CONTENTS

CORPORATE INFORMATION

DIRECTORS AS AT 21ST SEPTEMBER 2005

Mr Wang Mingcai *(Chairman)*
Mr Li Hualin *(Chief Executive Officer)*
Mr Cheng Cheng
Mr Lin Jingao
Dr Lau Wah Sum, GBS, LLD, DBA, JP
Mr Aubrey Li Kwok Sing
Dr Liu Xiao Feng

SECRETARY

Mr Lau Hak Woon

BERMUDA RESIDENT REPRESENTATIVE

Codan Services Limited
Clarendon House
Church Street
Hamilton HM11, Bermuda

AUDITORS

PricewaterhouseCoopers

BANKERS

Bank of Bermuda Limited
Standard Chartered Bank
Bank of China
Fubon Bank (Hong Kong) Limited

SOLICITORS

Baker & McKenzie

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM11, Bermuda

PRINCIPAL OFFICE

Room 3907-3910, 39/F.
118 Connaught Road West
Hong Kong
Telephone: 2522 2282
E-mail: info@cnpc.com.hk
Fax: 2868 1741

PRINCIPAL REGISTRARS

Bank of Bermuda Limited
6 Front Street
Hamilton HM11, Bermuda

REGISTRARS IN HONG KONG

Secretaries Limited
G/F, Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

Sales of the Group for the six months ended 30th June 2005 (the "Period") amounted to HK$1,502,323,000, representing an increase of 29.11% as compared with the corresponding period of last year. The Group's unaudited profit attributable to shareholders for the Period was HK$610,717,000, representing an increase of 43.84% over the profit of HK$424,591,000 for the same period of last year.

For the Period, the sales volume of crude oil was 6,060,000 barrels, similar with the corresponding period of last year. With the upsurge of the international crude oil price in the Period, the weighted average price of crude oil per barrel was approximately US$36.85, increasing by 38.65% over US$26.58 per barrel for the same period of last year. The overall profit increased by HK$186,126,000 or 43.84% when compared with the corresponding period of last year.

In accordance with the Group's accounting policy, exploration cost which cannot generate commercial reserve within one year shall be treated as expenses. During the Period, exploration cost incurred in new oil fields amounted to HK$26,158,000 (corresponding period of 2004: HK$32,951,000), of which HK$1,715,000 (corresponding period of 2004: HK$13,622,000) was accounted for as cost of sales and HK$24,443,000 (corresponding period of 2004: HK$19,329,000) as share of results of jointly controlled entities.

PETROLEUM BUSINESSES

The People's Republic of China (the "PRC")

Liaohe Leng Jiapu Oil Field

A total of 601,000 tonnes (corresponding period of 2004: 664,000 tonnes) of crude oil from the Liaohe Leng Jiapu Contract Area was sold for the Period, representing a 9.49% decrease compared with the same period of last year. On a 70% sharing basis, profit after tax attributable to the Group was HK$242,125,000 (corresponding period of 2004: HK$179,464,000), representing an increase of HK$62,661,000 or 34.92% compared with the same period last year.

According to the Leng Jiapu Contract, the Group is responsible for 70% of the development costs and thus an aggregate contribution of RMB154,000,000 (approximately HK$145,201,000) (corresponding period of 2004: RMB336,000,000 (approximately HK$316,801,000)) was made out of profit and recovery of investment by the Group during the Period for the on-going exploration, drilling and construction of ground production facilities in order to stabilise its production.

Xinjiang Karamay Oil Field

The Xinjiang Karamay Contract Area sold a total of 326,000 tonnes (corresponding period of 2004: 337,000 tonnes) of crude oil, representing a decrease of approximately 3.26% compared with the corresponding period of previous year. On a 54% sharing basis, profit after tax attributable to the Group was HK$148,783,000 (corresponding period of 2004: HK$90,236,000), or an increase of HK$58,547,000 or 64.88% compared with the corresponding period of last year.

According to the Xinjiang Contract, the Group is responsible for 54% of the development costs and a contribution of RMB69,186,000 (approximately HK$65,233,000) (corresponding period of 2004: RMB55,887,000 (approximately HK$52,694,000)) was made during the Period as part of the fund required for stabilising production.

The Kingdom of Thailand ("Thailand")

Oil fields in Thailand (Sukhothai and L21/43)

The sales volume of the Sukhothai Concession in Thailand for the first half of the year was 191,000 barrels (corresponding period of 2004: 116,000 barrels), an increase of 64.66% compared with the same period of last year. Profit after tax of HK$37,137,000 (corresponding period of 2004: HK$11,264,000) was recorded for the Period, representing a 229.70% increase compared with the corresponding period of last year. The Group will continue to identify the potential of the oil field and stabilise production to improve efficiency.

In July 2003, the Group was granted the exploration right in the L21/43 Concession located in central Thailand by the Thailand Government. The overall exploration, including seismic analysis and other exploration works, commenced in 2004. Currently, two exploration wells were drilled with satisfactory findings and in-depth analysis and investigation are now being conducted. Exploration cost of HK$1,715,000 (corresponding period of 2004: HK$13,622,000) for the Period was accounted for as expenses.

Peru

Talara Oil Field

The Group held 50% interest in the rights to explore and produce crude oil and natural gas in Blocks VI and VII of the Talara Oil Field in Peru. During the Period, 615,000 barrels of crude oil and 383,726,000 cu.ft. of natural gas were produced (corresponding period of 2004: 660,000 barrels and 865,144,000 cu.ft respectively). The Group shared HK$31,696,000 in profit after tax and minority interests, representing an increase of HK$14,327,000, or 82.49%, over that of the corresponding period last year.

The Union of Myanmar

Oil fields in the Union of Myanmar (Tetma Block IOR-3, Tuyintaung Block RSF-2 and Gwegyo-Ngashandaung Block RSF-3)

The Group held 50% interest in the rights of exploration of an oil field in the Union of Myanmar. The overall exploration work has commenced. Seismic analysis and other exploration works performed during the Period, and exploration cost attributable to the Group of HK$18,343,000 (corresponding period of 2004: HK$3,840,000) was included as expenses for the Period.

The Sultanate of Oman

Oil field in the Sultanate of Oman (Block 5)

The Group held 25% interest in the Block 5 oil field located in the Sultanate of Oman. The Group shared 703,000 barrels of oil during the Period, increased of 41.73% compared with 496,000 barrels in the corresponding period last year, and profit after tax attributable to the Group amounted to HK$45,403,000.

The Azerbaijan Republic (the "Azerbaijan")

Kursangi and Karabagli Oil Field ("K&K")

The Group owned 25% interest in K&K in Azerbaijan and shared 590,000 barrels of oil during the Period (corresponding period of 2004: 589,000 barrels). Profit after tax attributable to the Group amounted to HK$25,685,000 (corresponding period of 2004: HK$26,313,000), representing a decrease of HK$628,000 or 2.39% as compared with the corresponding period last year.

Gobustan Oil Field

In March 2003, the Group acquired 31.41% interest in Commonwealth Gobustan Limited. The company owned 80% participating interest in an oil field in the South-West of Gobustan, the Azerbaijan. The exploration cost attributable to the Group for the Period of HK$6,100,000 (corresponding period of 2004: HK$15,489,000) was included as expenses. Currently, two natural gas producing wells in the Gobustan Oil Field have shown satisfactory result. It is planned to sell the natural gas produced in the forth quarter. In-depth analysis and investigation are speeded up to obtain better understanding of the oil field in the earliest time.

The Republic of Kazakhstan (the "Kazakhstan")

Zhanazhol, Kenkyak (pre-salt) and Kenkyak (post-salt) Oil Field

In December 2003, the Group successfully acquired 40% equity interest in CNPC International (Caspian) Limited ("Caspian"), which owned 25.12% equity interest in CNPC International Aktobe Petroleum Joint-Stock Company ("Aktobe"). As a result of the acquisition, the Group indirectly owns 10.05% interest of Aktobe. The shares of which are listed and traded on the Kazakhstan Securities Exchange, Aktobe owns the Zhanazhol, Kenkyak (pre-salt) and Kenkyak (post-salt) oil fields in Kazakhstan. During the Period, Caspian received dividend of HK$125,518,000 (corresponding period of 2004: HK$102,971,000) from Aktobe and generated a profit of HK$108,570,000 (corresponding period of 2004: HK$84,028,000) for the Group.

MANUFACTURING BUSINESS

Steel pipes manufacturing

華油鋼管有限公司 ("North China"), which was set up by the Group together with 華北石油管理局 (the "Bureau"), has commenced production in full scale. Leveraging on the experience of the Bureau in the manufacture and sale of oil pipes and gas pipes, and the production of high quality steel pipes, North China can produce high quality steel pipes to satisfy the demand for transportation of natural gas from Western China to the eastern part and other pipe projects. In 2004, the Group agreed to set up a branch factory in the Yangzhou Han Jiang Industrial Park, the PRC, to enhance its competitiveness and capture a larger market share in the eastern part of the PRC. Construction work of the branch factory will be completed soon. Trial production is planned by the year end and commercial production will commence next year. In the first half of 2005, North China had a total output of 45,000 tonnes (corresponding period of 2004: 67,000 tonnes) of steel pipe and re-processing of 134,000 tonnes (corresponding period of 2004: 76,000 tonnes) of steel pipe, generating a profit of HK$19,067,000 for the Group, representing a decrease of HK$1,707,000 or 8.22% as compared with the same period last year.

Biaxially Oriented Polypropylene ("BOPP") project

The BOPP film factory jointly established with 大慶石油管理局 has begun commercial production and the results were satisfactory as anticipated. Facing the increase in raw material price led by the soaring crude oil price, competition within the industry became more severe. It has entered a stage that only the strong ones will survive. With an aim to improve quality, cost control and perfection of product from the management, products of our film factory gained high recognitions in the market. Loss attributable to the Group for the Period was HK$836,000 (profit for corresponding period of 2004: HK$948,000). With the continued growth of PRC's economy, the demand for packaging material will gradually increase. It is believed that the business will contribute steady revenue to the Group in the future.

BUSINESS PROSPECTS

The positioning of the Group's future development remains unchanged. It still focuses on investing in petroleum up-stream business as well as other petroleum-related businesses that generate stable income. The Group will continue to explore new business opportunities, increase oil reserves, invest in different regions on projects with lower risk and reasonable return and develop petroleum-related business in the PRC and overseas. With a sound financial position and prudent approach, the Group aims at developing into an international petroleum corporation.

The future crude oil price is expected to maintain at a relatively high level. The Group will accelerate on the exploration and development of existing oil projects, increase production volume, strengthen the management, control costs, increase efficiency and stabilise income, and for the sake of the shareholders, make new acquisitions with an aim to increase crude oil reserves and production, enhance revenue and increase shareholders' return.

By Order of the Board

Wang Mingcai
Chairman

Hong Kong, 21st September 2005

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

The Group has recorded a sales of HK$1,502,323,000 for the period ended 30th June 2005 (the "Period"), representing an increase of 29.11% as compared to HK$1,163,556,000 corresponding period of last year. The increase of sales was mainly due to the increase of weighted average crude oil selling price from US$26.58 per barrel to US$36.85 per barrel.

The profit after taxation and minority interest for the Period was HK$610,717,000 representing an increase of HK$186,126,000 or 43.84%, as compared to HK$424,591,000 corresponding period of last year.

LIQUIDITY AND CAPITAL RESOURCES

As at 30th June 2005, the aggregate assets value of the Group was HK$6,474,949,000, representing an increase of HK$1,225,688,000 or 23.35% as compared with 31st December 2004.

The major changes of the assets are as follows:

	Increase/ (decrease) HK$'000
Property, plant and equipment	56,454
Leasehold land and land use rights	(65)
Investment in jointly controlled entities	8,879
Investment in an associated company	709,695#
Deferred income tax assets	5
Other current assets	127,974+
Bank balances and cash	322,746
Total increase in assets	1,225,688

Included the share of an associated company's investment revaluation reserve in respect of revaluation of an available-for-sales financial instrument of HK$609,234,000.

+ Increase in trade debtor.

The gearing ratio of the Group maintained at 6.65% as at 30th June 2005 compared with 8.73% as at 31st December 2004. It is computed by dividing the total borrowings of HK$343,980,000 (31st December 2004: HK$354,120,000) by the shareholders' funds of HK$5,172,998,000 (31st December 2004: HK$4,057,996,000).

As at 30th June 2005, a bank borrowing denominated in United States Dollars amounted to HK$312,000,000, it was repaid in full on 18th July 2005.

During the Period, RMB154,000,000 (approximately HK$145,201,000) (30th June 2004: RMB336,000,000 (approximately HK$316,801,000)) was injected out of profits into Leng Jiapu oil field as development costs.

In accordance with the Karamay Contract RMB69,186,000 (approximately HK$65,233,000) (30th June 2004: RMB55,887,000 (approximately HK$52,694,000)) was paid out of profit and re-invested as development costs of the Karamay oil field during the Period.

The oil field of the onshore exploration block number L21/43 in Thailand is in exploration phase and exploration expense of HK$1,715,000 (30th June 2004: HK$13,622,000) was absorbed during the Period.

The oil field in the Union of Myanmar is in exploration phase and the Group shared exploration expenses of HK$18,343,000 (30th June 2004: HK$3,840,000) during the Period.

The Group also shared exploration expenses of HK$6,100,000 (30th June 2004: HK$15,489,000) in the Azerbaijan Gobustan Oilfield through the jointly controlled entity, Commonwealth Gobustan Limited.

USE OF PROCEEDS

During the Period, the Company did not issue any new share to the public.

In June 2005, HK$46,900,000 was received from two directors exercising their share options.

2004 final dividend of HK$0.035 per share amounting HK$165,693,000 (30th June 2004: HK$0.02 per share amounting HK$95,130,000) was distributed to the shareholders of the Group during the Period.

Taking into account the cashflow from the operating activities, the Group as at 30th June 2005 has a bank balances and cash of HK$1,876,507,000.

The Group is in a very strong financial position, ready to invest in new projects with no financial difficulty.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the Period.

EMPLOYEE

On 30th June 2005, the Group had approximately 330 staff (excluding the staff under entrustment contracts) globally. Remuneration package and benefits were determined in accordance with market terms, industry practice as well as the duties, performance, qualifications and experience of the staff. In addition, the Group set up a share option scheme, pursuant to which the directors and employees of the Company were granted options to subscribe shares of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the Period, the Company has not repurchased any of its shares.

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the Period.

CORPORATE GOVERNANCE

The Board of Directors has adopted the corporate governance principles which aimed at maintaining the Board's independence and all Directors are fully informed on key strategic issues relating to the Group before making decision. The Board comprises seven members, three are Independent Non-executive Directors and one of them holds accounting and financial management qualification.

The Remuneration Committee, composed of the three Independent Non-executive Directors, is responsible for reviewing and approving the remunerations of Directors and senior management.

With respect to Code Provision C.2 on internal controls, which came into effect from the accounting period starting from 1st July 2005, the Company already has an Audit Committee in place since 2000 comprising three Independent Non-executive Directors. The Committee, reporting directly to the Chairman, plays a major role in monitoring the internal governance of the Group. It also conducts special audits on areas of concern as identified by the Management or the Audit Committee. The Audit Committee can directly contact the external auditors freely without notifying the Chairman or Management.

The Audit Committee has reviewed with the Management the accounting policies and standards adopted by the Group and discussed the internal control and financial reporting matters related to the preparation of the unaudited condensed financial statements for the six months ended 30th June 2005. It has also reviewed the said financial statements in conjunction with the Company's external auditors.

The Company has complied with all the provisions under the Codes of Corporate Governance in effect during the six months ended 30 June 2005, except for the deviations as mentioned below.

Code Provision A.4.2 (last sentence) in Appendix 14 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. In accordance with the provisions of the Bye-Laws of the Company, new Directors appointed by the Board during the year shall retire and offer themselves for re-election at the first annual general meeting immediately following his/her appointment. Further, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not in multiple of three, then the number nearest to but not exceeding one-third shall retire from office save any Director holding office as Chairman or Managing Director of the Company who shall not be taken into account in determining the number of Directors to retire in each year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. In response to the Company's enquiry, all Directors confirm that they have complied with the provisions of the Model Code throughout the Period.

NEW INVESTMENT

During the Period, there is no new investment.

DIRECTORS' INTERESTS IN SHARES

At 30th June 2005, the interests of the directors in the shares of the Company, (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company under section 352 of the SFO or as notified to the Company were as follows:

(a) Messrs Wang Mingcai and Li Hualin are directors of Sun World Limited ("Sun World") which beneficially owned 2,549,317,342 shares in the Company as at 30th June 2005. Sun World is a wholly owned subsidiary of CNPC, the Company's ultimate holding company incorporated in the PRC.

(b) Mr. Wang Mingcai personally owned 50,000,000 shares in the Company as at 30th June 2005.

(c) Mr. Li Hualin personally owned 34,300,000 shares in the Company as at 30th June 2005.

(d) Share options are granted to directors under the executive share option scheme approved by the board of directors on 23rd October 1991 and 3rd June 2002 respectively.

Details of the share options granted by the Company are as follows:

Name	Date of grant	Exercise price HK$	Options held at 1st January 2005	Options granted during the Period	Options exercised during the Period	Options held at 30th June 2005	Expiry date
Directors							
Wang Mingcai	8th March 2001	0.41	20,000,000	–	20,000,000	–	
	26th April 2001	0.61	30,000,000	–	30,000,000	–	
	27th April 2005	1.224	–	25,000,000	–	25,000,000	26th April 2010
Li Hualin	8th March 2001	0.41	20,000,000	–	20,000,000	–	
	26th April 2001	0.61	20,000,000	–	20,000,000	–	
	27th April 2005	1.224	–	20,000,000	–	20,000,000	26th April 2010
Lin Jingao	26th April 2001	0.61	10,000,000	–	–	10,000,000	25th April 2006
Lau Wah Sum	8th January 2004	1.362	3,500,000	–	–	3,500,000	7th January 2009
Aubrey Li Kwok Sing	8th January 2004	1.362	3,500,000	–	–	3,500,000	7th January 2009
Cheng Cheng	25th June 2004	0.94	20,000,000	–	–	20,000,000	24th June 2009
Liu Xiaofeng	27th April 2005	1.224	–	3,500,000	–	3,500,000	26th April 2010
Employee	25th June 2004	0.94	5,000,000	–	–	5,000,000	24th June 2009
	27th April 2005	1.224	–	5,000,000	–	5,000,000	26th April 2010
			132,000,000	53,500,000	90,000,000	95,500,000	

Save for the above, at no time during the Period was the Company, its fellow subsidiaries or its holding company a party to any arrangements to enable the directors or chief executives or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 30th June 2005, the register of substantial shareholders maintained under section 336 of the SFO, showed that the Company has been notified of the following interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executives.

Name	Number of shares
Sun World	2,549,317,342*

* All shares are registered under the name of HKSCC Nominees Limited.

Sun World is a wholly owned subsidiary of CNPC and CNPC is accordingly deemed to have interest in the 2,549,317,342 shares held by Sun World.

By Order of the Board

Li Hualin
Chief Executive Officer

Hong Kong, 21st September 2005

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30th June 2005 Unaudited HK$'000	As at 31st December 2004 Restated HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**2,767,554**	2,711,100
Leasehold land and land use rights	5	**3,917**	3,982
Investments in jointly controlled entities		**710,522**	701,643
Investment in an associated company		**859,945**	150,250
Deferred income tax assets		**17,430**	17,425
Other non-current assets		**2,162**	2,162
		4,361,530	3,586,562
Current assets			
Inventories		**22,841**	20,055
Trade and other receivables	6	**214,071**	88,883
Bank balances and cash		**1,876,507**	1,553,761
		2,113,419	1,662,699
Total assets		**6,474,949**	5,249,261
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	7	**48,241**	47,341
Reserves		**5,124,757**	4,010,655
		5,172,998	4,057,996
Minority interests		**165,727**	134,027
Total equity		**5,338,725**	4,192,023
LIABILITIES			
Non-current liabilities			
Borrowings	10	**21,840**	21,840
Deferred income tax liabilities		**194,217**	206,810
		216,057	228,650
Current liabilities			
Trade and other payables	9	**464,769**	372,129
Amount due to ultimate holding company		**1,171**	1,171
Current income tax liabilities		**119,840**	98,050
Borrowings	10	**322,140**	332,280
Deferred charge		**12,247**	24,958
		920,167	828,588
Total liabilities		**1,136,224**	1,057,238
Total equity and liabilities		**6,474,949**	5,249,261
Net current assets		**1,193,252**	834,111
Total assets less current liabilities		**5,554,782**	4,420,673

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30th June 2005 (the "Period")

	Note	Unaudited For the six months ended 30th June 2005 Unaudited HK$'000	2004 Restated HK$'000
Sales	4	**1,502,323**	1,163,556
Cost of goods sold		**(806,978)**	(700,466)
Gross profit		**695,345**	463,090
Other gains – net	4	**15,737**	8,557
Exploration costs		**(1,715)**	(13,622)
Administrative expenses		**(26,154)**	(17,628)
Operating profit	11	**683,213**	440,397
Finance costs	12	**(6,673)**	(4,971)
Share of profits less losses of jointly controlled entities		**37,664**	45,332
Share of profits less losses of an associated company		**108,573**	84,028
Profit before income tax		**822,777**	564,786
Income tax expenses	13	**(180,360)**	(122,824)
Profit for the Period		**642,417**	441,962
Attributable to:			
Equity holders of the Company		**610,717**	424,591
Minority interests		**31,700**	17,371
		642,417	441,962
Earnings per share for profit attributable to the equity holders of the Company during the Period			
– basic	14	**HK12.66 cents**	HK8.95 cents
– diluted	14	**HK12.63 cents**	HK8.85 cents

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2005

		Unaudited				
		Attributable to equity holders of the Company				
	Note	Share capital HK$'000	Other reserves HK$'000 (note 8)	Retained earnings HK$'000	Minority interests HK$'000	Total HK$'000
Balance at 1st January 2004, as previously reported as equity		47,565	1,443,872	1,904,107	–	3,395,544
Balance at 1st January 2004, as previously separately reported as minority interests		–	–	–	137,653	137,653
Balance at 1st January 2004, as previously reported		47,565	1,443,872	1,904,107	137,653	3,533,197
Currency translation differences		–	(92)	–	–	(92)
Net expense recognised directly in equity		–	(92)	–	–	(92)
Repurchase of own shares for cancellation		(224)	(20,542)	–	–	(20,766)
Profit for the period		–	–	424,591	17,371	441,962
Dividends paid to minority interests		–	–	–	(15,599)	(15,599)
Employee share options benefits		–	7,210	–	–	7,210
2003 final dividend		–	–	(94,682)	–	(94,682)
Total recognised income for the six months ended 30th June 2004		(224)	(13,424)	329,909	1,772	318,033
Balance at 30th June 2004, as restated		47,341	1,430,448	2,234,016	139,425	3,851,230
Balance at 1st January 2005, as previously reported as equity		47,341	1,425,985	2,584,670	–	4,057,996
Balance at 1st January 2005, as previously separately reported as minority interests		–	–	–	134,027	134,027
Opening adjustment for the adoption of HKFRS 2	2(a)(ii)	–	7,210	(7,210)	–	–
Opening adjustment for the adoption of HKAS 39	2(a)(iii)	–	(300,667)	–	–	(300,667)
Balance at 1st January 2005, as restated		47,341	1,132,528	2,577,460	134,027	3,891,356
Changes in share of investment revaluation reserve of an associated company		–	909,901	–	–	909,901
Currency translation differences		–	(66)	–	–	(66)
Net income recognised directly in equity		–	909,835	–	–	909,835
Profit for the Period		–	–	610,717	31,700	642,417
Employee share options benefits		–	13,910	–	–	13,910
2004 final dividend		–	–	(165,693)	–	(165,693)
Exercise of share options		900	46,000	–	–	46,900
Total recognised income for the six months ended 30th June 2005		900	969,745	445,024	31,700	1,447,369
Balance at 30th June 2005		48,241	2,102,273	3,022,484	165,727	5,338,725

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Six months ended 30th June	
	2005	2004
Net cash inflow from operating activities	**697,439**	639,772
Net cash used in investing activities	**(245,755)**	(224,892)
Net cash used in financing activities	**(128,933)**	(125,588)
Increase in cash and cash equivalents	**322,751**	289,292
Cash and cash equivalents at 1st January	**1,282,402**	665,949
Cash and cash equivalents at 30th June	**1,605,153**	955,241
Analysis of balances of cash		
Cash and cash equivalents at 30th June	**1,605,153**	955,241
Add: Deposits maturing after three months	**271,354**	298,734
Bank balances and cash at 30th June	**1,876,507**	1,253,975

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

This condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2004.

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31st December 2004 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1st January 2005.

This interim financial information has been prepared in accordance with those new HKFRS standards and interpretations issued and effective as at the time of preparing this information. The HKFRS standards and interpretations that will be applicable at 31st December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in note 2 below.

2. CHANGES IN ACCOUNTING POLICIES

(a) Effect of adopting new HKFRS

In 2005, the Group adopted the new HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS-Int 15	Operating Leases – Incentives
HKFRS 2	Share-based Payment
HKFRS 3	Business Combination

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 33, 36 and HKAS-Int 15 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interests, share of net after-tax results of an associated company and jointly controlled entities and other disclosures.

– HKASs 2, 7, 8, 10, 16, 23, 27, 28, 33, 36 and HKAS-Int 15 had no material effect on the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

2. CHANGES IN ACCOUNTING POLICIES (continued)

(a) Effect of adopting new HKFRS (continued)

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the profit and loss account on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the profit and loss account. In prior years, the leasehold land and land use rights were accounted for at cost less accumulated depreciation and accumulated impairment.

The Group has adopted HKAS 31 and elected to continue applying equity method to account for its interests in jointly controlled entities.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31st December 2004, the provision of share options to employees did not result in an expense in the profit and loss account. Effective on 1st January 2005, the Group expenses the cost of share options in the profit and loss account. As a transitional provision, the cost of share options granted after 7th November 2002 and had not yet vested on 1st January 2005 was expensed retrospectively in the profit and loss account of the respective periods (Note 2.8).

The adoption of HKFRS 3 has no material effect to the Group.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

– HKAS 39–does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous Statement of Standard Accounting Practice ("SSAP") 24 "Accounting for investments in securities" to investment securities for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1st January 2005;

– HKAS-Int 15–does not require the recognition of incentives for leases beginning before 1st January 2005;

– HKFRS 2–only retrospective application for all equity instruments granted after 7th November 2002 and not vested at 1st January 2005; and

– HKFRS 3–prospectively after the adoption date.

2. CHANGES IN ACCOUNTING POLICIES (continued)

(a) Effect of adopting new HKFRS (continued)

(i) The adoption of revised HKAS 17 resulted in.

	As at 30th June 2005 HK$'000	As at 31st December 2004 HK$'000
Decrease in property, plant and equipment	**(3,917)**	(3,982)
Increase in leasehold land and land use rights	**3,917**	3,982

(ii) The adoption of HKFRS 2 resulted in:

	As at 30th June 2005 HK$'000	As at 31st December 2004 HK$'000
Decrease in retained earnings	**(21,120)**	(7,210)
Increase in employee share-based compensation reserve	**21,120**	7,210

	For the year ended 31 December 2004 HK$'000	For the six months ended 30th June 2005 HK$'000	For the six months ended 30th June 2004 HK$'000
Increase in staff costs	7,210	**13,910**	7,210
Decrease in basic earnings per share	(HK0.16 cents)	**(HK0.29 cents)**	(HK0.16 cents)
Decrease in diluted earnings per share	(HK0.15 cents)	**(HK0.29 cents)**	(HK0.15 cents)

(iii) The adoption of HKAS 39 resulted in a decrease in opening reserves and investment in an associated company at 1st January 2005 by HK$300,667,000 and the details of adjustment to the balance sheet at 30th June 2005 are as follows:

	As at 30th June 2005 HK$'000
Increase in investment in an associated company	**909,901**
Increase in share of an associated company's investment revaluation reserve	**909,901**

There was no significant impact on basic and diluted earnings per share from the adoption of HKAS 17 and HKAS 39.

2. CHANGES IN ACCOUNTING POLICIES (continued)

(a) Effect of adopting new HKFRS (continued)

There was no significant impact on opening retained earnings at 1st January 2004 from the adoption of revised HKAS 17 and HKAS 39.

No early adoption of the following new standards or interpretations that have been issued but are not yet effective. The adoption of such standards or interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS-Int 4	Determining whether an Arrangement contains a Lease
HKFRS-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

(b) New Accounting Policies

The accounting policies used for the condensed consolidated financial information for the six months ended 30th June 2005 are the same as those set out in note 2 to the annual financial statements for the year ended 31st December 2004 except for the following:

2.1 Acquisition of subsidiaries, associates and jointly controlled entities

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account.

An investment in an associated company and jointly controlled entity is accounted for using the equity method from the date on which it becomes an associated company and jointly controlled entity. On acquisition of the investment, the measurement and recognition of goodwill is same as that of goodwill arising from the acquisition of subsidiaries. Goodwill relating to an associated company or jointly controlled entity is included in the carrying amount of the investment. Appropriate adjustments to the investor's share of the profits or losses after acquisition are made to account based on their fair values at the date of acquisition.

2. CHANGES IN ACCOUNTING POLICIES (continued)

(b) New Accounting Policies (continued)

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong Dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the investment revaluation reserve in equity.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

2.3 Property, plant and equipment

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2. CHANGES IN ACCOUNTING POLICIES (continued)

(b) New Accounting Policies (continued)

2.4 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.5 Investments

From 1st January 2004 to 31st December 2004:

The Group classified its investments in securities, other than subsidiaries, associates and jointly controlled entities, as long-term investment which represents investments in securities which are stated at cost less provision for impairment losses. The carrying amounts of the individual investments are reviewed at each balance sheet date to assess whether the fair value have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to the fair value. The amount of the reduction is recognised as an expense in the profit and loss account.

From 1st January 2005 onwards:

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

2. CHANGES IN ACCOUNTING POLICIES (continued)

(b) New Accounting Policies (continued)

2.5 Investments (continued)

(a) *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet (note 2.6).

(c) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(d) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the profit and loss account in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit and loss account as gains or losses from investment securities.

2. CHANGES IN ACCOUNTING POLICIES (continued)

(b) New Accounting Policies (continued)

2.5 Investments (continued)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss account-is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

2.6 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit and loss account.

2.7 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2. CHANGES IN ACCOUNTING POLICIES (continued)

(b) New Accounting Policies (continued)

2.8 Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2.9 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimation of oil and natural gas reserves

Oil and gas reserves are key elements in the Group's investment decision-making process. They are also an important element in testing for impairment. Changes in proved oil and natural gas reserves, particularly proved reserves, will affect unit of production depreciation charges to profit and loss account. Proved reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. In general, changes in the technical maturity of oil and gas reserves resulting from new information becoming available from development and production activities have tended to be the most significant cause of annual revisions. Changes to the Group's estimates of proved reserves, particularly proved reserves, may affect the amount of depreciation, depletion and amortisation recorded in the Group's financial statements for property, plant and equipment related to oil and gas production activities. A reduction in proved reserves will increase depreciation, depletion and amortisation charges (assuming constant production) and reduce net income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Estimated impairment of property, plant and equipment

Property, plant and equipment, including oil and gas properties are reviewed for possible impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters, such as future prices of crude oil, natural gas, production profile, estimation of oil and natural gas reserves, etc. However, the impairment reviews and calculations are based on assumptions that are consistent with the Group's business plan. Favourable changes to some assumptions might have avoided the need to impair any assets in these periods, whereas unfavourable changes might have caused an additional unknown number of other assets to become impaired.

4. SALES, OTHER GAINS-NET AND SEGMENT INFORMATION

The Group is principally engaged in the exploration and production of crude oil and natural gas in the People's Republic of China ("PRC"), Peru, the Sultanate of Oman, Thailand and the Azerbaijan Republic (the "Azerbaijan"). Sales recognised for the six months ended 30th June are as follow:

	Unaudited For the six months ended 30th June	
	2005	2004
	HK$'000	HK$'000
Sales		
Sale of crude oil and natural gas	**1,502,283**	1,163,477
Rental income	**40**	79
	1,502,323	1,163,556
Other gains – net		
Interest income	**15,084**	8,557
Others	**653**	–
	15,737	8,557
Total	**1,518,060**	1,172,113

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments be presented as the primary reporting format and business segments as the secondary reporting format.

4. SALES, OTHER GAINS-NET AND SEGMENT INFORMATION (continued)

Primary reporting format – geographical segments

The unaudited segment results, capital expenditure, depletion, depreciation and amortisation for the six months ended 30th June 2005 are as follows:

	PRC 2005 HK$'000	South America 2005 HK$'000	Central and South East Asia 2005 HK$'000	Middle East 2005 HK$'000	Total 2005 HK$'000
Sales	1,024,078	228,566	249,679	–	1,502,323
Segment results	536,525	99,986	63,866	(10)	700,367
Unallocated costs					(17,154)
Operating profit					683,213
Finance costs					(6,673)
Share of profits less losses of					
Jointly controlled entities	16,693	–	(24,442)	45,413	37,664
An associated company	–	–	108,573	–	108,573
Profit before income tax					822,777
Income tax expenses					(180,360)
Profit for the Period					642,417
Capital expenditure	222,939	10,976	62,936	–	296,851
Unallocated capital expenditure					889
Total capital expenditure					297,740
Depletion, depreciation and amortisation	192,723	24,408	23,904	–	241,035
Unallocated depletion, depreciation and amortisation					188
Total depletion, depreciation and amortisation					241,223
The unaudited segment assets and liabilities as at 30th June 2005 are as follows:					
Segment assets	3,101,948	441,427	765,927	–	4,309,302
Investments in jointly controlled entities	307,542	–	125,312	277,668	710,522
Investment in an associated company	–	–	859,945	–	859,945
Unallocated assets					595,180
Total assets					6,474,949
Segment liabilities	632,455	128,067	54,399	14	814,935
Unallocated liabilities					321,289
Total liabilities					1,136,224

4. SALES, OTHER GAINS-NET AND SEGMENT INFORMATION (continued)

Primary reporting format – geographical segments (continued)

The unaudited and restated segment results, capital expenditure, depletion, depreciation and amortisation for the six months ended 30th June 2004 are as follows:

	PRC HK$'000	South America HK$'000	Central and South East Asia HK$'000	Middle East HK$'000	Total HK$'000
Sales	837,857	176,078	149,621	–	1,163,556
Segment results	372,767	56,983	23,624	305	453,679
Unallocated costs					(13,282)
Operating profit					440,397
Finance costs					(4,971)
Share of profits less losses of					
Jointly controlled entities	20,670	–	(23,338)	48,000	45,332
An associated company	–	–	84,028	–	84,028
Profit before income tax					564,786
Income tax expenses					(122,824)
Profit for the period					441,962
Capital expenditure	178,891	10,596	69,263	–	258,750
Unallocated capital expenditure					57
Total capital expenditure					258,807
Depletion, depreciation and amortisation	198,754	25,131	19,719	–	243,604
Unallocated depletion, depreciation and amortisation					22
Total depletion, depreciation and amortisation					243,626

The audited and restated segment assets and liabilities as at 31st December 2004 are as follows:

	PRC HK$'000	South America HK$'000	Central and South East Asia HK$'000	Middle East HK$'000	Total HK$'000
Segment assets	2,792,978	390,468	689,271	–	3,872,717
Investments in jointly controlled entities	290,358	–	119,513	291,772	701,643
Investment in an associated company	–	–	150,250	–	150,250
Unallocated assets					524,651
Total assets					5,249,261
Segment liabilities	291,667	62,320	47,215	23,415	424,617
Unallocated liabilities					632,621
Total liabilities					1,057,238

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

4. SALES, OTHER GAINS-NET AND SEGMENT INFORMATION (continued)

Secondary reporting format – business segments

Unaudited for the six months ended 30th June 2005

	Sales HK$'000	Segment results HK$'000	Capital expenditure HK$'000	Depletion, depreciation and amortisation HK$'000
Sales of crude oil and natural gas	1,502,283	700,544	296,851	241,035
Rental income	40	(177)	–	–
	1,502,323	700,367	296,851	241,035
Unallocated costs		(17,154)		
Operating profit		683,213		
Unallocated capital expenditure			889	
Total capital expenditure			297,740	
Unallocated depletion, depreciation and amortisation				188
Total depletion, depreciation and amortisation				241,223

Unaudited as at 30th June 2005

	Total assets HK$'000
Sales of crude oil and natural gas	4,299,794
Rental income	9,508
	4,309,302
Investments in jointly controlled entities	710,522
Investment in an associated company	859,945
Unallocated assets	595,180
Total assets	6,474,949

4. SALES, OTHER GAINS-NET AND SEGMENT INFORMATION (continued)

Secondary reporting format – business segments (continued)

Unaudited and restated for the six months ended 30th June 2004

	Sales HK$'000	Segment results HK$'000	Capital expenditure HK$'000	Depletion, depreciation and amortisation HK$'000
Sales of crude oil and natural gas	1,163,477	453,814	258,750	243,604
Rental income	79	(135)	–	–
	1,163,556	453,679	258,750	243,604
Unallocated costs		(13,282)		
Operating profit		440,397		
Unallocated capital expenditure			57	
Total capital expenditure			258,807	
Unallocated depletion, depreciation and amortisation				22
Total depletion, depreciation and amortisation				243,626

Audited as at 31st December 2004

	Total assets HK$'000
Sales of crude oil and natural gas	3,863,374
Rental income	9,343
	3,872,717
Investments in jointly controlled entities	701,643
Investment in an associated company	150,250
Unallocated assets	524,651
Total assets	5,249,261

5. CAPITAL EXPENDITURE

	Property, plant and equipment HK$'000	Leasehold land and land use right HK$'000	Total HK$'000
Opening net book amount as at 1st January 2005, as previously reported	2,715,082	–	2,715,082
Opening adjustment for the adoption of HKSA 17	(3,982)	3,982	–
Opening net book amount as at 1st January 2005, as restated	2,711,100	3,982	2,715,082
Exchange differences	(65)	–	(65)
Additions	297,740	–	297,740
Disposals	(63)	–	(63)
Depletion, depreciation and amortisation charge (note 11)	(241,158)	(65)	(241,223)
Unaudited closing net book amount as at 30th June 2005	2,767,554	3,917	2,771,471
Opening net book amount as at 1st January 2004	2,661,761	–	2,661,761
Additions	258,807	–	258,807
Disposals	(3)	–	(3)
Depletion, depreciation and amortisation charge (note 11)	(243,626)	–	(243,626)
Unaudited closing net book amount as at 30th June 2004	2,676,939	–	2,676,939
Additions	298,745	4,042	302,787
Exchange differences	3,504	–	3,504
Disposals	(7,384)	–	(7,384)
Depletion, depreciation and amortisation charge	(260,704)	(60)	(260,764)
Closing net book amount as at 31st December 2004, as restated	2,711,100	3,982	2,715,082

6. TRADE AND OTHER RECEIVABLES

	As at 30th June 2005 Unaudited HK$'000	As at 31st December 2004 Audited HK$'000
Trade receivables from third parties	**104,783**	34,188
Trade receivables from related parties	**96,607**	45,326
Trade receivables – net (note)	**201,390**	79,514
Prepayments and other receivables from third parties	**12,502**	8,586
Other receivables from an associated company	**31**	–
Other receivables from related parties	**148**	783
	214,071	88,883

Note: The Group granted a credit period of 30 to 60 days to its customers. As at 30th June 2005 and 31st December 2004, all trade receivables were aged within three months.

7. SHARE CAPITAL

	Number of shares (thousands)	Ordinary shares HK$'000	Share premium HK$'000	Total HK$'000
At 1st January 2004	4,756,504	47,565	1,313,079	1,360,644
Repurchase of own shares for cancellation	(22,410)	(224)	(20,542)	(20,766)
At 30th June 2004 and 31st December 2004	4,734,094	47,341	1,292,537	1,339,878
Exercise of share options	90,000	900	46,000	46,900
At 30th June 2005	4,824,094	48,241	1,338,537	1,386,778

The total authorised number of ordinary shares is 8,000 million shares (31st December 2004: 8,000 million shares) with a par value of HK$0.01 per share (31st December 2004: HK$0.01 per share). All issued shares are fully paid.

Share options

On 3rd June 2002, the shareholders of the Company approved the termination (to the effect that no further options shall be offered) of the 2001 Share Option Scheme and the adoption of a new share option scheme (the "2002 Share Options Scheme"). As at 30th June 2005, options to subscribe for a total of 10,000,000 option shares were still outstanding under the 1991 Share Option Scheme. No option has been granted under the 2001 Share Option Scheme.

Under the 2002 Share Option Scheme, options may be granted to the directors and full-time employees of the Company. No amount shall be payable by the grantee to the Company in exercising the right to accept an offer of the option. Options may be exercised at any time, but not less than 3 months and not more than 10 years from the date on which the option is granted and accepted by the grantee. The 2002 Share Option Scheme will expire on 2nd June 2012. As at 30th June 2005, options to subscribe for a total of 85,500,000 option shares were still outstanding under the 2002 Shares Option Scheme.

On 27th April 2005, a total of 53,500,000 options were granted to two directors, an independent director and an employee at an exercise price of HK$1.224 per share expiring on 26th April 2010. The closing price of the Company's shares immediately before 27th April 2005, the date of grant, was HK$1.20.

During the Period, 40,000,000 and 50,000,000 options were exercised at exercise price of HK$0.41 and HK$0.61 per share respectively on 6th June 2005. The closing price of the Company's share immediately before the day on which these options being exercised was HK$1.14.

Movement in the number of share options outstanding during the Period/year are as follows:

	Number of options	
	30th June 2005 Unaudited	31st December 2004 Audited
At the beginning of the Period/year	**132,000,000**	100,000,000
Granted	**53,500,000**	32,000,000
Exercised	**(90,000,000)**	–
At the end of the Period/year	**95,500,000**	132,000,000

7. SHARE CAPITAL (continued)

Share options outstanding as at 30th June 2005 and 31st December 2004 have the following terms:

Exercisable period	Exercised price	Number of options 30th June 2005 Unaudited	31st December 2004 Audited
Directors:			
8th June 2001 to 7th March 2006	0.41	–	40,000,000
26th July 2001 to 25th April 2006	0.61	10,000,000	60,000,000
8th April 2004 to 7th January 2009	1.362	7,000,000	7,000,000
25th September 2004 to 24th June 2009	0.94	20,000,000	20,000,000
27th July 2005 to 26th April 2010	1.224	48,500,000	–
		85,500,000	127,000,000
Employees:			
25th September 2004 to 24th June 2009	0.94	5,000,000	5,000,000
27th July 2005 to 26th April 2010	1.224	5,000,000	–
		95,500,000	132,000,000

8. OTHER RESERVES

	Contributed surplus	Share premium	Employee share-based compensation reserve	Investment revaluation reserve	Exchange reserve	Total
Balance at 1st January 2004, as previously reported	134,323	1,313,079	–	–	(3,530)	1,443,872
Employee share options benefits	–	–	7,210	–	–	7,210
Repurchase of own shares for cancellation	–	(20,542)	–	–	–	(20,542)
Currency translation differences	–	–	–	–	(92)	(92)
Unaudited balance at 30th June 2004, as restated	134,323	1,292,537	7,210	–	(3,622)	1,430,448
Currency translation differences	–	–	–	–	2,747	2,747
Balance at 31st December 2004, as restated	134,323	1,292,537	7,210	–	(875)	1,433,195
Balance at 1st January 2005, as previously reported	134,323	1,292,537	–	–	(875)	1,425,985
Opening adjustment for the adoption of HKAS 39	–	–	–	(300,667)	–	(300,667)
Opening adjustment for the adoption of HKFRS 2	–	–	7,210	–	–	7,210
Balance at 1st January 2005, as restated	134,323	1,292,537	7,210	(300,667)	(875)	1,132,528
Employee share options benefits	–	–	13,910	–	–	13,910
Changes in share of investment revaluation reserve of an associated company	–	–	–	909,901	–	909,901
Exercise of share options	–	46,000	–	–	–	46,000
Currency translation differences	–	–	–	–	(66)	(66)
Unaudited balance at 30th June 2005	134,323	1,338,537	21,120	609,234	(941)	2,102,273

9. TRADE AND OTHER PAYABLES

	As at	
	30th June 2005 Unaudited HK$'000	31st December 2004 Audited HK$'000
Trade payables to third parties	**21,631**	40,921
Trade payables to related parties	**9,801**	13,829
	31,432	54,750
Other payable to third parties and accrued expenses	**410,819**	136,008
Other payable to related parties	**22,518**	181,371
	464,769	372,129

At 30th June 2005, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) were as follows:

	As at	
	30th June 2005 Unaudited HK$'000	31st December 2004 Audited HK$'000
Within three months	**22,553**	45,999
Between three months to six months	**–**	2,154
Over six months	**8,879**	6,597
	31,432	54,750

10. BORROWINGS

	As at 30th June 2005 Unaudited HK$'000	As at 31st December 2004 Audited HK$'000
Non-current		
Loan from a related company (note b)	**21,840**	21,840
	21,840	21,840
Current		
Bank borrowings (note a)	**312,000**	312,000
Loan from a related company (note b)	**10,140**	20,280
	322,140	332,280
Total borrowings	**343,980**	354,120

Notes:

(a) The bank loan, denominated in US dollars, bears interest at London Interbank offered Rate ("LIBOR") plus 0.4% per annum payable semi annually in arrears. The bank loan is unsecured and repaid in full on 18th July 2005.

(b) The loan is borrowed from a related company in 2003 for working capital purpose. The loan is unsecured, bears interest at LIBOR plus 6.5% per annum and US$1,300,000 (approximately HK$10,140,000) is repayable before 31st December 2005 whilst the remainder is repayable before 31st December 2006.

11. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Unaudited For the six months ended 30th June 2005 HK$'000	2004 Restated HK$'000
Crediting		
Gain on disposal of property, plant and equipment	**3,276**	–
Net exchange gains	**156**	–
Charging		
Cost of inventories sold	**565,943**	456,862
Depletion and depreciation of property, plant and equipment	**241,158**	234,626
Amortisation of leasehold land and land use right	**65**	–
Operating lease rental in respect of land and buildings	**1,723**	1,380
Staff costs, including directors' emoluments	**45,481**	32,274
Auditors' remuneration	**1,035**	1,103

12. FINANCE COSTS

	Unaudited For the six months ended 30th June	
	2005	2004
	HK$'000	HK$'000
Interest on loan from a related company wholly repayable within five years	**1,848**	2,486
Interest on bank loan	**4,825**	2,485
	6,673	4,971

13. INCOME TAX EXPENSES

	Unaudited For the six months ended 30th June	
	2005	2004 Restated
	HK$'000	HK$'000
Overseas taxation	**188,944**	120,010
Deferred taxation	**(8,584)**	2,814
	180,360	122,824

No provision for Hong Kong profits tax has been made as the Group has no assessable profit for the six months ended 30th June 2005 (six months ended 30th June 2004: nil).

Taxation on overseas profit has been calculated on the estimated assessable profit for the six months ended 30th June 2005 and 2004 at the rates of taxation prevailing in the countries in which the Group operates.

Pursuant to an approval from Karamay Tax bureau on 6th July 2004, the taxable income in respect of the oil production under the Xinjiang Contract is entitled to preferential PRC income tax rate of 15% for six years from 1st January 2003 to 31st December 2008.

The taxable income in respect of the oil production under the Leng Jiapu Contract is subject to the income tax rate of 33% for the six months ended 30th June 2005 and 2004.

No share of jointly controlled entities' taxation for the six months ended 30th June 2005 (2004: credit of HK$7,281,000) were included in the consolidated profit and loss account as share of profits less losses of jointly controlled entities.

No share of an associated company's taxation for the six months ended 30th June 2005 (2004: nil) were included in the consolidated profit and loss account as share of profits of an associated company.

14. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the six months ended 30th June 2005 and 2004.

	Unaudited For the six months ended 30th June	
	2005	2004 Restated
Profit attributable to equity holders of the Company (HK$'000)	610,717	424,591
Weighted average number of ordinary shares in issue (thousands)	4,823,709	4,742,267
Basic earnings per share (HK cent per share)	12.66	8.95

Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the share options a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Unaudited For the six months ended 30th June	
	2005	2004 Restated
Profit attributable to equity holders of the Company and used to determine diluted earnings per share (HK$'000)	610,717	424,591
Weighted average number of ordinary shares in issue (thousands)	4,823,709	4,742,267
– share options (thousands)	10,456	56,081
Weighted average number of ordinary shares for diluted earnings per share (thousands)	4,834,165	4,798,348
Diluted earnings per share (HK cent per share)	12.63	8.85

15. DIVIDENDS

Given the continuous cash requirement for business expansion, the Board has resolved not to declare an interim dividend for the Period (six months ended 30th June 2004: nil).

16. COMMITMENTS

(a) Capital commitments

	30th June 2005 Unaudited HK$'000	31st December 2004 Audited HK$'000
Contracted but not provided for		
Development cost under the Leng Jiapu Contract	145,201	290,402
Development cost under the Xinjiang Contract	–	65,233
Development cost for Onshore Exploration Block No. L21/43 in Thailand (note)	61,324	77,307
Development cost for the Azerbaijian Kursangi and Karabagli oil field	99,025	141,720
Development cost for Peru Talara oil field	16,182	18,486
Development cost for Thailand Sukhothai oil field	19,991	39,780
	341,723	632,928

Note: The amount represents the remaining minimum work obligation, as required to be incurred before the end of the Petroleum Exploration Period, 17th July 2009, in the Petroleum Concession awarded by the Minister of Energy in Thailand.

(b) Operating leases commitments

At 30th June 2005, the Group had total future aggregate minimum lease payments under non-cancelable operating leases in respect of land and buildings as follows:

	30th June 2005 Unaudited HK$'000	31st December 2004 Audited HK$'000
Not later than one year	2,489	781
Later than one year and not later than five years	5,753	2,264
Later than five years	726	924
	8,968	3,969

17. RELATED-PARTY TRANSACTIONS

The following is a summary of significant related party transactions during the Period carried out in the normal course of the Group's business:

(a) In connection with the Xinjiang Contract entered into with China National Petroleum Corporation ("CNPC") in July 1996, the Group has entered into the following transactions with related parties:

		Unaudited For the six months ended 30th June	
	Note	**2005** **HK$'000**	2004 HK$'000
Sale of crude oil	(i)	**321,008**	229,716
Operating management fee	(ii)	**60,172**	59,592
Lease rental of motor vehicles and land and buildings		**821**	115
Assistance fee		**105**	105
Training fee		**105**	105

Notes:

(i) The oil price is set by CNPC with reference to the trend of the international oil price.

(ii) The amount represents fee paid for the provision of operating crews, purchase of materials and supplies, provision of utilities and repair and maintenance services. The provision of the above was partly governed by contracts. The pricing of principal transactions, including those with contracts, is set with reference to the rates used in the region.

In accordance with the Xinjiang Contract, all of the above amounts represent the Group's 54% share of oil production and the respective cost items.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (continued)

17. RELATED-PARTY TRANSACTIONS (continued)

(b) In connection with the Leng Jiapu Contract entered into with CNPC in December 1997, the Group has entered into the following transactions with related parties:

		Unaudited For the six months ended 30th June	
		2005	2004
	Note	**HK$'000**	HK$'000
Sales of crude oil	(i)	**703,069**	608,141
Operating management fee	(ii)	**140,516**	125,227
Drilling fee	(iii)	**–**	154,259
Purchase of equipment		**1,054**	3,787
Operations and support services fee		**415**	729
Perforation fee		**1,452**	–
Assistance fee		**137**	137
Training fee		**137**	137

Notes:

(i) The oil price is set by CNPC with reference to the trend of the international oil price.

(ii) The amount represents fee paid for the provision of operating crews, purchase of materials and supplies, provision of utilities, repair and maintenance services. The provision of the above was partly governed by contracts. The pricing of principal transactions, including those with contracts, is set with reference to the rates used in the region.

(iii) Prices charged for drilling are in accordance with respective contracts with CNPC.

In accordance with the Leng Jiapu Contract, all of the above amounts represent the Group's 70% share of oil production and the respective cost items.

(c) In connection with the Sukhothai oil concession in Thailand, the Group entered into the following transactions with related parties:

		Unaudited For the six months ended 30th June	
		2005	2004
	Note	**HK$'000**	HK$'000
Lease rental of oil field equipment	(i)	**5,602**	7,327
Geophysical and geological studies		**357**	–

Note:

(i) The lease rental of oil field equipment was charged in accordance with the terms of lease agreements which ranged from US$595 (approximately HK$4,641) (six months ended 30th June 2004: US$595 (approximately HK$4,641)) to US$6,143 (approximately HK$47,915) (six months ended 30th June 2004: US$6,143 (approximately HK$47,915)) per day.

17. RELATED-PARTY TRANSACTIONS (continued)

(d) In connection with the Onshore Exploration Block No. L21/43 in Thailand, the Group entered into the following transactions with related parties:

	Note	Unaudited For the six months ended 30th June 2005 HK$'000	2004 HK$'000
Geophysical and geological studies	(i)	**856**	–
Lease rental of oil field equipment	(ii)	**4,259**	–
Purchase of material	(iii)	**874**	–

Notes:

(i) The geophysical and geological studies and geophysical services were charged in accordance with the terms of the geophysical and geological studies agreement and geophysical service contract respectively.

(ii) The lease rental of oil field equipment was charged in accordance with the terms of lease agreements which ranged from US$595 (approximately HK$4,641) to US$6,143 (approximately HK$47,915) per day.

(iii) The prices of seamless steel casing and trubing were charged at USD1.10 (approximately HK$8.58) and USD1.21 (approximately HK$9.44) per kilogram, respectively in accordance with the term of the sales contract.

(e) In accordance with Kursangi and Karabagli oil field in the Azerbaijan, the Group entered into the following transactions with related parties:

	Note	Unaudited For the six months ended 30th June 2005 HK$'000	2004 HK$'000
Drilling fee	(i)	**9,057**	14,847
Engineering and others	(ii)	**15,344**	18,197
Fracturing fee		**11,656**	–
Purchase of material		**1,476**	5,586

(i) The drilling fee were charged at US$5,750 (approximately HK$44,850) (six months ended 30th June 2004: US$5,750 (approximately HK$44,850)) to US$11,500 (approximately HK$89,700) (six months ended 30th June 2004: US$11,500 (approximately HK$89,700)) per day.

(ii) The engineering and others were charged at USD420 (approximately HK$3,276) (six months ended 30th June 2004: US$420 (approximately HK$3,276)) to USD1,200 (approximately HK$9,360) (six months ended 30th June 2004: US$4,080 (approximately HK$31,824)) per day.

(f) Key management compensation

	Unaudited For the six months ended 30th June 2005 HK$'000	2004 HK$'000
Salaries and other short-term employee benefits	**3,533**	2,873
Other long-term benefits	**442**	359
Share-based payments	**12,610**	6,160
	16,585	9,392

(g) Rental expense amounting to HK$187,000 (six months ended 30th June 2004: HK$187,000) was paid to a fellow subsidiary in accordance with a lease agreement at a monthly rate of HK$31,000 for the six months ended 30th June 2005 (six months ended 30th June 2004: HK$31,000).

(h) Interest expense amounting to HK$1,848,000 (six months ended 30th June 2004: HK$2,486,000) was paid to China Petroleum Finance Company Limited, a subsidiary of CNPC (note 12).