INTERIM REPORT

2008




CNPC (HONG KONG) LIMITED

(incorporated in Bermuda with limited liability)

中國(香港)石油有限公司

(Stock Code: 0135)

CONTENTS

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

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

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

SOLICITORS

Clifford Chance

REGISTERED OFFICE

Clarendon House
Church Street
Hamilton HM11, Bermuda

PRINCIPAL OFFICE

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PRINCIPAL REGISTRARS

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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 2008 (the "Period") amounted to HK$2,838,677,000 (corresponding period of last year: HK$1,728,559,000), representing an increase of HK$1,110,118,000 or 64.22% as compared with the corresponding period of last year. The Group's unaudited profit attributable to shareholders for the Period was HK$1,284,201,000 (corresponding period of last year: HK$680,724,000 (restated)), representing an increase of HK$603,477,000 or 88.65%.

The shared sales volume of crude oil by the Group for the Period was 8,160,000 barrels, representing a decrease of 355,000 barrels or 4.17% compared with 8,515,000 barrels for the same period of last year. With the rise 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$84.54, increased by US$34.75 or 69.79% compared with US$49.79 per barrel for the same period of last year.

Pursuant to 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 was recorded. The relevant exploration cost amounted to HK$154,227,000 (corresponding period of last year: HK$67,353,000) was recorded, of which HK$45,024,000 (corresponding period of last year: HK$51,580,000) was accounted for cost of sales and HK$110,995,000 was included under impairment losses on loan to a jointly controlled entity (corresponding period of last year: HK$15,773,000).

PETROLEUM BUSINESSES

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

Liaohe Leng Jiapu Oil Field

A total of 443,000 tonnes or approximate 2,912,000 barrels (corresponding period of last year: 497,000 tonnes of approximate 3,265,000 barrels) of crude oil from the Liaohe Leng Jiapu Contract Area were sold in the first half of the year, representing a decrease of 353,000 barrels or 10.81%. On a 70% sharing basis, profit after operating expenses, taxes and special levy on petroleum was HK$259,280,000 (corresponding period of last year: HK$225,920,000), representing an increase of HK$33,360,000 or 14.77%. The special levy on petroleum paid by the Group on a 70% sharing for the Period was RMB76,637,000 or approximately HK$84,194,000 (corresponding period of last year: RMB4,372,000 (approximately HK$4,395,000)).

According to the Leng Jiapu Contract, the Group is responsible for 70% of the development costs and committed to invest RMB516,000,000 (approximately HK$586,313,000) in 2008 (2007: RMB472,024,000 (approximately HK$482,395,000)), the Group will inject out of its profit as partial fund required for the on-going exploration, drilling and ground production facilities construction in order to stabilise its production.

Xinjiang Karamay Oil Field

The Xinjiang Karamay Contract Area sold a total of 427,000 tonnes or approximate 2,896,000 barrels (corresponding period of last year: 362,000 tonnes or approximate 2,452,000 barrels) of crude oil during the Period, representing an increase of approximately 444,000 barrels or 18.11%. On a 54% sharing basis, profit after operating expenses, taxes and special levy on petroleum attributable to the Group was HK$406,588,000 (corresponding period of last year: HK$212,649,000), an increase of HK$193,939,000 or 91.20%. The special levy on petroleum paid by the Group on a 54% sharing was RMB126,609,000 or approximately HK$139,093,000 (corresponding period of last year: RMB11,577,000 (HK$11,640,000)).

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 has received the approval from the Ministry of Commerce of the PRC for an extension of contract period.

According to the Xinjiang Contract, the Group is responsible for 54% of the development costs and an aggregate contribution of RMB53,246,000 (approximately HK$58,496,000) (corresponding period of last year: RMB123,069,000 (approximately HK$123,773,000)) was made during the Period as part of the funds required for stabilising production.

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 were delisted from the Kazakhstan Stock Exchange in August 2007, owns the Zhanazhol, Kenkyak (pre-salt) and Kenkyak (post-salt) oil fields in Kazakhstan.

For the Period, total sales of crude oil and natural gas by Aktobe was 18,347,000 barrels (corresponding period of last year: 21,594,000 barrels) and 28,650 million cu.ft (corresponding period of last year: 16,811 million cu.ft.) respectively. Sales of crude oil decreased by 3,247,000 barrels or 15.03%, while sales of natural gas increased by 11,839 million cu.ft. or 70.42%. On a pro rata basis, the Group's share of crude oil amounted to 2,765,000 barrels (corresponding period of last year: 3,256,000 barrels), and natural gas amounted to 4,318 million cu.ft. (corresponding period of last year: 2,534 million cu.ft). For the Period, the average realized selling price of crude oil was US$99.22 per barrel (corresponding period of last year: US$54.69).

When the Group increased its investment of 20% equity interests in Caspian in 2005, the fair value of Aktobe was assessed which resulted in an increase in the value of oil and gas assets. Pursuant to the accounting standards, assets revaluation surplus was required to be amortised each year under unit-of-production method. HK$339,264,000 was amortised by the Group for the Period (corresponding period of last year: HK$296,493,000).

During the Period, after deduction of minority interest, the project contributed a profit after tax of HK$752,073,000 (excluding amortisation adjustment on asset revaluation surplus of HK$339,264,000) (corresponding period of last year: HK$488,029,000) to the Group, representing an increase of HK$264,044,000 or 54.14%.

The Kingdom of Thailand ("Thailand")

Sukhothai Concession

For the first half year, the Sukhothai Concession in Thailand recorded a sales volume of 173,000 barrels (corresponding period of last year: 200,000 barrels), representing a decrease of 27,000 barrels or 13.37% over the corresponding period of last year, income tax was HK$53,347,000 (corresponding period of last year: HK$22,081,000), and profit after tax and minority interest amounted to HK$32,438,000 (corresponding period of last year: HK$18,509,000), representing an increase of HK$13,929,000 or 75.26% 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 next to the Subkhothai Concession by the Thailand Government. The exploration was divided into two phases of six years in total. The overall exploration activities including seismic analysis and other exploration works, had commenced. The first phase of exploration was basically completed. Upon in-depth analysis and investigation, initial findings were satisfactory and with commercial flow confirmed. Thailand Government has approved to convert 28.8 square kilometers as development area. Exploration cost of HK$18,853,000 (corresponding period of last year: HK$12,608,000) for the Period was accounted for in the consolidated income statement. In the Period, the project sold 124,000 barrels of crude oil (corresponding period of last year: 10,000 barrels), contributing an after-tax profit of HK$28,022,000 (corresponding period of last year: loss of HK$14,880,000) to the Group.

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, 503,000 barrels (corresponding period last year: 526,000 barrels) of crude oil and 350 million cu. ft. (corresponding period of last year: 335 million cu. ft.) of natural gas were sold by the oilfield. The Group shared HK$67,523,000 (corresponding period of last year: HK$30,667,000) in profit after tax and minority interests, representing an increase of HK$36,856,000 or 120.18%.

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 activities in Zones 111 and 113 of Madre de Dios, being new blocks for exploration in Southeast Peru. Exploration work had commenced and incurred exploration costs of HK$21,417,000 in the Period (corresponding period of last year: Nil), with an aim to discover reserves as soon as possible, and generate good return to the Group.

Sultanate of Oman ("Oman")

Block 5

The Group holds 25% interest in the Block 5 oil field in Oman. The Group shared the sales of 795,000 barrels of crude oil (corresponding period of last year: 625,000 barrels) during the Period, increased by 170,000 barrels or 27.04%, and profit after tax amounted to HK$94,237,000 (corresponding year of last year: HK$81,151,000), increased by HK$13,086,000 or 16.13%.

Indonesia

Bengara II

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

According to the transfer agreement, the Group injected US$18,700,000 (approximately HK$144,832,000) into CGB II as shareholder's loan for the exploration expenses required. The Group planned to complete the drilling work of four exploration wells during the exploration period (such period ended on 4 December 2007) so as to confirm the oil reserves and apply for development.

After the official take-over in October 2006, the Group immediately arranged the drilling and exploration works. In 2007, four exploration wells were drilled, although there was indication of different level of oil trail, commercial discovery was not confirmed. The petroleum contract has a term of thirty years, but the exploration phase only covered ten years which ended on 4 December 2007. After the drilling of the four exploration wells, the exploration phase expired before the comprehensive exploration works commenced, and all testing activities were subsequently suspended. The Group has applied in writing to the Petroleum Department of Indonesia (BP Migas) to extend the term for exploration so as to finish the remaining exploration works and arrive at a conclusion. As such application involves a lot of procedures, we have not yet received the formal reply as of the date of release of this interim report. All related exploration expenses incurred was written off in 2007.

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 448,000 barrels of crude oil during the Period (corresponding period of last year: 547,000 barrels), a decrease of 99,000 barrels or 18.09%. Profit after tax attributable to the Group amounted to HK$62,811,000 (corresponding period of last year: HK$42,972,000), representing an increase of HK$19,839,000 or 46.17%.

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. For the Period, a provision of HK$109,416,000 (corresponding period of last year: HK$15,773,000) was made for the impairment losses on loan to a jointly controlled entity corresponding to the written off of related exploration costs. Due to the complicated underground structure of the Gobustan Oil Field, not much crude oil and natural gas was sold in the Period. In-depth investigation and coordination of various aspects are needed before launching large scale development.

MANUFACTURING BUSINESS

Steel Pipes Factory

華油鋼管有限公司 ("Steel Pipes Factory"), which was set up in Qing Xian Hebei Province 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 high quality oil pipes and gas pipes, produces high quality steel pipes to satisfy the market demand. It established a branch factory in the Yangzhou Han Jiang Industrial Park the PRC with an aim to enhance its competitiveness for capturing a larger market share in the eastern China.

In the Period, a total of 68,000 tonnes (corresponding period of last year: 122,000 tonnes) of steel pipes were sold by the Steel Pipes Factory. 58,000 tonnes (corresponding period of last year: 113,000 tonnes) were processed from material purchased on its own and 10,000 tonnes (corresponding period of last year: 9,000 tonnes) were processed with materials provided. It generated a profit after tax of HK$15,312,000 (corresponding period of last year: loss of HK$25,623,000) for the Group, representing an increase of HK$40,935,000 or 159.76% over last year.

As the construction work of large-scale pipeline projects, such as the second pipeline for transmission of natural gas from Western China to the eastern part, Sino-Russian project, Sino-Kazakhstan project, will commence successively, the Steel Pipes Factory will seize this opportunity to leverage on its capacity.

Film Factory

Biaxially Oriented Polypropylene ("BOPP") project and CPP project

The film factory ("Film Factory"), which was jointly established in Qingdao by the Group with Daqing Petroleum Administrative Bureau, had set up two production lines of BOPP and CPP. It grew and developed according to the expected targets after commencement of production. In light of high raw materials prices and fierce competition, only the competent enterprises will survive. Nonetheless, the management of the Film Factory has actively improve quality, costs control and optimize its products which has gained a high recognition and positioned itself at the higher end of the market.

The Film Factory has developed smoothly according to expected targets. Profit after tax attributable to the Group for the Period was HK$6,667,000 (corresponding period of last year: HK$1,080,000), representing an increase of HK$5,587,000 or 517.31 % over last year.

With the continued growth of the PRC economy, demand for packaging material is expected to increase gradually. It is believed that this business will make stable contribution to the Group in future.

BUSINESS PROSPECTS

On 27 August 2008 the Company was informed by PetroChina Company Limited ("PetroChina") that PetroChina would become the majority shareholders of the Group. Upon completion of the shareholding restructure, the Group will continue to engage in its current oil and gas exploration and development business, and will exploit the new business growth opportunities in city gas, vehicle fuel gas and related businesses with the support of PetroChina. Natural gas as a clean and efficient source of energy has drawn increasing attention and interest from the PRC Government and enterprises and has become one of the most rapidly growing sectors in the PRC energy industry. PetroChina, as the PRC's largest enterprise in the production, transportation and sales of natural gas, has long been committed to nurturing and developing the natural gas market in the PRC. Following the completion of the construction of the Second West-East Gas Pipeline and other long distance gas pipelines, a series of diverse major gas resources of PetroChina located in northern China and western China, including Sulige, Tarim, Sichuan, Central Asia and other overseas areas will further integrate with the important consumer markets in central China, eastern China, southern China and other areas, and will catalyse the rapid growth in natural gas downstream end-user markets.

We believe that by leveraging on PetroChina's advantage in the resources and supply in the PRC natural gas market, the co-operation between PetroChina and the Group in city gas, vehicle fuel gas and other related businesses will further promote the development of PetroChina's upstream and midstream natural gas businesses and create an attractive new business growth area for the Group in natural gas downstream end-user markets.

With a strong financial position and prudent approach, the Group aims to expand into an international petroleum corporation. The crude oil price in future 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, costs control, increase efficiency and stabilize income. New acquisitions will be made with an aim to enhance revenue and increase return to shareholders.

By Order of the Board

Li Hualin
Chairman

Hong Kong, 29 August 2008

OPERATING RESULTS

The Group recorded a turnover of HK$2,838,677,000 for the period ended 30 June 2008 (the "Period"), representing an increase of 64.22% as compared with HK$1,728,559,000 corresponding period last year. The weighted average crude oil selling price increased from US$49.79 per barrel corresponding period last year to US$84.54 per barrel this Period. The increase of turnover was mainly due to the increase of weighted average realized selling price of crude oil.

The net profit after taxation and minority interest for the Period was HK$1,284,201,000 representing an increase of HK$603,477,000,000 or 88.65%, as compared to restated profit HK$680,724,000 corresponding period last year.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2008, the aggregate assets value of the Group was HK$24,373,255,000, representing an increase of HK$1,645,832,000 or 7.24% as compared with 31 December 2007.

The major changes of the assets are as follows:

	Increase/(decrease) HK$'000
Interest in an associate	(583,257)#
Trade and other receivables	1,645,872 *
Bank balances and cash	660,273
Total increase in assets	1,722,888

The net assets of CNPC-Aktobemunaigas Joint Stock Company ("Aktobe") was reduced due to dividend distribution of HK$1,590,856,000 and the amortisation charges on the revaluation surplus of HK$984,937,000.

* Dividend receivable of HK$1,590,856,000 from Aktobe.

The gearing ratio of the Group maintained at 5.13% as at 30 June 2008 compared with 5.44% as at 31 December 2007. It is computed by dividing the total borrowings of HK$832,623,000 (31 December 2007: HK$832,623,000) by the shareholders' funds of HK$16,235,911,000 (31 December 2007: HK$15,294,329,000).

During the Period, the Group committed to invest RMB516,000,000 (approximately HK$586,313,000) in 2008 (2007: RMB472,024,000 (approximately HK$482,396,000)) as development costs in Leng Jiapu oil field and will inject out its profits in the second half year of 2008.

In accordance with the Karamay Contract RMB53,246,000 (approximately HK$60,431,000) (30 June 2007: RMB123,069,000 (approximately HK$125,773,000)) was paid out of profit and re-invested as development costs of the Karamay oil field following the consent of production extension of the Karamay Contract by the Ministry of Commerce of the People's Republic of China in April 2008.

The Group paid interest of US$4,956,000 (approximately HK$38,596,000) (30 June 2007: US$4,957,000 (approximately HK$38,492,000)) during the Period.

USE OF PROCEEDS

2007 final dividend of HK$0.12 per share amounting HK$581,399,000 (2007: 2006 final dividend of HK$0.10 per share amounting HK$484,409,000) 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 2008 has a bank balance and cash of HK$4,904,653,000 (31 December 2007: HK$4,244,380,000).

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 2008, the Group had approximately 398 staff (excluding the staff under entrustment contracts) (31 December 2007: 402 staff) 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. During the Period, an independent consulting firm was appointed to review and give advice on the Group's executive compensation scheme.

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 practices 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 the Company's business, and in ensuring transparency and accountability of the 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 2007 Annual Report save for certain deviations from the Code Provisions A.2.1, details of which are explained below.

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

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 were 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.

Pursuant to paragraph 46(6) of Appendix 16 to the Listing Rules Governing the Listing of Securities on the Stock Exchange, the board of directors of the Company wishes to confirm that the Audit Committee of the Company has reviewed with the management the accounting policies and standards adopted by the Company and its subsidiaries and discussed the internal control and financial reporting matters related to the preparation of the unaudited condensed financial statements for the six months ended 30 June 2008. The Audit Committee has also reviewed the said financial statements in conjunction with the Company's external auditors.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted written guidelines on no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors’ securities transaction.

DIRECTORS’ INTERESTS IN SHARES

At 30 June 2008, the interests of the directors of the Company in the shares and its associated corporations (within the meaning of the Securities and Futures 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 Stock Exchange 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 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:

					Number of Share Options		
Name	Date of grant	Exercise period	Exercise price HK$	Outstanding at 1/1/2008	Options Granted during the Period	Exercised during the Period	Outstanding at 30/6/2008
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 September 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	1,600,000	–	–	1,600,000
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
Li Hualin	26 May 2008	26 August 2008 – 25 May 2013	4.240	–	3,200,000	–	3,200,000
Zhang Bowen	26 May 2008	26 August 2008 – 25 May 2013	4.240	–	2,400,000	–	2,400,000
Wang Mingcai	26 May 2008	26 August 2008 – 25 May 2013	4.240	–	1,500,000	–	1,500,000
Cheng Cheng	26 May 2008	26 August 2008 – 25 May 2013	4.240	–	1,500,000	–	1,500,000
Employees	27 April 2005	27 July 2005 – 26 April 2010	1.224	1,000,000	–	–	1,000,000
	8 January 2007	8 April 2007 – 7 January 2012	4.186	15,000,000	–	–	15,000,000
	14 September 2007	14 December 2007 – 13 September 2012	4.480	20,000,000	–	–	20,000,000
	26 May 2008	26 August 2008 – 25 May 2013	4.240	–	5,500,000	–	5,500,000
				174,600,000	14,100,000	–	188,700,000

SUBSTANTIAL SHAREHOLDERS

At 30 June 2008, 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	51.89%

(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 2008, 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, 29 August 2008

Deloitte.
德勤

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 15 to 32, which comprise the condensed consolidated balance sheet of CNPC (Hong Kong) Limited (the "Company") as of 30 June 2008 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
29 August 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

	NOTES	Six months ended 30 June 2008 HK$'000 (unaudited)	2007 HK$'000 (unaudited) (restated)
Turnover	4	**2,838,677**	1,728,559
Cost of sales		**(1,577,045)**	(982,565)
Gross profit		**1,261,632**	745,994
Other income		**75,661**	70,217
Impairment losses on loans to jointly controlled entities		**(110,995)**	(15,773)
Exploration costs		**(45,024)**	(51,580)
Administrative expenses		**(30,718)**	(109,253)
Finance costs	5	**(38,596)**	(38,492)
Share of results of an associate		**952,971**	505,250
Share of results of jointly controlled entities		**114,796**	54,690
Profit before taxation	6	**2,179,727**	1,161,053
Income tax expense	7	**(550,901)**	(326,136)
Profit for the period		**1,628,826**	834,917
Attributable to:			
Shareholders of the Company		**1,284,201**	680,724
Minority interests		**344,625**	154,193
		1,628,826	834,917
Dividends paid	8	**581,399**	484,409
Earnings per share	9		
– Basic (HK cents)		**26.51**	14.06
– Diluted (HK cents)		**26.22**	13.90

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2008

	NOTES	30.6.2008 HK$'000 (unaudited)	31.12.2007 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	10	**3,069,305**	3,132,130
Prepaid lease payments		**3,488**	3,560
Interests in jointly controlled entities		**921,681**	787,078
Loans to jointly controlled entities		**46,009**	142,023
Interests in an associate	11	**13,219,317**	13,802,574
Available-for-sale investments		**74,087**	126,467
Other non-current assets		**2,162**	2,162
Deferred taxation assets		**63,123**	71,587
		17,399,172	18,067,581
Current assets			
Inventories		**38,587**	30,491
Trade and other receivables	12	**439,987**	376,156
Dividend receivable from an associate		**1,590,856**	–
Amounts due from jointly controlled entities		**–**	8,815
Bank deposits with original maturity more than three months		**5,840**	901,089
Bank balances and cash		**4,898,813**	3,343,291
		6,974,083	4,659,842
Current liabilities			
Trade and other payables	13	**851,320**	726,662
Amount due to ultimate holding company		**1,409**	1,322
Amounts due to minority shareholders of subsidiaries		**49,058**	49,058
Taxation payable		**282,752**	93,278
		1,184,539	870,320
Net current assets		**5,789,544**	3,789,522
Total assets less current liabilities		**23,188,716**	21,857,103
Non-current liabilities			
Other loan-amount due over one year	14	**832,623**	832,623
Deferred taxation liabilities		**568,872**	544,556
		1,401,495	1,377,179
		21,787,221	20,479,924
Capital and reserves			
Share capital	15	**48,450**	48,450
Reserves		**16,187,461**	15,245,879
Equity attributable to equity holders of the Company		**16,235,911**	15,294,329
Minority interests		**5,551,310**	5,185,595
Total equity		**21,787,221**	20,479,924

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Attributable to shareholders of the Company										
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Employee share-based compensation reserve HK$'000	Asset revaluation reserve HK$'000	Available-for-sale investment reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
Balance at 1 January 2007 (audited)	48,401	1,351,711	134,323	19,810	2,713,131	50,458	52,378	9,445,910	13,816,122	5,265,583	19,081,705
Gains on fair value changes of available-for-sale investments	–	–	–	–	–	48,380	–	–	48,380	–	48,380
Exchange differences arising on translation	–	–	–	–	–	–	223,677	–	223,677	(10,942)	212,735
Share of reserve of associates	–	–	–	–	–	–	175,067	–	175,067	116,711	291,778
Share of reserve of jointly controlled entities	–	–	–	–	–	–	26,476	–	26,476	–	26,476
Net income recognised directly in equity	–	–	–	–	–	48,380	425,220	–	473,600	105,769	579,369
Profit for the year	–	–	–	–	–	–	–	1,367,302	1,367,302	317,595	1,684,897
Total recognised income and expense for the year	–	–	–	–	–	48,380	425,220	1,367,302	1,840,902	423,364	2,264,266
Recognition of equity-settled share based payments	–	–	–	115,716	–	–	–	–	115,716	–	115,716
Exercise of share options	49	7,223	–	(1,274)	–	–	–	–	5,998	–	5,998
Dividends paid to minority interests	–	–	–	–	–	–	–	–	–	(503,352)	(503,352)
2006 final dividend	–	–	–	–	–	–	–	(484,409)	(484,409)	–	(484,409)
	49	7,223	–	114,442	–	–	–	(484,409)	(362,695)	(503,352)	(866,047)
Balance at 31 December 2007 (audited)	48,450	1,358,934	134,323	134,252	2,713,131	98,838	477,598	10,328,803	15,294,329	5,185,595	20,479,924

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Attributable to shareholders of the Company										
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Employee share-based compensation reserve HK$'000	Asset revaluation reserve HK$'000	Available-for-sale investment reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 January 2008 (audited)	48,450	1,358,934	134,323	134,252	2,713,131	98,838	477,598	10,328,803	15,294,329	5,185,595	20,479,924
Loss on fair value changes of available-for-sale investments	–	–	–	–	–	(55,899)	–	–	(55,899)	–	(55,899)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	234,761	–	234,761	(761)	234,000
Share of reserve of associates	–	–	–	–	–	–	32,778	–	32,778	21,851	54,629
Share of reserve of jointly controlled entities	–	–	–	–	–	–	19,807	–	19,807	–	19,807
Net income recognised directly in equity	–	–	–	–	–	(55,899)	287,346	–	231,447	21,090	252,537
Profit for the period	–	–	–	–	–	–	–	1,284,201	1,284,201	344,625	1,628,826
Total recognised income and expense for the period	–	–	–	–	–	(55,899)	287,346	1,284,201	1,515,648	365,715	1,881,363
Recognition of equity-settled share based payments	–	–	–	7,333	–	–	–	–	7,333	–	7,333
2007 final dividend paid	–	–	–	–	–	–	–	(581,399)	(581,399)	–	(581,399)
Balance at 30 June 2008 (unaudited)	48,450	1,358,934	134,323	141,585	2,713,131	42,939	764,944	11,031,605	16,235,911	5,551,310	21,787,221
At 1 January 2007 (audited)	48,401	1,351,711	134,323	19,810	2,713,131	50,458	52,378	9,445,910	13,816,122	5,265,583	19,081,705
Gains on fair value changes of available-for-sale investments	–	–	–	–	–	22,738	–	–	22,738	–	22,738
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	146,519	–	146,519	26,929	173,448
Share of reserve of associates	–	–	–	–	–	–	119,904	–	119,904	79,936	199,840
Share of reserve of jointly controlled entities	–	–	–	–	–	–	14,630	–	14,630	–	14,630
Net income recognised directly in equity	–	–	–	–	–	22,738	281,053	–	303,791	106,865	410,656
Profit for the period	–	–	–	–	–	–	–	680,724	680,724	154,193	834,917
Total recognised income and expense for the period	–	–	–	–	–	22,738	281,053	680,724	984,515	261,058	1,245,573
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) (restated)	48,441	1,357,607	134,323	109,397	2,713,131	73,196	333,431	9,642,225	14,411,751	5,526,641	19,938,392

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	Six months ended 30 June	
	2008	2007
	HK$'000	HK$'000
Net cash generated from operating activities	**1,427,737**	643,953
Net cash generated from investing activities:		
Dividend received from an associate	**–**	986,969
Decrease of bank deposits with maturity more than three months	**895,249**	201,174
Purchase of property, plant and equipment	**(162,918)**	(99,766)
Other investing cash flows	**(62,305)**	4,656
	670,026	1,093,033
Net cash used in financing activities:		
Dividends paid	**(581,399)**	(484,409)
Other financing cash flows	**(38,596)**	(33,596)
	(619,995)	(518,005)
Increase in cash and cash equivalents	**1,477,768**	1,218,981
Effect of foreign exchange rate changes	**77,754**	20,902
Cash and cash equivalents at 1 January	**3,343,291**	2,127,612
Cash and cash equivalents at 30 June, represented by bank balances and cash	**4,898,813**	3,367,495

1. BASIS OF PREPARATION

The condensed consolidated financial statements have 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").

2. RESTATEMENT OF PRIOR YEAR FIGURES

As disclosed in the consolidated financial statements of the Group for the year ended 31 December 2007, CNPC International (Caspian) Limited ("Caspian") became a 60% owned subsidiary of the Company on 14 October 2005 (the "Acquisition"). On the date of acquisition, the assets and liabilities of Caspian including the interest in its associate, CNPC-Aktobemunaigas Joint Stock Company ("Aktobe") of which operations are located in the Republic of Kazakhstan ("Kazakhstan"), were acquired at their fair values. Under the relevant rule of Kazakhstan, dividend paid by Aktobe is subject to 15% withholding tax and the deferred tax liability for that withholding tax on the undistributed reserve should be recognised at the date of Acquisition. As a result, cumulative effect of deferred taxation liabilities in relation to the 15% withholding tax previously not provided for has been adjusted in the consolidated financial statements of the Group for the year ended 31 December 2007.

The effects of the adjustments described above on the condensed consolidated income statement for the period ended 30 June 2007 are summarised as follows:

	HK$'000
Increase in income tax expenses and decrease in profit for that period	21,563
Decrease in profit attributable to shareholders of the Company	12,938
Decrease in profit attributable to minority interests	8,625
	21,563

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 2007.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

In the current interim period, the Group has applied, for the first time, the following new interpretations ("new Interpretations") issued by the HKICPA, which are effective for the Group's financial year beginning on or after 1 January 2008.

HK(IFRIC) – INT 11	HKFRS 2: Group and treasury share transactions
HK(IFRIC) – INT 12	Service concession arrangements
HK(IFRIC) – INT 14	HKAS 19-The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of the new Interpretations had no material effect on the results or financial position of the Group for the current and prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements [1]
HKAS 23 (Revised)	Borrowing costs [1]
HKAS 27 (Revised)	Consolidated and separate financial statements [2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations [1]
HKFRS 3 (Revised)	Business combinations [2]
HKFRS 8	Operating segments [1]
HK(IFRIC)-INT 13	Customer loyalty programmes [3]

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

[2] Effective for annual periods beginning on or after 1 July 2009.

[3] Effective for annual periods beginning on or after 1 July 2008.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards or interpretations will have no material impact on the results and the financial position of the Group.

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:

Six months ended 30 June 2008

	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	1,842,184	421,851	352,593	222,049	–	2,838,677
Segment results	806,291	218,527	(47,442)	135,217	(23)	1,112,570
Unallocated income						63,947
Unallocated expenses						(25,961)
Finance costs						(38,596)
Share of results of						
– An associate	–	–	952,971	–	–	952,971
– Jointly controlled entities	20,536	–	–	–	94,260	114,796
Profit before taxation						2,179,727
Income tax expense						(550,901)
Profit for the period						1,628,826

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

4. SEGMENT INFORMATION (continued)

Geographical segments (continued)

Six months ended 30 June 2007 (restated)

	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						(326,136)
Profit for the period						834,917

5. FINANCE COSTS

	Six months ended 30 June 2008 HK$'000	2007 HK$'000
Interest on loan from immediate holding company	**38,596**	38,492

6. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Six months ended 30 June	
	2008	2007
	HK$'000	HK$'000
Release of prepaid lease payments	**72**	71
Depletion, depreciation and amortisation of property, plant and equipment	**342,899**	286,020
	342,971	286,091
Share-based payment expenses (included in administrative expenses)	**7,333**	90,627
Other staff costs, including directors' emoluments	**90,464**	62,607
	97,797	153,234
Cost of inventories sold	**1,234,624**	738,720
Operating lease rental in respect of rented premises	**1,854**	1,891
and after crediting:		
Interest income	**62,305**	46,431
Exchange gains	**1,641**	11,145

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2008	2007
	HK$'000	HK$'000
		(restated)
Current tax:		
Other jurisdictions	**286,439**	192,833
Withholding tax in other jurisdictions	**238,626**	148,490
Underprovision in prior years	**200**	20
	525,265	341,343
Deferred tax:		
Charge to income statement	**25,636**	16,330
Attributable to change in PRC Enterprise Income Tax rate (note)	**–**	(31,537)
	25,636	(15,207)
	550,901	326,136

Note: On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate to 25% from 1 January 2008. The deferred tax balance has been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset realised or the liability is settled (adjust as appropriate).

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 periods. 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, Lioaning Province, the PRC, is subjected to the income tax rate of 25% (2007: 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.

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

8. DIVIDENDS PAID

During the period, the Company paid a dividend of HK$0.12 (six months ended 30 June 2007: HK$0.10) per share, totaling HK$581,399,000 (six months ended 30 June 2007: HK$484,409,000), to the shareholders as final dividend for the year ended 31 December 2007.

The directors do not recommend the 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	
	2008	2007
	HK$'000	HK$'000
		(restated)
Earnings		
Earnings attributable to equity holders of the Company for the purposes of basic and diluted earnings per share	**1,284,201**	680,724

	Number of shares (in thousand)	
	2008	2007
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,844,994**	4,842,635
Effect of dilutive potential ordinary shares in respect of share options	**53,125**	53,890
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,898,119**	4,896,525

9. EARNINGS PER SHARE (continued)

A reconciliation of the restatement of basic and diluted earnings per share for the six-month period ended 30 June 2007 to adjust for the effects of the prior year adjustments as disclosed in note 2 is as follows:

	Basic earnings per share HK cents	Diluted earnings per share HK cents
Reported figures before adjustments	14.32	14.17
Effect of the prior year adjustments	(0.26)	(0.27)
Restated	14.06	13.90

10. ADDITIONS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired oil and gas properties at a cost of HK$162,894,000 (1.1.2007 to 30.6.2007: HK$99,583,000) and other fixed assets at a cost of HK$24,000 (1.1.2007 to 30.6.2007: HK$183,000).

11. INTERESTS IN AN ASSOCIATE

	30.6.2008 HK$'000	31.12.2007 HK$'000
Unlisted shares, at cost	**1,176,586**	1,176,586
Share of post-acquisition profits and reserves	**12,042,731**	12,625,988
	13,219,317	13,802,574

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

	30.6.2008	31.12.2007
	HK$'000	HK$'000
Trade receivables *(note)*		
from third parties	230,112	218,595
from fellow subsidiaries	160,516	100,184
	390,628	318,779
Prepayments and other receivables	49,290	25,607
Amounts due from fellow subsidiaries	69	31,770
	439,987	376,156

Note: The Group granted a credit period of 30 to 60 days to its customers. At 30 June 2008 and 31 December 2007, all trade receivables were aged within three months.

13. TRADE AND OTHER PAYABLES

	30.6.2008	31.12.2007
	HK$'000	HK$'000
Trade payables		
to third parties	70,360	123,705
to fellow subsidiaries	108,272	43,313
	178,632	167,018
Other payable and accrued expenses	510,512	192,500
Other payable to fellow subsidiaries	925	205,893
Other payable to immediate holding company	161,251	161,251
	851,320	726,662

The aged analysis of the trade payables is as follows:

	30.6.2008	31.12.2007
	HK$'000	HK$'000
Within three months	88,599	157,673
Between three months to six months	1,743	2,377
Over six months	88,290	6,968
	178,632	167,018

14. OTHER LOAN

	30.6.2008 HK$'000	31.12.2007 HK$'000
Loan from immediate holding company	**832,623**	832,623

The loan is unsecured, carries fixed interest at 8% per annum and repayable by 5 equal annual instalments starting from 2011.

15. SHARE CAPITAL

	Number of shares '000	HK$'000
Ordinary shares of HK$0.01 each issued and full paid:		
At 1 January 2008 and 30 June 2008	4,844,994	48,450

16. SHARE OPTIONS

Pursuant to executive share option scheme of the Company dated 3 June 2002 and the resolution of the Company passed on 26 May 2008, 8,600,000 and 5,500,000 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 26 May 2008, the date of grant of the options, was HK$4.330.

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$4.220	HK$4.220
Exercise price	HK$4.240	HK$4.240
Expected volatility	46.0%	46.0%
Risk-free rate	2.629%	2.629%
Expected dividend yield	3.02%	3.02%

16. SHARE OPTIONS (continued)

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

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 per unit granted to directors and employees of the Company are HK$1.4326 and HK$1.1672, respectively.

The Group recognised expenses of HK$7,333,000 for the six months ended 30 June 2008 (1.1.2007 to 30.6.2007: HK$90,627,000) in relation to share options granted by the Company.

17. COMMITMENTS

(a) Capital commitments

	30.6.2008	31.12.2007
	HK$'000	HK$'000
Contracted but not provided for		
Development cost under the Leng Jiapu Contract	**586,313**	549,925
Development cost under the Xinjiang Contract	**60,431**	113,361
Development cost for Onshore Exploration Block No. L21/43 in Thailand *(note)*	**71,193**	132,379
	717,937	795,665
Authorised but not contracted for		
Development cost for the Azerbaijan Kursangi and Kurabagli oil field	**134,559**	145,309
Development cost for Peru Talara oil field	**35,197**	46,333
Development cost for Thailand Sukhothai oil field	**17,651**	31,148
	187,407	222,790

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.

17. COMMITMENTS (continued)

(b) Operating lease commitments

At 30 June 2008, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of rented premises as follows:

	30.6.2008	31.12.2007
	HK$'000	HK$'000
Within one year	2,246	2,875
In the second to fifth years inclusive	1,700	2,287
Later than five years	915	976
	4,861	6,138

Operating lease payments represent rental payable by the Group for the rented premises. Leases are negotiated for terms 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 2008	2007
	HK$'000	HK$'000
Sale of crude oil to China National Petroleum Corporation ("CNPC"), a state-owned enterprise established under the law of PRC, its subsidiaries and associates ("CNPC Group") *(note 1)*	1,842,185	1,179,432
Products and services provided by the CNPC Group *(note 2)*	419,467	263,457
Assistance fee paid to a fellow subsidiary – Beckbury International Limited *(note 2)*	135	137
Assitance fee paid to a fellow subsidiary – Hafnium Limtied *(note 2)*	103	–
Training fee paid to a fellow subsidiary – Beckbury International Limited *(note 2)*	–	207
Training fee paid to a fellow subsidiary – Hafnium Limited *(note 2)*	–	206
Rental expenses paid to a fellow subsidiary *(note 2)*	412	186
Interest expenses paid to immediate holding company	38,596	38,492

Notes:

1. CNPC is the ultimate holding company of the Company.

2. These fellow subsidiaries are subsidiaries of the ultimate holding company of the Company.

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 CNPC 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, 13 and 14 in the condensed consolidated financial statements.

Key management compensation

	Six months ended 30 June	
	2008	2007
	HK$'000	HK$'000
Salaries and emoluments	**5,100**	3,948
Directors' fees	**1,750**	1,917
Retirement benefit cost	**638**	289
Share-based payment expenses	**5,506**	90,627
	12,994	96,781