



CNPC (HONG KONG) LIMITED

(incorporated in Bermuda with limited liability)

中國(香港)石油有限公司

(Stock Code: 0135)



INTERIM REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Mr Lau Hak Woon

BERMUDA RESIDENT REPRESENTATIVE

Codan Services Limited
Clarendon House
Church Street
Hamilton HM11, Bermuda

AUDITORS

Deloitte Touche Tohmatsu

BANKERS

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

STOCK CODE

The Stock Exchange of Hong Kong Limited
135.HK

WEBSITE

<http://www.cnpc.com.hk>
<http://www.irasia.com/listco/hk/cnpchk>

PRINCIPAL BOARD COMMITTEES

Audit Committee
Dr Lau Wah Sum, GBS, LLD, DBA, JP (*Chairman*)
Mr Li Kwok Sing Aubrey
Dr Liu Xiao Feng
Mr Wang Wenhua

Remuneration Committee
Mr Li Kwok Sing Aubrey (*Chairman*)
Dr Lau Wah Sum, GBS, LLD, DBA, JP
Dr Liu Xiao Feng

SOLICITORS

Baker & McKenzie
Clifford Chance

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM11, Bermuda

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PRINCIPAL REGISTRARS

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6 Front Street
Hamilton HM11, Bermuda

REGISTRARS IN HONG KONG

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28, Queen's Road East
Hong Kong

BUSINESS REVIEW

I would like to announce to the shareholders on behalf of the Board that the turnover of the Group for the six months ended 30 June 2007 (the "Period") amounted to HK\$1,728,559,000 (corresponding period of last year: HK\$1,966,611,000), representing a decrease of HK\$238,052,000 or 12.10% as compared with the corresponding period of last year. The Group's unaudited profit attributable to shareholders for the Period was HK\$693,662,000 (corresponding period of last year: HK\$1,156,611,000), representing a decrease of HK\$462,949,000 or 40.03%, the reasons of which are as follows.

The shared sales volume of crude oil by the Group for the Period was 8,515,000 barrels, representing a decrease of 91,000 barrels or 1.05% compared with 8,606,000 barrels for the same period of last year. The decrease in sales volume resulted in a decrease of profits before tax of the Group by HK\$38,109,000. With the decline of the international crude oil price in the Period as compared with last year, the weighted average realised price of crude oil per barrel of the Group was approximately US\$49.79, decreased by US\$4.5 or 8.29% compared with US\$54.29 per barrel (adjusted) for the same period of last year. The decline of crude oil price resulted in a decrease of profits before tax of the Group by HK\$304,251,000.

In accordance with the Group's accounting policy, exploration cost shall be treated as expenses if the discovery of commercial reserve is not confirmed within one year. During the Period, since the newly explored oil fields have not yet commenced production, no contribution to the Group is recorded and the relevant exploration cost amounted to HK\$67,353,000 (corresponding period of last year: HK\$19,325,000), of which HK\$51,580,000 (corresponding period of last year: HK\$9,115,000) was accounted for cost of sales and HK\$15,773,000 was included under impairment losses on loan to a jointly controlled entity (corresponding period of last year: HK\$10,210,000 decreased in 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 497,000 tonnes (corresponding period of last year: 530,000 tonnes) of crude oil from the Liaohe Leng Jiapu Contract Area was sold in the first half of the year, representing a decrease of 33,000 tonnes or 6.23%. On a 70% sharing basis, profit after tax and special levy on petroleum was HK\$225,920,000 (corresponding period of last year: HK\$330,355,000), representing a decrease of HK\$104,435,000 or 31.61%. The special levy on petroleum paid by the Group on a 70% sharing for the Period was RMB4,372,000 or approximately HK\$4,395,000 (corresponding period of last year: RMB16,879,000 (HK\$16,111,000)).

CHAIRMAN'S STATEMENT

According to the Leng Jiapu Contract, the Group is responsible for 70% of the development costs and thus an aggregate contribution of RMB472,024,000 (approximately HK\$482,395,000) (corresponding period of last year: RMB226,016,000 (approximately HK\$215,726,000)) was committed to make out of profit by the Group and subsequently invested in August 2007 as partial financing 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 362,000 tonnes (corresponding period of last year: 367,000 tonnes) of crude oil during the Period, representing a decrease of approximately 5,000 tonnes or 1.36%. On a 54% sharing basis, profit after tax and special levy on petroleum attributable to the Group was HK\$212,649,000 (corresponding period of last year: HK\$275,716,000), a decrease of HK\$63,067,000 or 22.87%. The special levy on petroleum paid by the Group on a 54% sharing was RMB11,577,000 or approximately HK\$11,640,000 (corresponding period of last year: RMB16,762,000 (HK\$15,996,000)).

According to the Xinjiang Contract, the Group is responsible for 54% of the development costs and an aggregate contribution of RMB123,069,000 (approximately HK\$123,773,000) (corresponding period of last year: RMB81,697,000 (approximately HK\$77,977,000)) was made during the Period as part of the fund required for stabilising production.

According to the Xinjiang Contract, the production sharing contract is for twelve consecutive years up to 31 August 2008. However, the contract may be extended up to 25 years (up to 2021). The Group is applying for an extension of contract period and expansion of development contract area.

The Republic of Kazakhstan ("Kazakhstan")

Zhanazhol, Kenkyak (pre-salt) and Kenkyak (post-salt) oil fields

The Group indirectly owns 15.07% equity interest in CNPC-Aktobemunaigas Joint Stock Company ("Aktobe") through holding 60% equity interest in CNPC International (Caspian) Limited ("Caspian"). Aktobe, whose shares are listed on the Kazakhstan Stock Exchange, owns the Zhanazhol, Kenkyak (pre-salt) and Kenkyak (post-salt) oil fields in Kazakhstan.

For the first half of the year, total sales of crude oil and natural gas in Aktobe was 21,594,000 barrels (corresponding period of last year: 20,983,000 barrels) and 16,811 million cu.ft (corresponding period of last year: 13,252 million cu.ft.) respectively. Sales of crude oil increased by 611,000 barrels or 2.91%, while sales of natural gas increased by 3,559 million cu.ft. or 26.86%. On a pro rata basis, the Group's share of crude oil amounted to 3,256,000 barrels (corresponding period of last year: 3,163,000 barrels), and natural gas amounted to 2,534 million cu.ft. (corresponding period of last year: 1,997 million cu.ft). For the Period, the average selling price of crude oil was US\$54.69 per barrel (corresponding period of last year: US\$59.64).

When the Group increased its investment of 20% equity interests in Caspian in 2005, an assessment was made in the fair value of its investment in Aktobe, which resulted an increase in the value of oil and gas assets by HK\$12,328,961,000 (Attributable to the Group: 60%). Pursuant to accounting standards, HK\$1,705,847,000 was accounted as non-recurrent gains in 2005, with the remaining included in the prior year retained earnings and assets revaluation reserve, and this increment was required to be amortised each year by unit-of-production method from 2006 onwards. Excluded minority interest, HK\$296,493,000 was amortised by the Group for the Period (corresponding period of last year: HK\$285,712,000 restated).

As the above amortisation was just a matter of accounting method and irrelevant to the results and cashflow of the Company, if the exceptional items arising from the increase in acquisition of interests in Aktobe as set out above was taken out for the calculation of profit, the Group recorded an operating profit after tax and minority interests of HK\$597,619,000 for the Period, representing a decrease of HK\$66,032,000 or 9.95% compared with HK\$663,651,000 in the corresponding period of last year.

The Kingdom of Thailand (“Thailand”)

Sukhothai Concession

For the first half of the year, the Sukhothai Concession in Thailand recorded sales volume of 200,000 barrels (corresponding period of last year: 176,000 barrels), representing an increase of 24,000 barrels or 13.64% over the corresponding period of last year, income tax was HK\$22,081,000 (corresponding period of last year: HK\$18,761,000), and profit after tax and minority interest amounted to HK\$18,509,000 (corresponding period of last year: HK\$32,510,000), representing a decrease of HK\$14,001,000 or 43.07% as compared with the corresponding period of last year. The Group will continue to explore the potential of the oil field, input more resources to maintain stable production and improve efficiency.

L21/43 Concession

In July 2003, the Group was granted the right to carry out oil exploration in the L21/43 concession located in central Thailand by the Thailand Government. The initial findings for the exploration were satisfactory, the Group had received approval from the Thailand Government to carry out small scale production and continue the exploration, analysis and investigation works on the remaining portion of the concession. For the Period, the sales of crude oil amounted to 10,000 barrels (corresponding period of last year: 6,000 barrels). Exploration cost of HK\$12,608,000 (corresponding period of last year: HK\$9,115,000) for the Period was accounted for as costs.

Indonesia

Bengara II

In 2006, the Group acquired 70% interests in Continental-GeoPetro (Bengara-II) Limited (“CGB II”) from an independent third party. CGB II had interests in the oil and gas properties of Bengara II Production Contract Area in East Kalimantan, Indonesia.

At present, the drilling work of the first exploration well has completed. Initial evaluation indicates good trail of oil and gas, and the drilling work of the second exploration wells is in progress. The third and fourth exploration wells will commence drilling work successively. The Indonesian project has been developing in good progress.

Peru

Talara Oil Field

The Group holds 50% interest in the rights to explore and produce petroleum and natural gas in Blocks VI and VII of the Talara Oil Field in Peru. During the Period, the Group shared the sales of crude oil 263,000 barrels (corresponding period of last year: 286,000 barrels) and natural gas 167,573,000 cu.ft. (corresponding period of last year: 185,792,000 cu.ft.). The Group shared HK\$30,667,000 (corresponding period of last year: HK\$45,094,000) in profit after tax and minority interests, representing a decrease of HK\$14,427,000, or 31.99%.

CHAIRMAN'S STATEMENT

Blocks 111/113

In December 2005, the Group entered into a blocks exploration agreement with Perupetro, a company wholly-owned by the Peruvian Government, in relation to conducting exploration in Zones 111 and 113 of Madre de Dios, being new blocks for exploration in Southeast Peru. Exploration works just commence so in the hope that findings will bring returns to the Group.

The Sultanate of Oman (“Oman”)

Block 5

The Group holds 25% interest in the Block 5 oil field in the Sultanate of Oman. The Group shared the sales of crude oil 625,000 barrels (corresponding period of last year: 664,000 barrels) during the Period, decreased by 39,000 barrels or 5.87%, and profit after tax amounted to HK\$81,151,000 (corresponding year of last year: HK\$59,872,000), increased by HK\$21,279,000 or 35.54%.

The Azerbaijan Republic (the “Azerbaijan”)

Kursangi and Karabagli Oil Field (“K&K”)

The Group owns 25% interest in K&K in Azerbaijan and shared the sales of crude oil 547,000 barrels during the Period (corresponding period of last year: 530,000 barrels) increased by 17,000 barrels or 3.21%. Profit after tax attributable to the Group amounted to HK\$42,972,000 (corresponding period of last year: HK\$41,115,000), representing an increase of HK\$1,857,000 or 4.52%.

Gobustan Oil Field

The Group holds 31.41% interest in Commonwealth Gobustan Limited. The company owns 80% interest in an oil field in the Southwest of Gobustan, Azerbaijan, where exploration is being carried out. The exploration cost attributable to the Group for the Period of HK\$15,773,000 (corresponding period of last year: HK\$7,855,000) was included under the impairment losses on loan to a jointly controlled entity. Sale of natural gas commences in 2006 in small scale, but due to the complicated underground structure of the Gobustan Oil Field, in-depth analysis, investigation and preparation in various aspects are needed before arranging production in larger scale.

The Union of Myanmar (“Myanmar”)

Tetma Block IOR-3, Tuyintaung Block RSF-2 and Gwegyo-Ngashandaung Block RSF-3

The Group owns 50% exploring interest in the Myanmar oil field. Exploration and in-depth investigation have carried out in full swing. According to the result of professional investigation, there is no significant finding in the oil field, the industrial flow is relatively small and no commercial value for development. After the discussion with partners, it is resolved to abandon the right of oil field exploration, which will be returned to the local government in the year.

MANUFACTURING BUSINESS

Steel pipes factory

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”), by 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, produces high quality steel pipes to satisfy the market demand. Its branch factory, established in the Yangzhou Han Jiang Industrial Park, the PRC, commenced production in the second half of 2006 to enhance its competitiveness and capture a larger market share in the eastern China.

Turnover for the first half of the year experienced a greater reduction as compared with the corresponding period of last year. The main reason is the construction works of several pipelines project was postponed in the first half of the year, which affects bulk orders and large-calibre steel pipes orders. This led to the loss in the first half of the year.

In the second half of the year, the construction works of large-scale pipeline projects, such as the second pipeline for transmission of natural gas from western part to the eastern part of China, Sino-Russian project, Sino-Kazakhstan project, will commence successively. Hence, North China will group on this opportunity to fully utilize its effectiveness, so as to achieve similar results of last year.

Film Factory

Biaxially Oriented Polypropylene (“BOPP”) project and CPP project

The BOPP film factory jointly established with 大慶石油管理局 has formally begun production and the results were satisfactory as anticipated. Facing the raw material price maintained at high level and strong competition within the industry, only the strong ones will survive. Products of the film factory gained high recognition in the market as the management paid much effort on improving product quality, controlling cost and optimizing production. Gain attributable to the Group for the Period was HK\$2,229,000 (corresponding period of last year: HK\$190,000), which represented an increase of HK\$2,039,000 or 1,073.16%.

The CPP film production line set up in 2005 will formally commence production now after measurement and testing of quality, providing an additional product line to satisfy the market demand. With the continued growth of the PRC's economy, demand for packaging material is expected to increase gradually. It is believed that the business will contribute stable revenue to the Group.

BUSINESS PROSPECTS

The direction of the Group's future development will still focus 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 on projects with lower risk and reasonable return in different regions and develop petroleum-related business in the PRC and overseas.

CHAIRMAN'S STATEMENT

With sound financial position and prudent approach in investment, 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

Li Hualin

Chairman

Hong Kong, 14 September 2007

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

The Group has recorded a turnover of HK\$1,728,559,000 for the period ended 30 June 2007 (the "Period"), representing a decrease of HK\$238,052,000 or 12.10% as compared with HK\$1,966,611,000 corresponding period last year. The decrease of turnover was mainly due to the decrease of weighted average crude oil selling price from US\$54.29 per barrel (adjusted) corresponding period last year to US\$49.79 per barrel this Period, decrease of US\$4.5 or 8.29%.

The profit after taxation and minority interest for the Period was HK\$693,662,000 representing a decrease of HK\$462,949,000 or 40.03%, as compared to HK\$1,156,611,000 corresponding period last year.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2007, the aggregate assets value of the Group was HK\$21,891,280,000, representing an increase of HK\$873,825,000 or 4.16% as compared with 31 December 2006.

The major changes of the assets are as follows:

	Increase/(decrease)
	HK\$'000
Property, plant and equipment	(116,559)
Interests in an associate	(206,939) [#]
Interests in jointly controlled entities	69,320
Loans to jointly controlled entities	34,106
Available-for-sale investments	32,947
Bank balances, cash and bank deposits	1,038,709
	<hr/>
Total increase in assets	851,584
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[#] The net assets of CNPC-Aktobemunaigas Joint Stock Company ("Aktobe") was reduced due to dividend distribution of HK\$989,969,000 and the amortisation charges on the revaluation surplus of HK\$490,783,000.

The gearing ratio of the Group maintained at 5.69% as at 30 June 2007 compared with 5.91% as at 31 December 2006. It is computed by dividing the total borrowings of HK\$832,623,000 (31 December 2006: HK\$828,132,000) by the shareholders' funds of HK\$14,632,849,000 (31 December 2006: HK\$14,019,033,000).

During the Period, the Group committed to invest RMB472,024,000 (approximately HK\$482,396,000) (30 June 2006: RMB226,016,000 (approximately HK\$215,726,000)) and was made out of profits into Leng Jiapu oil field as development costs in August 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

In accordance with the Karamay Contract RMB123,069,000 (approximately HK\$125,773,000) (30 June 2006: RMB81,697,000 (approximately HK\$77,977,000)) was paid out of profit and re-invested as development costs of the Karamay oil field during the Period.

Dividend of US\$127,470,000 (approximately HK\$989,969,000) for the year 2006 was received from Aktobe during the Period.

RMB27,160,000 (approximately HK\$27,305,000) dividend was received from North China Steel Pipe Factory Limited during the Period.

USE OF PROCEEDS

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

HK\$4,896,000 was received from a senior executive exercising his share options during the Period.

2006 final dividend of HK\$0.10 per share amounting HK\$484,409,000 (2006: HK\$0.08 per share amounting HK\$386,727,000) was distributed to the shareholders of the group during the Period.

Taking into account the cashflow from the operating activities, the Group as at 30 June 2007 has bank balances, cash and bank deposits of HK\$3,895,446,000.

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

NEW INVESTMENT

There was no new investment during the Period.

EMPLOYEE

On 30 June 2007, the Group had approximately 392 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.

INTERIM DIVIDEND

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

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 Company's corporate governance practices are based on the principles (the "Principles"), code provisions (the "Code Provisions") and certain recommended best practices (the "Recommended Best Practices") as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code, and acknowledges the important role of its Board of Directors in providing effective leadership and direction to Company's business, and in ensuring transparency and accountability of Company's operations.

The Company has applied the Principles and the Code Provisions as set out in the CG Code and complied with all the Code Provisions as explained in details in 2006 Annual Report save for certain deviations from the Code Provisions A.2.1 and A.5.4, details of which are explained below.

The Company has also put in place certain Recommended Best Practices as set out in the CG Code.

THE BOARD

Responsibilities

Code Provision D.1.2 stipulates that the Company should formalise the functions reserved to the Board and those delegated to management. The Company complied with the code Provision D.1.2 by adopting written terms on division of functions and delegation of authority between the Board and the management in April 2007.

When the Board delegates aspects of its management and administration functions to Management, it has given clear directions as to the powers of Management, in particular, with respect to the circumstances where Management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.

The Company fully supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority.

The positions of the Chairman and Chief Executive Officer of the Company during the Period are held by Mr Li Hualin and Mr Zhang Bowen respectively.

There are no written terms on the general division of responsibilities between the Chairman and the Chief Executive Officer. The Board considers that the responsibilities of the Chairman and the Chief Executive Officer are clear and distinctive and hence written terms thereof are not necessary. The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings. The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Chief Executive Officer is also responsible for developing strategic plans and formulating the organisational structure, control systems and internal procedures and processes for the Board's approval.

MODEL CODE FOR SECURITIES TRANSACTIONS

Code provision A.5.4 stipulates that directors must comply with their obligations under the Model Code set out in Appendix 10 and, in addition, the board should establish written guidelines on no less exacting terms than the model Code for relevant employees in respect of their dealings in the securities of the issuer.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the period ended 30 June 2007.

The Company has not established written guidelines (the "Employees Written Guidelines") in respect of the dealings in the Company's securities by employees who are likely to be in possession of unpublished price-sensitive information of the Company. Arrangements are being taken for adoption of the Employees Written Guidelines on no less exacting terms than the Model Code.

DIRECTORS' INTERESTS IN SHARES

At 30 June 2007, the interests of the directors of the Company in the shares and its associated corporations (within the meaning of the Securities and Future Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Share options are granted to directors and chief executives under the executive share option scheme approved by the board of directors on 3 June 2002. Details are set out in the section headed "Share Options" of this report.

Save as disclosed above, at no time during the Period was the Company or any of, its subsidiaries, its fellow subsidiaries and its holding company a party to any arrangement to enable the directors and chief executives of the Company (including their spouses and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations.

SHARE OPTIONS

The following table discloses the movements during the Period in the number of share options of the Company which have been granted to the directors and employees of the Company:

Name	Date of grant	Exercise period	Exercise price HK\$	Outstanding at 1/1/2007	Number of Share Options			
					Options Granted during the Period	Exercised during the Period	Outstanding at 30/6/2007	
Directors								
Lau Wah Sum	8 January 2004	8 April 2004 – 7 January 2009	1.362	3,500,000	–	–	3,500,000	
Li Kwok Sing Aubrey	8 January 2004	8 April 2004 – 7 January 2009	1.362	3,500,000	–	–	3,500,000	
Cheng Cheng	25 June 2004	25 Sept 2004 – 24 June 2009	0.940	20,000,000	–	–	20,000,000	
Wang Mingcai	27 April 2005	27 July 2005 – 26 April 2010	1.224	25,000,000	–	–	25,000,000	
Li Hualin	27 April 2005	27 July 2005 – 26 April 2010	1.224	20,000,000	–	–	20,000,000	
Liu Xiao Feng	27 April 2005	27 July 2005 – 26 April 2010	1.224	2,500,000	–	–	2,500,000	
Li Hualin	8 January 2007	8 April 2007 – 7 January 2012	4.186	–	25,000,000	–	25,000,000	
Zhang Bowen	8 January 2007	8 April 2007 – 7 January 2012	4.186	–	20,000,000	–	20,000,000	
Wang Mingcai	8 January 2007	8 April 2007 – 7 January 2012	4.186	–	10,000,000	–	10,000,000	
Cheng Cheng	8 January 2007	8 April 2007 – 7 January 2012	4.186	–	10,000,000	–	10,000,000	
Employee								
	27 April 2005	27 July 2005 – 26 April 2010	1.224	5,000,000	–	(4,000,000)	1,000,000	
	8 January 2007	8 April 2007 – 7 January 2012	4.186	–	15,000,000	–	15,000,000	
				79,500,000	80,000,000	(4,000,000)	155,500,000	

MANAGEMENT DISCUSSION AND ANALYSIS

SUBSTANTIAL SHAREHOLDERS

At 30 June 2007, 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	Percentage (%) of the total number of shares in issue
Sun World Limited ("Sun World") ⁽¹⁾	Long position	2,513,917,342	51.90%

⁽¹⁾ All shares are registered under the name of HKSCC Nominees Limited. Sun World is a wholly owned subsidiary of China National Petroleum Corporation ("CNPC") and CNPC is accordingly deemed to have interest in the 2,513,917,342 shares held by Sun World.

Save as disclosed above, as at 30 June 2007, the directors and the chief executive of the Company are not aware of any person (other than a director or chief executive of the Company) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

By Order of the Board

Zhang Bowen

Chief Executive Officer

Hong Kong, 14 September 2007

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF CNPC (HONG KONG) LIMITED

中國(香港)石油有限公司

(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 16 to 32, which comprises the condensed consolidated balance sheet of CNPC (Hong Kong) Limited (the “Company”) as of 30 June 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

14 September 2007

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

	Notes	Six months ended 30 June	
		2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited) (restated)
Turnover	4	1,728,559	1,966,611
Cost of sales		(982,565)	(922,414)
Gross profit		745,994	1,044,197
Other income		70,217	70,873
Impairment losses on loan to a jointly controlled entity		(15,773)	–
Exploration costs		(51,580)	(9,115)
Administrative expenses		(109,253)	(18,190)
Finance costs	5	(38,492)	(42,776)
Share of results of an associate		505,250	629,899
Share of results of jointly controlled entities		54,690	15,565
Profit before taxation	6	1,161,053	1,690,453
Income tax expense	7	(304,573)	(396,956)
Profit for the period		856,480	1,293,497
Attributable to:			
Shareholders of the Company		693,662	1,156,611
Minority interests		162,818	136,886
		856,480	1,293,497
Dividends paid	8	484,409	386,727
Earnings per share	9		
– Basic (HK cents)		14.32	23.95
– Diluted (HK cents)		14.17	23.68

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30.6.2007 HK\$'000 (Unaudited)	31.12.2006 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	2,853,367	2,969,926
Prepaid lease payments		3,630	3,701
Interests in jointly controlled entities		744,047	674,727
Loans to jointly controlled entities		160,833	126,727
Interests in an associate	11	13,753,015	13,959,954
Available-for-sale investments		94,828	61,881
Exploration and evaluation assets		69,891	48,506
Other non-current assets		2,162	2,162
		17,681,773	17,847,584
Current assets			
Inventories		23,087	31,929
Trade and other receivables	12	283,469	249,494
Amounts due from jointly controlled entities		7,505	31,711
Bank deposits with original maturity more than three months		527,951	729,125
Bank balances and cash		3,367,495	2,127,612
		4,209,507	3,169,871
Current liabilities			
Trade and other payables	13	534,730	483,955
Amount due to ultimate holding company		1,269	1,229
Amounts due to minority shareholders of subsidiaries		49,983	49,718
Taxation payable		74,667	110,410
		660,649	645,312
Net current assets		3,548,858	2,524,559
Total assets less current liabilities		21,230,631	20,372,143
Non-current liabilities			
Other loan – amount due over one year	14	832,623	828,132
Deferred taxation liabilities		91,119	124,120
		923,742	952,252
Total equity		20,306,889	19,419,891
Capital and reserves			
Share capital	15	48,441	48,401
Reserves		14,584,408	13,970,632
Equity attributable to equity holders of the Company		14,632,849	14,019,033
Minority interests		5,674,040	5,400,858
Total equity		20,306,889	19,419,891

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company										
	Share capital	Share premium	Contributed surplus	Employee	Asset	Available-	Translation reserve	Retained profits	Total	Minority interests	Total equity
				share-based compensation reserve	revaluation reserve	for-sale investments reserve					
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2006 (audited)	48,241	1,338,537	134,323	21,120	2,713,131	53,006	(2,843)	8,301,557	12,607,072	5,850,239	18,457,311
Gains on fair value changes of available-for-sale investments	-	-	-	-	-	(2,548)	-	-	(2,548)	-	(2,548)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	9,247	-	9,247	24,779	34,026
Share of reserve of associates	-	-	-	-	-	-	39,561	-	39,561	-	39,561
Share of reserve of jointly controlled entities	-	-	-	-	-	-	8,963	-	8,963	-	8,963
Net income recognised directly in equity	-	-	-	-	-	(2,548)	57,771	-	55,223	24,779	80,002
Profit for the year	-	-	-	-	-	-	-	1,731,441	1,731,441	323,575	2,055,016
Total recognised income and expense for the year	-	-	-	-	-	(2,548)	57,771	1,731,441	1,786,664	348,354	2,135,018
Exercise of share options	160	13,174	-	(1,310)	-	-	-	-	12,024	-	12,024
Dividends paid to minority interests	-	-	-	-	-	-	-	-	-	(797,735)	(797,735)
2005 final dividend paid	-	-	-	-	-	-	-	(386,727)	(386,727)	-	(386,727)
	160	13,174	-	(1,310)	-	-	-	(386,727)	(374,703)	(797,735)	(1,172,438)
Balance at 31 December 2006 (audited)	48,401	1,351,711	134,323	19,810	2,713,131	50,458	54,928	9,646,271	14,019,033	5,400,858	19,419,891

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company										
	Share capital	Share premium	Contributed surplus	Employee share-based compensation reserve	Asset revaluation reserve	Available-for-sale investments reserve	Translation reserve	Retained profits	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2007 (audited)	48,401	1,351,711	134,323	19,810	2,713,131	50,458	54,928	9,646,271	14,019,033	5,400,858	19,419,891
Gains on fair value changes of available-for-sale investments	-	-	-	-	-	22,738	-	-	22,738	-	22,738
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	286,302	-	286,302	110,364	396,666
Net income recognised directly in equity	-	-	-	-	-	22,738	286,302	-	309,040	110,364	419,404
Profit for the period	-	-	-	-	-	-	-	693,662	693,662	162,818	856,480
Total recognised income and expense for the period	-	-	-	-	-	22,738	286,302	693,662	1,002,702	273,182	1,275,884
Recognition of equity-settled share based payments	-	-	-	90,627	-	-	-	-	90,627	-	90,627
Exercise of share options	40	5,896	-	(1,040)	-	-	-	-	4,896	-	4,896
2006 final dividend paid	-	-	-	-	-	-	-	(484,409)	(484,409)	-	(484,409)
Balance at 30 June 2007 (unaudited)	48,441	1,357,607	134,323	109,397	2,713,131	73,196	341,230	9,855,524	14,632,849	5,674,040	20,306,889
At 1 January 2006 (audited)	48,241	1,338,537	134,323	21,120	2,713,131	53,006	(2,843)	8,301,557	12,607,072	5,850,239	18,457,311
Gains on fair value changes of available-for-sale investments	-	-	-	-	-	1,250	-	-	1,250	-	1,250
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	316,520	-	316,520	-	316,520
Net income recognised directly in equity	-	-	-	-	-	1,250	316,520	-	317,770	-	317,770
Profit for the period	-	-	-	-	-	-	-	1,156,611	1,156,611	136,886	1,293,497
Total recognised income and expense for the period	-	-	-	-	-	1,250	316,520	1,156,611	1,474,381	136,886	1,611,267
Exercise of share options	100	6,000	-	-	-	-	-	-	6,100	-	6,100
Dividends paid to minority interests	-	-	-	-	-	-	-	-	-	(570,592)	(570,592)
2005 final dividend paid	-	-	-	-	-	-	-	(386,727)	(386,727)	-	(386,727)
Balance at 30 June 2006 (unaudited)	48,341	1,344,537	134,323	21,120	2,713,131	54,256	313,677	9,071,441	13,700,826	5,416,533	19,117,359

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2007

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Net cash generated from operating activities	643,953	879,986
Net cash generated from investing activities:		
Dividend received from an associate	986,969	1,278,807
Decrease (increase) of bank deposits with maturity more than three months	201,174	(383,020)
Purchase of property, plant and equipment	(99,766)	(84,529)
Other investing cash flows	4,656	(44,622)
	1,093,033	766,636
Net cash used in financing activities:		
Dividends paid	(484,409)	(386,727)
Dividends paid to minority interests	–	(570,592)
Proceeds from bank loans	–	619,200
Repayment of bank loans	–	(928,800)
Other financing cash flows	(33,596)	6,186
	(518,005)	(1,260,733)
Increase in cash and cash equivalents	1,218,981	385,889
Effect of foreign exchange rate changes	20,902	–
Cash and cash equivalents at 1 January	2,127,612	1,831,521
Cash and cash equivalents at 30 June, represented by bank balances and cash	3,367,495	2,217,410

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

- As disclosed in the consolidated financial statements of the Group for the year ended 31 December 2006, the Group acquired an additional 20% equity interest in CNPC International (Caspian) Limited (“Caspian”) and Caspian became a 60% owned subsidiary on 14 October 2005 (the “Acquisition”). On the day of acquisition, the assets and liabilities of Caspian including the interest in its associate, CNPC-Aktobemunaigas Joint Stock Company (“Aktobe”) were acquired at their fair values. However, in accounting for the acquisition as subsidiary, the Group only recorded its share of the fair value adjustments without adjusting the carrying amount of minority interest in Caspian to its proportionate share of fair value. Accordingly, the minority interests has been retrospectively adjusted by HK\$4,880,763,000 to reflect its proportionate share of fair value with a corresponding increase in carrying amount of interest in an associate as at 31 December 2005.

The restatement above has also resulted in an adjustment of HK\$190,474,000 decrease in the profit attributable to the minority interests to reflect the amortisation of fair value adjustments in connection with the Acquisition with a corresponding decrease in the amount of share of results of an associate for the period ended 30 June 2006.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2006.

In the current interim period, the Group has applied, for the first time, a new Hong Kong Financial Reporting Standard (“HKFRS”), amendment of Hong Kong Accounting Standard (“HKAS”) and Interpretations (“INTs”) (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1 January 2007. The adoption of the new HKFRSs had no material effect on how the results or financial position of the Group for the current and prior accounting periods are prepared and presented. Accordingly, no prior period adjustment is required.

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and financial positions of the Group.

HKAS 23 (Revised)	Borrowing costs ¹
HKFRS 8	Operating segments ¹
HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions ²
HK(IFRIC) – INT 12	Service concession arrangements ³

¹ Effective for annual periods beginning on or after 1 January 2009.

² Effective for annual periods beginning on or after 1 March 2007.

³ Effective for annual periods beginning on or after 1 January 2008.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT INFORMATION

Geographical segments

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

Segment information about the geographical regions by location of customers is presented as follows:

For the six months ended 30 June 2007

	The People's Republic of China (the "PRC") HK\$'000	South America HK\$'000	Central Asia HK\$'000	South East Asia HK\$'000	Middle East HK\$'000	Total HK\$'000
Turnover	1,179,431	252,753	213,666	82,709	-	1,728,559
Segment results	539,617	94,162	31,032	22,019	(11)	686,819
Unallocated income						56,983
Unallocated expenses						(104,197)
Finance costs						(38,492)
Share of results of						
– An associate	-	-	505,250	-	-	505,250
– Jointly controlled entities	(26,472)	-	-	-	81,162	54,690
Profit before taxation						1,161,053
Income tax expense						(304,573)
Profit for the period						856,480

Note: South America represented the operation in Peru. Central Asia represented the operations in the Azerbaijan Republic ("Azerbaijan") and the Republic of Kazakhstan ("Kazakhstan"). South East Asia represented the operations in Indonesia, Myanmar and the Kingdom of Thailand ("Thailand"). Middle East represented the operations in the Sultanate of Oman.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENT INFORMATION (continued)

Geographical segments (continued)

For the six months ended 30 June 2006

	PRC	South America	Central Asia	South East Asia	Middle East	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
						(restated)
Turnover	1,388,565	283,946	219,814	74,286	–	1,966,611
Segment results	817,258	141,026	87,349	44,843	(11)	1,090,465
Unallocated income						9,650
Unallocated costs						(12,350)
Finance costs						(42,776)
Share of results of						
– An associate	–	–	629,899	–	–	629,899
– Jointly controlled entities	5,679	–	(47,040)	(2,958)	59,884	15,565
Profit before taxation						1,690,453
Income tax expense						(396,956)
Profit for the period						1,293,497

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. FINANCE COSTS

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Interest on borrowing wholly repayable within five years:		
– bank borrowings	–	4,997
– loan from immediate holding company	38,492	37,779
	38,492	42,776

6. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Amortisation of prepaid lease payments	71	71
Depletion, depreciation and amortisation of property, plant and equipment	286,020	239,414
	286,091	239,485
Share based payment expenses (included in Administrative expenses)	90,627	–
Other staff costs, including directors' emoluments	62,607	46,773
	153,234	46,773
Cost of inventories sold	738,720	683,453
Operating lease rental in respect of rented premises	1,891	1,514
and after crediting:		
Interest income	46,431	34,087
Gain on disposal of property, plant and equipment	–	3
Exchange gains	11,145	36,179

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Current tax:		
Other jurisdictions	192,833	283,194
Withholding tax in other jurisdictions	148,490	117,080
Underprovision in prior years	20	1,987
	341,343	402,261
Deferred tax:		
Credit to income statement	(5,233)	(5,305)
Attributable to change in PRC Enterprise Income Tax rate (note)	(31,537)	–
	(36,770)	(5,305)
	304,573	396,956

Note: On 16 March 2007, the National People's Congress approved the Enterprise Income Tax Law of the PRC (the "new EIT Law"), which is effective from 1 January 2008. Under the new EIT Law, the Enterprise Income Tax rate applicable to the Group for the PRC enterprises from 1 January 2008 will be 25%, replacing the previously applicable tax rate of 33%.

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group had no assessable profit for both years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

The taxable income in respect of the oil production under the Leng Jiapu Contract, the oil production sharing contract entered to develop and produce crude oil in Liaohe, Liaoning Province, the PRC, is subjected to the income tax rate of 33% (2006: 33%) for the period.

The Xinjiang Contract, the oil production sharing contract to develop and produce crude oil in Xinjiang Uygur Autonomous Region, the PRC, is operated by the Company's wholly owned subsidiary established outside the PRC. In accordance with an approval by the tax bureau of Karamay, the profit derived from the oil production under the Xinjiang Contract is entitled to preferential income tax rate of 15% to the foreign enterprise invested in the PRC for six years from 1 January 2003 to 31 December 2008. Such preferential rate was endorsed by the relevant tax bureau for the qualification of the Company's subsidiary.

Pursuant to the PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007, the new Enterprise Income Tax rates for domestic and foreign enterprises are unified at 25% and will be effective from 1 January 2008. For certain subsidiaries which currently applied for statutory tax rate 33%, deferred tax is recognised based on the tax rate that are expected to apply to the period when the asset is realised or the liability is settled. For other subsidiaries which currently applied for preferential rate, deferred tax is recognised based on the current tax rate since the implementation measured on transitional policy of preferential tax rate granted under current tax law and administrative regulations was not yet announced.

The withholding tax represented 15% withholding tax paid in respect of the dividend income from an associate, Aktobe.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. DIVIDENDS PAID

During the period, the Company paid a dividend of HK\$0.10 (six months ended 30 June 2006: HK\$0.08) per share, totaling HK\$484,409,000 (six months ended 30 June 2006: HK\$386,727,000), to the shareholders as final dividend for the year ended 31 December 2006.

The directors do not recommend payment of an interim dividend.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Earnings		
Earnings attributable to equity holders of the Company for the purposes of basic and diluted earnings per share	693,662	1,156,611
	Number of shares (in thousand)	
	2007	2006
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	4,842,635	4,829,463
Effect of dilutive potential ordinary shares in respect of share options	53,890	53,971
Weighted average number of ordinary shares for the purpose of diluted earnings per share	4,896,525	4,883,434

10. ADDITIONS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired oil and gas properties at a cost of HK\$99,583,000 (2006: HK\$83,732,000) and other fixed assets at a cost of HK\$183,000 (2006: HK\$797,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. INTERESTS IN AN ASSOCIATE

	30.6.2007	31.12.2006
	HK\$'000	HK\$'000
Group's share of net assets of Aktobe	13,753,015	13,959,954
Market value of listed shares – investment in Aktobe	30,601,000	25,261,293

Aktobe is a joint stock company listed on the Kazakhstan Stock Exchange, the principal activity of Aktobe is the exploration and production of petroleum in Zhanazhol, Kenkyak (pre-salt) and Kenkyak (post-salt) oil fields located in the north-western region of Kazakhstan. The Group holds 25.12% of issued capital of Aktobe.

12. TRADE AND OTHER RECEIVABLES

	30.6.2007	31.12.2006
	HK\$'000	HK\$'000
Trade receivables (note)		
from third parties	110,127	69,028
from fellow subsidiaries	94,560	129,295
	204,687	198,323
Prepayments and other receivables	42,621	19,435
Amounts due from fellow subsidiaries	36,161	31,736
	283,469	249,494

Note: The Group granted a credit period of 30 to 60 days to its customers. At 30 June 2007 and 31 December 2006, all trade receivables were aged within three months.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. TRADE AND OTHER PAYABLES

	30.6.2007	31.12.2006
	HK\$'000	HK\$'000
Trade payables		
to third parties	26,909	31,663
to fellow subsidiaries	21,997	59,831
	48,906	91,494
Other payable and accrued expenses	319,439	204,381
Other payable to group companies	166,385	188,080
	534,730	483,955

The aged analysis of the trade payables is as follows:

	30.6.2007	31.12.2006
	HK\$'000	HK\$'000
Within three months	39,165	83,955
Between three months to six months	428	–
Over six months	9,313	7,539
	48,906	91,494

14. OTHER LOAN

	30.6.2007	31.12.2006
	HK\$'000	HK\$'000
Loan from immediate holding company repayable over 5 years	832,623	828,132

The loan is unsecured, carries interest at 8% per annum and repayable in full on 10 February 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. SHARE CAPITAL

	Number of ordinary shares	
	'000	HK\$'000
Ordinary shares of HK\$0.01 each issued and full paid:		
At 1 January 2007	4,840,094	48,401
Exercise of share options	4,000	40
	<hr/>	<hr/>
At 30 June 2007	4,844,094	48,441

16. SHARE OPTIONS

Pursuant to executive share option scheme of the Company dated 3 June 2002 and the resolution of the Company passed on 8 January 2007, 65,000,000 and 15,000,000 share options have been granted to directors and employees of the Company, respectively.

All of the options are vested to the option holders immediately when the options were granted. The exercise period of the options is 5 years from the grant date.

The closing price of the Company's shares immediately before 8 January 2007, the date of grant of the options, was HK\$3.990.

The fair value of share options granted during the period was calculated using the Binomial model. The inputs into the model were as follows:

	Directors	Employees
Share price at grant date	HK\$4.010	HK\$4.010
Exercise price	HK\$4.186	HK\$4.186
Expected volatility	38.6%	38.6%
Risk-free rate	3.7%	3.7%
Expected dividend yield	2.4%	2.4%
Exercise multiple	2.0	1.5

Expected volatility was determined by using the historical volatility of the Company's share price over the previous five years.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. SHARE OPTIONS (continued)

The Binominal model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the independent professional valuer's best estimate.

The fair value of the options granted to directors and employees of the Company are HK\$75,612,000 and HK\$15,015,000 respectively.

The Group recognised expenses of HK\$90,627,000 for the six months ended 30 June 2007 (2006: nil) in relation to share options granted by the Company.

17. COMMITMENTS

(a) Capital commitments

	30.6.2007	31.12.2006
	HK\$'000	HK\$'000
Contracted but not provided for		
Development cost under the Leng Jiapu Contract	482,396	514,266
Development cost under the Xinjiang Contract	125,773	243,508
Development cost for Onshore Exploration Block No. L21/43 in Thailand (note)	72,709	106,107
	680,878	863,881
Authorised but not contracted for		
Development cost for the Azerbaijan Kursangi and Kurabagli oil field	54,746	74,294
Development cost for Peru Talara oil field	82,013	82,252
Development cost for Thailand Sukhothai oil field	3,302	15,490
Development cost for Indonesia Bengara II Block	81,927	144,831
	221,988	316,867

Note: The amount represents the remaining minimum work obligations, as required to be incurred before the end of the petroleum exploration period granted by the respective government authority, 17 July 2009, in the Petroleum Concession awarded by the Minister of Energy in Thailand.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. COMMITMENTS (continued)

(b) Operating leases commitments

At 30 June 2007, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of rented premises as follows:

	30.6.2007	31.12.2006
	HK\$'000	HK\$'000
Within one year	2,651	2,636
In the second to fifth years inclusive	3,020	3,330
Later than five years	1,099	1,167
	6,770	7,133

Operating lease payments represent rental payable by the Group for the rented premises. Leases are negotiated for term from 1 to 14 years.

18. RELATED-PARTY TRANSACTIONS

During the period, the Group entered into the following material related party transactions:

Nature of transaction	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Sales of crude oil to fellow subsidiaries (note)	1,179,432	1,388,566
Expenses paid to fellow subsidiaries (note)	198,161	261,568
Engineering, production and logistics support service expenses paid to fellow subsidiaries (note)	56,575	–
Purchase of equipment, material, supplies and other products from fellow subsidiaries (note)	8,721	4,452
Assistance fee paid to a fellow subsidiary – Beckbury International Limited (note)	137	134
Assistance fee paid to a fellow subsidiary – Hafnium Limited (note)	–	105
Training fee paid to a fellow subsidiary – Beckbury International Limited (note)	207	229
Training fee paid to a fellow subsidiary – Hafnium Limited (note)	206	105
Rental expenses paid to a fellow subsidiary (note)	186	187
Interest expenses paid to immediate holding company	38,492	37,779

Note: These fellow subsidiaries are subsidiaries of the ultimate holding company of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. RELATED-PARTY TRANSACTIONS (continued)

Transactions/balances with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("State-controlled entities"). In addition, the Group itself is part of a larger group of companies under China National Petroleum Corporation which is controlled by the PRC government. Apart from the transactions disclosed above, the Group also conducts business with other State-controlled entities. The directors consider those State-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

In establishing its pricing strategies and approval process for transactions with other State-controlled entities, the Group does not differentiate whether the counter-party is a State-controlled entity or not.

Except as disclosed above, the directors are of the opinion that transactions with other State-controlled entities are not significant to the Group's operations.

Save as disclosed above, the Company also has related party balances as at balance sheet date shown in the notes 12 and 13 in the condensed consolidated financial statements.

Key management compensation

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Salaries and emoluments	3,948	2,964
Directors' fee	1,917	1,417
Retirement benefit cost	289	370
Share-based payment expenses	90,627	–
	96,781	4,751