gas project at the North East New Territories landfill site is progressing well. Operational tests of the landfill gas treatment facility will be conducted within this year. Construction work of a 19 km pipeline to Tai Po gas production plant is also nearly completed. The plant expects to start using the treated landfill gas to partially replace naphtha as a fuel for town gas production by the end of this year. Using landfill gas effectively will help limit depletion of underground oil resources and reduce air pollution, thereby further contributing to the Group's commitment to protect the environment.

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 and is attracting a good response. The project consists of five residential apartment buildings, providing 1,782 units with a residential floor area of approximately 1.2 million square feet. The Group is entitled to 73 per cent of the net sales proceeds of the residential portion of the project. The commercial area will be approximately 150,000 square feet. The project is due for completion by the end of this year.

The Group also 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 of which approximately 1.23 million square feet had been sold by the end of June 2006. With residential occupancy starting in early 2006, the whole project is now yielding substantial returns to the Group.

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. The project's hotel complex, comprising the Four Seasons Hotel and Four Seasons Place which provide approximately 400 six-star hotel guestrooms and 520 hotel suites respectively, commenced operation in September 2005; business is progressing very well.

EMPLOYEES AND PRODUCTIVITY

The number of employees engaged in the town gas business was 1,890 as at 30th June 2006. During the first half of 2006, the number of customers increased by approximately 32,000; overall productivity rose by 3.6 per cent compared with the same period last year. Total remuneration for employees involved directly in the town gas business amounted to HK\$296 million for the six months ended 30th June 2006 compared to HK\$301 million for the corresponding period in 2005. The Group offers our employees rewarding careers based on their capabilities and performance and arranges a variety of training programmes in order to constantly enhance the quality of customer services.

DIVIDEND

Your Directors have declared an interim dividend of HK12 cents per share payable to shareholders whose names are on the register of shareholders of the Company as at 13th October 2006. To enable our Registrars to complete the necessary work associated with this payment, the register of shareholders will be closed on Thursday, 12th October 2006 and Friday, 13th October 2006, during which period no share transfers will be effected. Dividend warrants will be posted to shareholders on Monday, 23rd October 2006.

BUSINESS OUTLOOK FOR 2006

The Company has not increased its basic gas tariff for the past eight years. Nevertheless the Company has made every effort to enhance its operational effectiveness, thus maintaining steady business performance. Full implementation of the production of town gas using a dual naphtha and natural gas feedstock mix is scheduled to start in October 2006. Since the Company contracted in 2002 to take natural gas at a comparatively low price, given the increasing competitiveness in the energy market, it now expects to lower its gas tariff to the benefit of both customers and future business development.

LEE Shau Kee

Chairman

Hong Kong, 13th September 2006

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

for the six months ended 30th June

	Note	2006 HK\$M	2005 HK\$M
Turnover	2	<u>5,418.4</u>	<u>4,837.2</u>
Operating Profit before Returns on Investments	3	1,969.8	1,968.0
Investment Income	4	<u>182.8</u>	<u>140.3</u>
Operating Profit		2,152.6	2,108.3
Interest Expense		(146.2)	(24.6)
Share of Profits less Losses of Associated Companies		714.5	408.5
Share of Profits less Losses of Jointly Controlled Entities		<u>168.0</u>	<u>1,020.4</u>
Profit before Taxation	5	2,888.9	3,512.6
Taxation	6	<u>(369.3)</u>	<u>(379.9)</u>
Profit for the period		<u>2,519.6</u>	<u>3,132.7</u>
Attributable to:			
Shareholders of the Company		2,509.5	3,125.2
Minority Interests		<u>10.1</u>	<u>7.5</u>
		<u>2,519.6</u>	<u>3,132.7</u>
Dividends – Interim Proposed	7	<u>661.1</u>	<u>669.5</u>
Earnings per Share – Basic and Diluted, HK cents	8	<u>45.6</u>	<u>55.9</u>

CONSOLIDATED BALANCE SHEET (UNAUDITED)

as at 30th June 2006

	Note	At 30th June 2006 HK\$M	At 31st December 2005 HK\$M
Assets			
Non-Current Assets			
Property, Plant and Equipment	9	11,733.4	10,604.5
Leasehold Land		466.2	462.5
Intangible Asset		45.8	45.8
Associated Companies		3,122.6	2,060.9
Jointly Controlled Entities		4,710.6	5,197.5
Available-for-Sale Financial Assets		788.6	768.0
		<u>20,867.2</u>	<u>19,139.2</u>
Current Assets			
Property under Development for Sale		753.2	579.8
Inventories		899.9	921.3
Trade and Other Receivables	10	2,015.8	2,104.2
Loans to Associated Companies		2,204.9	2,221.0
Loans to Jointly Controlled Entities		190.8	1,154.2
Housing Loans to Staff		88.7	102.8
Financial Assets at Fair Value through Profit or Loss		2,198.4	1,891.0
Time Deposits over three months		13.3	8.7
Time Deposits up to three months, Cash and Bank Balances		1,809.5	1,474.7
		<u>10,174.5</u>	<u>10,457.7</u>
Current Liabilities			
Trade and Other Payables	11	(2,300.8)	(1,747.5)
Provision for Taxation		(319.6)	(577.8)
Borrowings		(2,332.1)	(5,857.2)
		<u>(4,952.5)</u>	<u>(8,182.5)</u>
Net Current Assets		<u>5,222.0</u>	<u>2,275.2</u>
Total Assets less Current Liabilities		<u>26,089.2</u>	<u>21,414.4</u>
Non-Current Liabilities			
Customers' Deposits		(994.9)	(982.3)
Deferred Taxation		(1,139.1)	(1,072.7)
Retirement Benefit Liabilities		(18.2)	(16.1)
Borrowings		(5,604.7)	(2,424.8)
Loans from Minority Interests		(74.0)	(74.2)
		<u>(7,830.9)</u>	<u>(4,570.1)</u>
Net Assets		<u>18,258.3</u>	<u>16,844.3</u>
Capital and Reserves			
Share Capital	12	1,377.2	1,377.2
Share Premium		3,907.8	3,907.8
Reserves	13	11,828.0	9,863.9
Proposed Dividend	13	661.1	1,267.0
Shareholders' Funds		<u>17,774.1</u>	<u>16,415.9</u>
Minority Interests		<u>484.2</u>	<u>428.4</u>
Total Equity		<u>18,258.3</u>	<u>16,844.3</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

for the six months ended 30th June

	2006 HK\$M	2005 HK\$M
Net Cash from Operating Activities	2,513.0	1,461.8
Net Cash Used in Investing Activities	(382.5)	(1,589.0)
Net Cash (Used in)/from Financing Activities	(1,806.5)	493.7
Increase in Cash and Cash Equivalents	324.0	366.5
Cash and Cash Equivalents at 1st January	1,465.6	1,840.0
Effect of Foreign Exchange Rate Changes	3.3	(6.4)
Cash and Cash Equivalents at 30th June	1,792.9	2,200.1
Analysis of Balances of Cash and Cash Equivalents		
Cash and Bank Balances	507.7	473.8
Time Deposits up to three months	1,301.8	1,736.9
Bank Overdrafts	(16.6)	(10.6)
	1,792.9	2,200.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

for the six months ended 30th June 2006

	Attributable to Share- holders of the Company HK\$M	Minority Interests HK\$M	Total HK\$M
Total Equity as at 1st January 2006	16,415.9	428.4	16,844.3
Revaluation Surplus of Available-for-Sale Financial Assets transferred to Equity	20.2	–	20.2
Revaluation Surplus of Available-for-Sale Financial Assets removed on disposal	(7.3)	–	(7.3)
Capital Reserve	44.7	–	44.7
Currency Translation Differences	58.1	5.7	63.8
	<hr/>	<hr/>	<hr/>
Net Income Recognised directly in Equity Profit for the period	115.7	5.7	121.4
	2,509.5	10.1	2,519.6
	<hr/>	<hr/>	<hr/>
Total Recognised Net Income for the period	2,625.2	15.8	2,641.0
Consolidation of a Subsidiary from a Jointly Controlled Entity	–	40.0	40.0
Dividends Paid	(1,267.0)	–	(1,267.0)
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Total Equity as at 30th June 2006	17,774.1	484.2	18,258.3
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Total Equity as at 1st January 2005, as previously reported	17,394.1	339.2	17,733.3
Effect of adopting New Accounting Standards	(2,615.5)	(54.2)	(2,669.7)
	<hr/>	<hr/>	<hr/>
Total Equity as at 1st January 2005, as restated	14,778.6	285.0	15,063.6
Revaluation Deficit of Available-for-Sale Financial Assets transferred to Equity	(36.0)	–	(36.0)
Revaluation Surplus of Available-for-Sale Financial Assets removed on disposal	(8.5)	–	(8.5)
Currency Translation Differences	3.2	–	3.2
	<hr/>	<hr/>	<hr/>
Net Loss Recognised directly in Equity Profit for the period	(41.3)	–	(41.3)
	3,125.2	7.5	3,132.7
	<hr/>	<hr/>	<hr/>
Total Recognised Net Income for the period	3,083.9	7.5	3,091.4
Acquisition of a Subsidiary	–	35.6	35.6
Acquisition of Further Interest in a Subsidiary	–	(11.8)	(11.8)
Deconsolidation of a Subsidiary to a Jointly Controlled Entity	–	(43.4)	(43.4)
Shares Repurchased	(557.4)	–	(557.4)
Dividends Paid	(1,284.3)	–	(1,284.3)
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Total Equity as at 30th June 2005	16,020.8	272.9	16,293.7
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NOTES TO THE INTERIM ACCOUNTS (UNAUDITED)

1. Basis of Preparation and Accounting Policies

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

The accounting policies used in the preparation of this condensed consolidated interim accounts are consistent with those set out in the annual report for the year ended 31st December 2005. The Group has, based on the new Hong Kong Financial Reporting Standards (“HKFRS”) – Interpretation 4 “Determining whether an Arrangement contains a Lease”, which is effective for accounting periods commencing on or after 1st January 2006, determined that certain arrangements of the Group contained leases and accordingly, the Group has treated them in accordance with HKAS 17 “Leases”. There is however no significant impact on the Group’s results and financial position.

The HKICPA has issued a number of new standards, amendments to standards and interpretations which are not effective for accounting period beginning 1st January 2006. The Group has not early adopted these new and revised HKFRSs.

2. Turnover and Segment Information

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

	Six months ended 30th June	
	2006	2005
	HK\$M	HK\$M
Gas Sales before Fuel Cost Adjustment	3,757.2	3,656.5
Fuel Cost Adjustment	830.4	509.9
Gas Sales after Fuel Cost Adjustment	4,587.6	4,166.4
Equipment Sales	374.2	382.8
Maintenance and Services	128.0	121.9
Other Sales	328.6	166.1
	<u>5,418.4</u>	<u>4,837.2</u>

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

As the Group derives more than 90 per cent of the Group’s turnover and total segment results from and has more than 90 per cent of the Group’s total segment assets for the production, distribution and marketing of gas and related activities, no business segment information is presented.

NOTES TO THE INTERIM ACCOUNTS (UNAUDITED)

2. Turnover and Segment Information (continued)

The Group operates, through its subsidiaries, associated companies and jointly controlled entities, in Hong Kong and the mainland China. Information about the Group's operations by geographical regions is as follows:

	Six months ended 30th June					
	Hong Kong		Mainland China		Total	
	2006 HK\$M	2005 HK\$M	2006 HK\$M	2005 HK\$M	2006 HK\$M	2005 HK\$M
Turnover	<u>4,688.9</u>	<u>4,361.8</u>	<u>729.5</u>	<u>475.4</u>	<u>5,418.4</u>	<u>4,837.2</u>
Segment Results	2,040.1	2,024.7	92.5	80.4	2,132.6	2,105.1
Unallocated Corporate Expenses					(162.8)	(137.1)
Operating Profit before Returns on Investments					1,969.8	1,968.0
Investment Income					182.8	140.3
Operating Profit					2,152.6	2,108.3
Interest Expense					(146.2)	(24.6)
Share of Profits less Losses of Associated Companies	698.5	394.6	16.0	13.9	714.5	408.5
Share of Profits less Losses of Jointly Controlled Entities	74.1	978.0	93.9	42.4	168.0	1,020.4
Profit before Taxation					2,888.9	3,512.6
Taxation					(369.3)	(379.9)
Profit for the period					2,519.6	3,132.7
Attributable to:						
Shareholders of the Company					2,509.5	3,125.2
Minority Interests					10.1	7.5
					2,519.6	3,132.7

Share of profits of associated companies includes HK\$588.2 million (2005: HK\$325.5 million), being the Group's share of change in valuation of investment properties at the International Finance Centre ("IFC") complex for the period.

Share of profits of jointly controlled entities includes HK\$74.1 million (2005: HK\$978.0 million), being the Group's share of profit arising from the sale of the residential units of the Grand Promenade during the period.

3. Operating Profit before Returns on Investments

	Six months ended 30th June	
	2006 HK\$M	2005 HK\$M
Turnover	5,418.4	4,837.2
Less Expenses:		
Stores and Materials Used	(2,373.1)	(1,879.4)
Manpower Costs	(416.6)	(362.0)
Depreciation and Amortisation	(283.9)	(242.1)
Other Operating Items	(375.0)	(385.7)
Operating Profit before Returns on Investments	<u>1,969.8</u>	<u>1,968.0</u>

NOTES TO THE INTERIM ACCOUNTS (UNAUDITED)

4. Investment Income

	Six months ended 30th June	
	2006	2005
	HK\$M	HK\$M
(a) Interest Income		
Bank Deposits	36.1	21.9
Listed Available-for-Sale Financial Assets	0.7	0.7
Loans to Associated Companies and Jointly Controlled Entities	9.9	16.7
Others	2.9	1.5
	49.6	40.8
(b) Net Realised and Unrealised Gains and Interest Income on Financial Assets at Fair Value through Profit or Loss		
Listed Securities	28.6	4.0
Unlisted Securities	49.0	71.5
Exchange Difference	5.9	1.3
	83.5	76.8
(c) Gains on Disposal and Maturity of Available-for-Sale Financial Assets		
Listed Securities	12.7	8.0
Exchange Difference	0.4	–
	13.1	8.0
(d) Dividend Income		
Listed Available-for-Sale Financial Assets	10.9	11.5
Unlisted Available-for-Sale Financial Assets	13.7	0.5
Listed Financial Assets at Fair Value through Profit or Loss	5.7	7.3
	30.3	19.3
(e) Other Investment Income/(Expenses)	6.3	(4.6)
Total Investment Income	182.8	140.3

5. Profit before Taxation

	Six months ended 30th June	
	2006	2005
	HK\$M	HK\$M
Profit before Taxation is stated after charging the following:		
Cost of Inventories Sold	<u>2,550.9</u>	<u>2,019.8</u>

6. Taxation

	Six months ended 30th June	
	2006	2005
	HK\$M	HK\$M
Current Taxation – Provision for Hong Kong Profits Tax at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the period	<u>302.9</u>	349.4
Deferred Taxation relating to the origination and reversal of temporary differences	<u>66.4</u>	<u>30.5</u>
	<u>369.3</u>	<u>379.9</u>

7. Dividends

	Six months ended 30th June	
	2006	2005
	HK\$M	HK\$M
2005 Final, paid, of HK23 cents per share (2004 Final: HK23 cents per share)	<u>1,267.0</u>	1,284.3
2006 Interim, proposed, of HK12 cents per share (2005 Interim: HK12 cents per share)	<u>661.1</u>	<u>669.5</u>
	<u>1,928.1</u>	<u>1,953.8</u>

8. Earnings per Share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$2,509.5 million (2005: HK\$3,125.2 million) and the weighted average of 5,508,759,988 shares (2005: 5,587,299,488 shares) in issue during the period.

As there were no diluted potential ordinary shares outstanding during the period (2005: nil), the diluted earnings per share for the period ended 30th June 2006 is the same as the basic earnings per share.

NOTES TO THE INTERIM ACCOUNTS (UNAUDITED)

9. Property, Plant and Equipment

	Properties under Development HK\$M	Buildings, Plant, Mains and Other Equipment HK\$M	Total HK\$M
Cost			
At 1st January 2006	57.5	16,395.5	16,453.0
Additions	14.9	1,378.8	1,393.7
Consolidation of a Subsidiary	–	66.3	66.3
Disposals/Write off	–	(91.5)	(91.5)
Exchange Difference	–	27.3	27.3
	<u>72.4</u>	<u>17,776.4</u>	<u>17,848.8</u>
At 30th June 2006			
Accumulated Depreciation			
At 1st January 2006	–	5,848.5	5,848.5
Charge for the period	–	278.9	278.9
Consolidation of a Subsidiary	–	3.4	3.4
Disposals/Write off	–	(17.6)	(17.6)
Exchange Difference	–	2.2	2.2
	<u>–</u>	<u>6,115.4</u>	<u>6,115.4</u>
At 30th June 2006			
Net Book Value			
At 30th June 2006	<u>72.4</u>	<u>11,661.0</u>	<u>11,733.4</u>
At 31st December 2005	<u>57.5</u>	<u>10,547.0</u>	<u>10,604.5</u>

9. Property, Plant and Equipment *(continued)*

	Properties under Development HK\$M	Buildings, Plant, Mains and Other Equipment HK\$M	Total HK\$M
Cost			
At 1st January 2005	32.1	13,891.0	13,923.1
Additions	10.3	587.6	597.9
Acquisition of a Subsidiary	–	282.2	282.2
Disposals/Write off	–	(123.6)	(123.6)
	<u>42.4</u>	<u>14,637.2</u>	<u>14,679.6</u>
At 30th June 2005			
Accumulated Depreciation			
At 1st January 2005	–	5,356.5	5,356.5
Charge for the period	–	237.4	237.4
Disposals/Write off	–	(22.7)	(22.7)
	<u>–</u>	<u>5,571.2</u>	<u>5,571.2</u>
At 30th June 2005			
Net Book Value			
At 30th June 2005	<u>42.4</u>	<u>9,066.0</u>	<u>9,108.4</u>
At 31st December 2004	<u>32.1</u>	<u>8,534.5</u>	<u>8,566.6</u>

NOTES TO THE INTERIM ACCOUNTS (UNAUDITED)

10. Trade and Other Receivables

	At 30th June 2006 HK\$M	At 31st December 2005 HK\$M
Trade Receivables	1,374.3	1,322.4
Other Receivables	443.0	670.3
Payment in Advance	198.5	111.5
	<u>2,015.8</u>	<u>2,104.2</u>

The Group recognised a loss of HK\$10.3 million (2005: HK\$18.7 million) for the impairment of its trade receivables during the period. The impairment has been included in other operating items (Note 3).

The Group has established credit policies for different types of customers. The credit period offered for trade receivables ranges from 30 to 60 days. These are subject to periodic review by management. At 30th June 2006, the aging analysis of the trade receivables, net of impairment provision, was as follows:

	At 30th June 2006 HK\$M	At 31st December 2005 HK\$M
0 – 30 days	1,159.9	1,142.9
31 – 60 days	62.1	50.2
61 – 90 days	26.3	15.8
Over 90 days	126.0	113.5
	<u>1,374.3</u>	<u>1,322.4</u>

11. Trade and Other Payables

	At 30th June 2006 HK\$M	At 31st December 2005 HK\$M
Trade Payables (Note a)	309.7	400.4
Other Payables and Accruals (Note b)	1,991.1	1,347.1
	<u>2,300.8</u>	<u>1,747.5</u>

11. Trade and Other Payables (continued)

Notes

(a) At 30th June 2006, the aging analysis of the trade payables was as follows:

	At 30th June 2006 HK\$M	At 31st December 2005 HK\$M
0 – 30 days	198.6	313.2
31 – 60 days	21.8	13.6
61 – 90 days	12.1	6.9
Over 90 days	77.2	66.7
	<u>309.7</u>	<u>400.4</u>

(b) The balance includes an amount of HK\$380.5 million (2005: HK\$380.5 million) received from Henderson Land Development Company Limited in relation to residential portion of the Ma Tau Kok South property development project.

12. Share Capital

	Number of Shares		Nominal Value	
	At 30th June 2006	At 31st December 2005	At 30th June 2006 HK\$M	At 31st December 2005 HK\$M
Authorised:				
Ordinary Shares of HK\$0.25 each	<u>10,000,000,000</u>	<u>10,000,000,000</u>	<u>2,500.0</u>	<u>2,500.0</u>
Issued and Fully Paid:				
At beginning of period/year	5,508,759,988	5,614,769,988	1,377.2	1,403.7
Repurchase of Shares	–	(106,010,000)	–	(26.5)
At end of period/year	<u>5,508,759,988</u>	<u>5,508,759,988</u>	<u>1,377.2</u>	<u>1,377.2</u>

NOTES TO THE INTERIM ACCOUNTS (UNAUDITED)

13. Reserves

	Investment Revaluation Reserve HK\$M	General Reserve HK\$M	Capital Redemption Reserve HK\$M	Capital Reserve HK\$M	Exchange Reserve HK\$M	Unappropriated Profits HK\$M	Total HK\$M
At 1st January 2006	2.0	3,320.0	189.7	68.4	58.5	6,225.3	9,863.9
Profit Attributable to Shareholders	-	-	-	-	-	2,509.5	2,509.5
Revaluation Surplus of Available-for-Sale Financial Assets transferred to Equity	20.2	-	-	-	-	-	20.2
Revaluation Surplus of Available-for-Sale Financial Assets removed on Disposals	(7.3)	-	-	-	-	-	(7.3)
Capital Reserve from Joint Ventures	-	-	-	43.8	-	-	43.8
Capital Reserve from Subsidiaries	-	-	-	0.9	-	-	0.9
Exchange Revaluation	-	-	-	-	58.1	-	58.1
2005 Final Dividend proposed	-	-	-	-	-	1,267.0	1,267.0
2005 Final Dividend paid	-	-	-	-	-	(1,267.0)	(1,267.0)
	<u>14.9</u>	<u>3,320.0</u>	<u>189.7</u>	<u>113.1</u>	<u>116.6</u>	<u>8,734.8</u>	<u>12,489.1</u>
At 30th June 2006	14.9	3,320.0	189.7	113.1	116.6	8,734.8	12,489.1
Balance after 2006 Interim Dividend proposed	14.9	3,320.0	189.7	113.1	116.6	8,073.7	11,828.0
2006 Interim Dividend proposed	-	-	-	-	-	661.1	661.1
	<u>14.9</u>	<u>3,320.0</u>	<u>189.7</u>	<u>113.1</u>	<u>116.6</u>	<u>8,734.8</u>	<u>12,489.1</u>

13. Reserves (continued)

	Properties/ Investment Revaluation Reserve HK\$M	General Reserve HK\$M	Capital Redemption Reserve HK\$M	Exchange Reserve HK\$M	Unappro- priated Profits HK\$M	Total HK\$M
At 1st January 2005, as previously reported	3,309.4	3,320.0	163.2	–	3,998.6	10,791.2
Effect of adopting New Accounting Standard	(3,099.8)	–	–	–	484.3	(2,615.5)
At 1st January 2005, as restated	209.6	3,320.0	163.2	–	4,482.9	8,175.7
Profit Attributable to Shareholders	–	–	–	–	3,125.2	3,125.2
Revaluation Deficit of Available-for-Sale Financial Assets transferred to Equity	(36.0)	–	–	–	–	(36.0)
Revaluation Surplus of Available-for-Sale Financial Assets removed on Disposals	(8.5)	–	–	–	–	(8.5)
Exchange Revaluation	–	–	–	3.2	–	3.2
Shares Repurchased	–	–	9.0	–	(557.4)	(548.4)
2004 Final Dividend proposed	–	–	–	–	1,291.4	1,291.4
2004 Final Dividend paid	–	–	–	–	(1,284.3)	(1,284.3)
At 30th June 2005	<u>165.1</u>	<u>3,320.0</u>	<u>172.2</u>	<u>3.2</u>	<u>7,057.8</u>	<u>10,718.3</u>
Balance after 2005						
Interim Dividend proposed	165.1	3,320.0	172.2	3.2	6,388.3	10,048.8
2005 Interim Dividend proposed	–	–	–	–	669.5	669.5
	<u>165.1</u>	<u>3,320.0</u>	<u>172.2</u>	<u>3.2</u>	<u>7,057.8</u>	<u>10,718.3</u>

14. Contingent Liabilities

Guarantees have been executed in respect of banking facilities as follows:

	At 30th June 2006 HK\$M	At 31st December 2005 HK\$M
Associated companies	<u>884.0</u>	<u>840.0</u>

Save as disclosed above, the Group did not have any further significant contingent liabilities as at 30th June 2006.

NOTES TO THE INTERIM ACCOUNTS (UNAUDITED)

15. Commitments

- (a) Capital Expenditures for Property, Plant and Equipment

	At 30th June 2006 HK\$M	At 31st December 2005 HK\$M
Authorised but not brought into the accounts at end of period/year	<u>866.7</u>	<u>1,159.3</u>
Of which, contracts had been entered into at end of period/year	<u>699.4</u>	<u>841.1</u>

- (b) Share of Capital Expenditures for Property, Plant and Equipment of Jointly Controlled Entities

	At 30th June 2006 HK\$M	At 31st December 2005 HK\$M
Authorised but not brought into the accounts at end of period/year	<u>683.1</u>	<u>747.1</u>
Of which, contracts had been entered into at end of period/year	<u>325.9</u>	<u>494.0</u>

- (c) The Group has committed to provide sufficient funds in the forms of capital and loan contributions to certain joint ventures under various joint venture contracts to finance relevant PRC gas projects. The directors estimate that as at 30th June 2006, the Group's commitments to these projects would be approximately HK\$1,448.4 million (2005: HK\$126.0 million).

- (d) Lease Commitments

At 30th June 2006, future aggregate minimum lease payments of land and buildings under non-cancellable operating leases were as follows:

	At 30th June 2006 HK\$M	At 31st December 2005 HK\$M
Not later than 1 year	<u>20.1</u>	22.4
Later than 1 year and not later than 5 years	<u>21.0</u>	23.9
Later than 5 years	<u>39.7</u>	39.6
	<u>80.8</u>	<u>85.9</u>

16. Related Party Transactions

There were no significant related party transactions undertaken by the Group at any time during the six-month period.

FINANCIAL RESOURCES REVIEW

Liquidity and Capital Resources

As at 30th June 2006, the Group had a net current borrowing position of HK\$509 million (31st December 2005: HK\$4,374 million) and long-term borrowings of HK\$5,605 million (31st December 2005: HK\$2,425 million). After taking into account a portfolio of financial assets at fair value through profit or loss of HK\$2,198 million (31st December 2005: HK\$1,891 million), net current fund as at 30th June 2006 amounted to HK\$1,689 million (net current debt as at 31st December 2005: HK\$2,483 million). In addition, banking facilities available for use amounted to HK\$3,600 million (31st December 2005: HK\$2,234 million).

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

Borrowing Structure

As at 30th June 2006, the Group's borrowings amounted to HK\$7,937 million (31st December 2005: HK\$8,282 million). All bank loans and overdrafts were unsecured and had a floating interest rate, of which HK\$5,559 million (31st December 2005: HK\$2,370 million) were long-term bank loans while HK\$2,301 million (31st December 2005: HK\$5,835 million) were with maturity within one year on revolving credit or term loan facilities. As at 30th June 2006, a subsidiary in mainland China had a finance lease of HK\$77 million (31st December 2005: HK\$77 million) equivalent for a portion of its pipeline with instalment payment up to 2009. As at 30th June 2006, the maturity profile of Group's borrowings was 29 per cent within 1 year; 3 per cent within 1 to 2 years and 68 per cent within 2 to 5 years (31st December 2005: 71 per cent within 1 year and 29 per cent within 2 to 5 years).

The Group's borrowings are primarily denominated in Hong Kong dollars and the Group has no significant exposure to foreign exchange fluctuations. The gearing ratio [net borrowing/(shareholders' funds + net borrowing)] for the Group as at 30th June 2006 remained healthy at around 26 per cent (31st December 2005: at around 29 per cent). After taking into account a portfolio of financial assets at fair value through profit or loss of HK\$2,198 million as at 30th June 2006 (31st December 2005: HK\$1,891 million), the net gearing ratio [net debt/(shareholders' funds + net debt)] stood at 18 per cent (31st December 2005: 23 per cent).

On 15th February 2006, the Group took advantage of the ample liquidity in the Hong Kong bank market and concluded a HK\$3 billion unsecured 5-year syndicated term and revolving loan facilities to refinance its shorter maturity existing loans and finance the general corporate funding requirements at a low benchmark pricing for corporations in Hong Kong.

Contingent Liabilities

As at 30th June 2006, the Group provided guarantees totalling HK\$884 million (31st December 2005: HK\$840 million) in respect of bank borrowing facilities made available to an associated company.

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 is 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 investments 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 2006, the investments in securities amounted to HK\$2,987 million (31st December 2005: HK\$2,659 million). The performance of the Group's investments in securities was satisfactory.

OTHER INFORMATION

Corporate Governance

During the six months ended 30th June 2006, 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").

Compliance with Model Code

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"). Following specific enquiries by the Company, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code throughout the review period.

Audit Committee

An audit committee was formed in May 1996 to review and supervise the financial reporting process and internal controls of the Company. An audit committee meeting was held in September 2006 to review the unaudited interim accounts for the six months ended 30th June 2006. PricewaterhouseCoopers, the Group's external auditors, have carried out a review of the unaudited interim accounts for the six months ended 30th June 2006 in accordance with the Statement of Auditing Standards 700 "Engagement to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants. An unmodified review report was issued subsequent to the review.

Purchase, Sale or Redemption of own Shares

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the six months ended 30th June 2006.

Financial Assistance and Guarantees to Affiliated Companies

As at 30th June 2006, the Group has provided financial assistance and guarantees to certain of its associated companies and jointly controlled entities (collectively, "the affiliated companies") totalling HK\$4,110 million (31st December 2005: HK\$5,044 million), representing approximately 23 per cent of the Group's net assets. Pursuant to rule 13.22 of the Listing Rules, a combined balance sheet of the affiliated companies and the Group's attributable interests as at 30th June 2006 are set out below:

	Combined Balance Sheet HK\$M	Group's Attributable Interests HK\$M
Non-Current Assets	37,669	7,463
Current Assets	2,205	850
Current Liabilities	(10,690)	(2,394)
Non-Current Liabilities	(14,103)	(2,736)
	<hr/>	<hr/>
Net Assets	15,081	3,183
	<hr/> <hr/>	<hr/> <hr/>
Share Capital	1,559	769
Reserves	13,521	2,414
Minority Interests	1	–
	<hr/>	<hr/>
Total Equity	15,081	3,183
	<hr/> <hr/>	<hr/> <hr/>

Loans to associated companies of HK\$2,192 million (31st December 2005: HK\$2,210 million) are for the financing of property development projects. Other loans to associated companies of HK\$62 million (31st December 2005: HK\$60 million) are mainly provided to our PRC gas related projects. Except for a loan of HK\$49 million (31st December 2005: HK\$48 million) to Zibo Lubo Gas Company Limited which is at a fixed interest rate of 3.68 per cent per annum and fully repayable in 2007, all loans to associated companies are unsecured, interest free and have no fixed terms of repayment.

As at 31st December 2005, loan to a jointly controlled entity for the Sai Wan Ho property development project amounted to HK\$1,051 million which was fully repaid during the period. Loans to jointly controlled entities of HK\$972 million (31st December 2005: HK\$883 million) are all provided to our PRC joint ventures, which are unsecured and interest free with no fixed term of repayment for the current amounts and fully repayable from 2013 to 2014 for the non-current amounts except for the following:

- (i) HK\$71 million (31st December 2005: HK\$48 million) to Maanshan joint venture with fixed interest rates ranging from 4.70 per cent to 4.86 per cent per annum and fully repayable in 2006.
- (ii) HK\$29 million (31st December 2005: HK\$29 million) to Wuhan joint venture at a fixed interest rate of 4.20 per cent per annum and fully repayable in 2006.
- (iii) HK\$68 million (31st December 2005: HK\$19 million) to Weihai joint venture with fixed interest rates ranging from 3.60 per cent to 4.86 per cent per annum and fully repayable in 2006.
- (iv) HK\$34 million (31st December 2005: HK\$24 million) to Taian joint venture with fixed interest rates ranging from 4.70 per cent to 4.86 per cent per annum and fully repayable before the end of 2008.
- (v) HK\$194 million (31st December 2005: HK\$189 million) to Nanjing joint venture with fixed interest rates ranging from 2.88 per cent to 3.06 per cent per annum and fully repayable before the end of 2014.

Particulars of the guarantees of banking facilities and committed capital injection for the affiliated companies are shown in Notes 14 and 15(c) to the interim accounts.

Disclosure of Interests

A. Directors

As at 30th June 2006, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Shares (Long Positions)

Name of Company	Director	Personal Interests	Family Interests	Corporate Interests	Other	Total	%**
The Hong Kong and China Gas Company Limited	Dr. Lee Shau Kee	3,226,174		2,202,973,776 (Note 5)		2,206,199,950	40.05
	Mr. Liu Lit Man	1,778,681				1,778,681	0.03
	Dr. The Hon. David Li Kwok Po	15,000,000				15,000,000	0.27
	Mr. Ronald Chan Tat Hung	1,940				1,940	0.00
	Mr. Lee Ka Kit				2,202,973,776 (Note 4)	2,202,973,776	39.99
	Mr. Alfred Chan Wing Kin	102,825*				102,825*	0.00
	Mr. James Kwan Yuk Choi	36,300	41,129			77,429	0.00
	Mr. Lee Ka Shing				2,202,973,776 (Note 4)	2,202,973,776	39.99
Lane Success Development Limited	Dr. Lee Shau Kee			9,500 (Note 6)		9,500	95
	Mr. Lee Ka Kit				9,500 (Note 6)	9,500	95
	Mr. Lee Ka Shing				9,500 (Note 6)	9,500	95
Primeland Investment Limited	Dr. Lee Shau Kee			95 (Note 7)		95	100
	Mr. Lee Ka Kit				95 (Note 7)	95	100
	Mr. Lee Ka Shing				95 (Note 7)	95	100
Yieldway International Limited	Dr. Lee Shau Kee			2 (Note 8)		2	100
	Mr. Lee Ka Kit				2 (Note 8)	2	100
	Mr. Lee Ka Shing				2 (Note 8)	2	100

* These shares were jointly held by Mr. Alfred Chan Wing Kin and his spouse.

** Percentage which the aggregate long position in the shares represents to the issued share capital of the Company or any of its associated corporations.

Save as mentioned above, as at 30th June 2006, there were no other interests or short positions of the Directors in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

B. Substantial Shareholders and Others (Long Positions)

As at 30th June 2006, the interests and short positions of every person, other than the Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

	Name of Company	No. of Shares in which interested	%***
Substantial Shareholders (a person who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting)	Disralei Investment Limited (Note 1)	1,159,024,597	21.04
	Timpani Investments Limited (Note 1)	1,643,249,599	29.83
	Henderson Investment Limited (Note 1)	2,118,527,545	38.46
	Kingslee S.A. (Note 1)	2,118,527,545	38.46
	Henderson Land Development Company Limited (Note 1)	2,118,527,545	38.46
	Henderson Development Limited (Note 2)	2,122,494,017	38.53
	Hopkins (Cayman) Limited (Note 3)	2,202,973,776	39.99
	Riddick (Cayman) Limited (Note 4)	2,202,973,776	39.99
	Rimmer (Cayman) Limited (Note 4)	2,202,973,776	39.99
Persons other than Substantial Shareholders	Macrostar Investment Limited (Note 1)	475,277,946	8.63
	Medley Investment Limited (Note 1)	484,225,002	8.79

*** Percentage which the aggregate long position in the shares represents to the issued share capital of the Company.

Save as mentioned above, as at 30th June 2006, the register maintained by the Company pursuant to section 336 of the SFO recorded no other interests or short positions in shares and underlying shares of the Company.

Notes:

- These 2,118,527,545 shares were beneficially owned by Macrostar Investment Limited ("Macrostar"), Medley Investment Limited ("Medley") and Disralei Investment Limited ("Disralei"). Macrostar was a wholly-owned subsidiary of Henderson Investment Limited ("HI"). Medley and Disralei were wholly-owned subsidiaries of Timpani Investments Limited, which was in turn, a wholly-owned subsidiary of HI. Kingslee S.A., a wholly-owned subsidiary of Henderson Land Development Company Limited ("HLD"), owned 67.94% of total issued shares in HI.
- Henderson Development Limited ("HD") beneficially owned 61.87% of the total issued shares of HLD. Of these 2,122,494,017 shares, 2,118,527,545 shares represented the shares described in Note 1 and the other shares were beneficially owned by a wholly-owned subsidiary of HD.
- Of these 2,202,973,776 shares, 2,122,494,017 shares represented the shares described in Notes 1 and 2 and 80,479,759 shares were beneficially owned by Fu Sang Company Limited ("Fu Sang"). Hopkins (Cayman) Limited ("Hopkins") owned all the issued ordinary shares which carry the voting rights in the share capital of HD and Fu Sang as trustee of a unit trust ("Unit Trust").

4. These 2,202,973,776 shares are duplicated in the interests described in Note 3. Rimmer (Cayman) Limited (“Rimmer”) and Riddick (Cayman) Limited (“Riddick”), as trustees of the respective discretionary trusts, held units in the Unit Trust. Mr. Lee Ka Kit and Mr. Lee Ka Shing, as discretionary beneficiaries of the discretionary trusts, were taken to have duties of disclosure in relation to these shares by virtue of Part XV of the SFO.
5. These 2,202,973,776 shares included the shares described in Notes 1 to 4. Dr. Lee Shau Kee beneficially owned all the issued shares in Rimmer, Riddick and Hopkins and was taken to be interested in these shares by virtue of Part XV of the SFO.
6. These 9,500 shares in Lane Success Development Limited were beneficially owned by a wholly-owned subsidiary of the Company (as to 4,500 shares) and a wholly-owned subsidiary of HLD (as to 5,000 shares). Dr. Lee Shau Kee, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in HLD and the Company as set out in Notes 1 to 5 by virtue of Part XV of the SFO.
7. These 95 shares in Primeland Investment Limited were beneficially owned by a wholly-owned subsidiary of the Company (as to 30 shares) and a wholly-owned subsidiary of HLD (as to 65 shares). Dr. Lee Shau Kee, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in HLD and the Company as set out in Notes 1 to 5 by virtue of Part XV of the SFO.
8. These 2 shares in Yieldway International Limited were beneficially owned by a wholly-owned subsidiary of the Company (as to 1 share) and a wholly-owned subsidiary of HLD (as to 1 share). Dr. Lee Shau Kee, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in HLD and the Company as set out in Notes 1 to 5 by virtue of Part XV of the SFO.

CORPORATE INFORMATION

Board of Directors

As at the date of this report, the board of directors of the Company comprises: Dr. Lee Shau Kee (Chairman), Mr. Liu Lit Man*, Mr. Leung Hay Man*, Mr. Colin Lam Ko Yin, Dr. The Hon. David Li Kwok Po*, Mr. Ronald Chan Tat Hung, Mr. Lee Ka Kit, Mr. Alfred Chan Wing Kin, Mr. James Kwan Yuk Choi and Mr. Lee Ka Shing.

* *Independent Non-executive Director*

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Registrars

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A printed version of this Interim Report is available on request from the Company and the Company's Registrars free of charge. The website version of this Interim Report is also available on the Company's website.

If a shareholder wishes to change his choice of language and/or means of receipt of future corporate communications, the shareholder may at any time free of charge notify the Company's Registrars by reasonable notice in writing, stating his name(s) in both English and Chinese (if applicable), address, contact telephone number, number of shares held and details of his change of choice.