CNPC (HONG KONG) LIMITED

(incorporated in Bermuda with limited liability)

中國(香港)石油有限公司

(Stock Code: 0135)

2009 Interim Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Li Hualin *(Chairman)*
Mr Zhang Bowen *(Chief Executive Officer)*
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

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Bank of China
Fubon Bank (Hong Kong) Limited

STOCK CODE

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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

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BUSINESS REVIEW

I would like to report to the shareholders on behalf of the Board that the revenue of the Group for the six months ended 30 June 2009 (the "Period") amounted to HK$2,005,725,000 (Six months ended 30 June 2008 HK$3,602,569,000), representing a decrease of HK$1,596,844,000 or 44.33% as compared with the corresponding period of last year. The Group's unaudited profit attributable to owners of the Company for the Period was HK$316,356,000 (Six months ended 30 June 2008 HK$1,649,298,000 (restated)), representing a decrease of HK$1,332,942,000 or 80.82%.

The decrease in profit was mainly due to a drop in oil price and provision for tax duties by CNPC-Aktobemunaigas Joint Stock Company ("Aktobe") project. The Group recorded a decrease in revenue (including share of associates' and jointly controlled entities' revenue) of approximately HK$2,900,000,000 due to the decline of oil prices. As a result of an increase in levy on tax duties arising from a change in relevant policies by Kazakhstan government, Aktobe project is required to bear additional burden. Currently, Aktobe management is seeking to obtain a waiver through legal proceedings. Accordingly, the Group considers it is necessary to provide for such exposure amounting to HK$338,103,000 of which the owners of the Company shared HK$202,862,000. Excluding such exceptional item, the profit would have been HK$519,218,000.

The international crude oil price dropped by approximately 78% from approximately US$146 per barrel peaked during July 2008 to approximately US$32 per barrel as at December 2008, which still zig-zagged approximately between US$35 and US$50 per barrel during the first quarter of 2009 and ranged approximately between US$50 and US$60 per barrel during the second quarter. As a company mainly engaged in crude oil exploration and production, the Group was inevitably adversely affected.

The shared sales volume of crude oil by the Group for the Period was 8,091,000 barrels, representing a decrease of 69,000 barrels or 0.85% compared with 8,160,000 barrels for the same period of last year. With the drop 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$39.60, decreased by US$44.94 or 52.81% compared with US$84.54 per barrel for the same period of last year.

EXPLORATION AND PRODUCTION BUSINESSES

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

Liaohe Leng Jiapu Oil Field

A total of 363,000 tonnes or approximately 2,388,000 barrels (Six months ended 30 June 2008: 443,000 tonnes of approximately 2,912,000 barrels) of crude oil from the Liaohe Leng Jiapu Contract Area were sold in the first half of the year, representing a decrease of 524,000 barrels or 18%. On a 70% sharing basis, profit after operating expenses, taxes and special levy on petroleum was HK$6,456,000 (Six months ended 30 June 2008: HK$259,280,000), representing a decrease of HK$252,824,000 or 97.51%. The special levy on petroleum paid by the Group on a 70% sharing for the Period was RMB1,371,000 or approximately HK$1,556,000 (Six months ended 30 June 2008: RMB76,637,000 (approximately HK$84,194,000)).

According to the Leng Jiapu Contract, the Group is responsible for 70% of the development costs. As the crude oil price dropped, the investment was suspended during the first half year (2008: RMB516,000,000 (approximately HK$586,313,000)), waiting the oil price trend to be clear and stable.

Xinjiang Karamay Oil Field

The Xinjiang Karamay Contract Area sold a total of 352,000 tonnes or approximately 2,387,000 barrels (Six months ended 30 June 2008: 427,000 tonnes or approximately 2,896,000 barrels) of crude oil during the Period, representing a decrease of approximately 509,000 barrels or 17.58%. On a 54% sharing basis, profit after operating expenses, taxes and special levy on petroleum attributable to the Group was HK$116,490,000 (Six months ended 30 June 2008: HK$406,588,000), a decrease of HK$290,098,000 or 71.35%. The special levy on petroleum paid by the Group on a 54% sharing was RMB32,000 or approximately HK$36,000 (Six months ended 30 June 2008: RMB126,609,000 (approximately HK$139,093,000)).

According to the Xinjiang Contract, the term of the production sharing period lasts for twelve consecutive years up to 31 August 2008. Application for extension is needed upon expiry, whereas the maximum term of the sharing contract shall not exceed 25 years (up to 2021). The Group applied for extension in 2008 and was granted an extended sharing period of 8 years. Under the leadership of the Joint Management Committee, management was strengthened, steam injection was optimised while production technique improved in order to secure a stable but rising production volume. Under the high oil price environment, production volume was increased and the performance of the management team was recognized. Facing volatile oil price, future production volume will be adjusted appropriately for achieving the best result.

While the contract being extended according to the Xinjiang Contract, the Group is responsible for 54% of the development costs and an aggregate contribution of RMB52,958,000 (approximately HK$60,104,000) (Six months ended 30 June 2008: RMB53,246,000 (approximately HK$58,496,000)) 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 Aktobe through holding 60% equity interest in CNPC International (Caspian) Limited. Aktobe 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 21,435,000 barrels (Six months ended 30 June 2008: 18,347,000 barrels) and 39,404 million cu.ft (Six months ended 30 June 2008: 28,650 million cu.ft.) respectively. Sales of crude oil increased by 3,088,000 barrels or 16.83%, while sales of natural gas increased by 10,754 million cu.ft. or 38%. On a pro rata basis, the Group's share of crude oil amounted to 3,231,000 barrels (Six months ended 30 June 2008: 2,765,000 barrels), and natural gas amounted to 5,939 million cu.ft. (Six months ended 30 June 2008: 4,318 million cu.ft). For the Period, the average realized selling price of crude oil was US$44.99 per barrel (Six months ended 30 June 2008: US$99.22 per barrel).

During the Period, after deduction of non-controlling interest, the project contributed a profit after income tax expense and before share of provision for export custom duties of Aktobe of HK$147,929,000 (Six months ended 30 June 2008: HK$412,809,000) to the Group, representing a decrease of HK$264,880,000 or 64.16%.

As disclosed in note 22 set out in the 2008 annual report of the Group, in April 2008, the government of Kazakhstan issued a decree for charging export custom duties on crude oil exported out of Kazakhstan with effective from 16 May 2008. Aktobe was originally not within the scope of these duties and therefore no payment was made from May to September 2008. In October 2008, the local government issued a notice demanding Aktobe for payment of these duties. Aktobe has paid approximately HK$2,178,342,000. Management of Aktobe, taking into account the advice from its legal counsel, considers Aktobe has a reasonable ground to exempt from such duties and applied to the local court for a reimbursement of the amount paid.

Management of Aktobe only recognised the amount paid as an expense in 2008 in view of the uncertain outcome of the disputes as of 31 December 2008. Should Aktobe be subject to these duties, it would be reflected in our Group's result for the year of 2009.

The management of the Group considers that the corresponding provision in respect of the share of the payment to the extent of such duties adjustment amounting to HK$338,103,000 (of which HK$202,862,000 is attributable to the Group) will be reflected in the half year results of 2009.

The local currency of Kazakhstan significantly depreciated by approximately 20% against US dollars during February 2009. Although the quality of assets remains unchanged, as the Group's financial statements were denominated in HK dollars, the currency translation differences are adjusted against translation reserve according to the relevant accounting standards.

The Kingdom of Thailand ("Thailand")

Sukhothai Concession

For the first half of the year, the Sukhothai Concession in Thailand recorded a sales volume of 201,000 barrels (Six months ended 30 June 2008: 173,000 barrels), representing an increase of 28,000 barrels or 16.18% over the corresponding period of last year. Profit after tax and non-controlling interest was HK$18,813,000 (Six months ended 30 June 2008: HK$32,438,000), representing a decrease of HK$13,625,000 or 42% compared with corresponding period of last year. The Group will continue to exploit the potential of the oil field and 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 Sukhothai Concession by the Thailand Government. The exploration was divided into two phases for a total of six years. The overall exploration, including seismic analysis and other exploration works, has 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 HK3,370,000 (Six months ended 30 June 2008: HK$18,853,000) was accounted for as exploration expenses in the consolidated income statement. During the Period, the project sold 83,000 barrels of crude oil (Six months ended 30 June 2008: 149,000 barrels) and contributed a loss of HK$1,327,000 (Six months ended 30 June 2008 profit of: HK$28,021,000) to the Group.

Peru

Talara Oil Field

The Group holds 50% interest in the right to explore and produce oil and natural gas in Blocks VI and VII of the Talara Oil Field in Peru. During the Period, 498,000 barrels (Six months ended 30 June 2008: 503,000 barrels) of crude oil and 97,000,000 cu. ft. (Six months ended 30 June 2008: 350,000,000 cu. ft.) of natural gas were sold. The Group shared HK$30,753,000 (Six months ended 30 June 2008: HK$70,013,000) profit after tax and non-controlling interests, representing a decrease of HK$39,260,000, or 56.08%, over that of last year.

Blocks 111/113

In December 2005, the Group entered into an 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, located in Southeast Peru. Exploration work has commenced and incurred exploration cost of HK$2,520,000 (Six months ended 30 June 2008: HK$21,417,000), with an aim to discover reserves as soon as possible, and generate good return to the Group.

The Sultanate of Oman ("Oman")

Block 5

The Group holds 25% interest in the Block 5 oil field in Oman. The Group shared 945,000 barrels (Six months ended 30 June 2008: 795,000 barrels) of oil production during the Period, increasing by 150,000 barrels or 18.87%. Profit after tax attributable to the Group amounted to HK$113,939,000 (Six months ended 30 June 2008: HK$94,237,000), representing an increase of HK$19,702,000, or 20.91%.

Indonesia

Bengara II

The Group acquired 70% interests in Continental-GeoPetro (Bengara-II) Limited ("CGB II") from an independent third party in 2006. CGB II has 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 loans for the exploration expenses required. The Group planned to complete the drilling work of four exploration wells during the exploration period (which was 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, the data was not sufficient to apply for entering the development phase. The petroleum contract has a term of thirty years, but the exploration phase has a term of only 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 activities were subsequently suspended. The Group has applied in writing to the Petroleum Department of Indonesia (BP Migas) to extend the term for exploration. After relentless explanations and persuasion made to the Petroleum Department of Indonesia by the management of CGB II, eventually in February 2009, the Petroleum Department agreed to extend the exploration phase to December 2011. Therefore, 2009 will be a crucial year to CGB II. The Company will organise the collection of 2D and 3D seismic data as soon as possible and plan to carry out drilling of exploration wells in 2010 so as to confirm the reserve volume and submit application for entering the development phase.

Despite the current depressed crude oil price, increasing crude oil reserves is the strategy and long-term objective of the Company, when crude oil price rebounds, the best returns will be brought to the shareholders.

The Azerbaijan Republic ("Azerbaijan")

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

The Group owns 25% interest in K&K in Azerbaijan. During the Period, the Group shared 422,000 barrels (Six months ended 30 June 2008: 448,000 barrels) of crude oil, representing a decrease of 26,000 barrels or 5.80%. Loss attributable to the Group amounted to HK$4,807,000 (Six months ended 30 June 2008 profit of: HK$62,811,000), representing a decrease of HK$67,618,000 or 107.65% as compared with the previous period.

Gobustan Oil Field

The Group holds 31.41% equity interest in Commonwealth Gobustan Limited ("CGL"). CGL owns 80% of participating interest in an oil field in the Southwest of Gobustan, Azerbaijan, and exploration work is under way. During the Period, the Group made impairment for loans of jointly controlled entity amounting to HK$4,511,000 (Six months ended 30 June 2008: HK$109,416,000). Such loans are actually related exploration fees in the past. 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.

NATURAL GAS DISTRIBUTION BUSINESS

During the first half of 2009, the Group acquired and made capital contribution to three operating companies engaged in the natural gas distribution business. As the three companies commenced operation early in the natural gas distribution business in the PRC, and possess advantages in terms of business expertise and technological development and support, such three companies will serve as the bridgehead for the development of the natural gas distribution business of the Group.

The three companies together have approximately 100 gas stations, and have been rapidly integrated and developing since the investment of the Group therein.

In the first half of 2009, in respect of the natural gas distribution business, profit for the Period attributable to the owners of the Company amounted to HK$106,004,000.

New joint venture companies are still in the development stage and will only contribute to the Group after development completion and commencement of operation in the second half of the next year.

MANUFACTURING BUSINESS

Steel pipes factory

華油鋼管有限公司("Steel Pipes Factory") was set up by the Group with North China Petroleum Administration Bureau (華北石油管理局) ("Administration Bureau"). With the experience of the Administration Bureau in the manufacturing and distribution of high quality oil and gas pipes, the Steel Pipes Factory produces high quality steel pipes to meet market demand. The Steel Pipes Factory has set up a branch factory in Yangzhou Hanjiang Industrial Park, the PRC to enhance its competitiveness and capture a larger market share in the eastern part of the PRC.

The Steel Pipes Factory of the Group sold a total of 223,000 tonnes (Six months ended 30 June 2008: 68,000 tonnes) of steel pipes. 223,000 tonnes (Six months ended 30 June 2008: 58,000 tonnes) were processed from material purchased on its own and no steel pipes were processed with materials provided (Six months ended 30 June 2008: 10,000 tonnes) during the Period. It generated a profit for the Period of HK$43,342,000 (Six months ended 30 June 2008: HK$15,312,000) for the Group, representing an increase of HK$28,030,000, or 183.06% over last period.

The Steel Pipes Factory was re-organized in January, 2009. Its registered capital increased to RMB467,680,000, which shall be separately paid by another shareholder. The shareholding of the Group was reduced from 50% to 39.56% correspondingly.

As the construction works 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, commenced 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 by the Group with Daqing Petroleum Administrative Bureau and has two production lines of BOPP and CPP respectively, developed according to the expected targets after commencement of production. Facing high raw materials price and fierce competition, only strong ones will survive. The management of the Film Factory has actively seeking to improve quality, cost control and optimize products. Its products have gained high recognition in the market and have been positioned at the higher end of the market.

The Film Factory developed according to the expected targets. Loss attributable to the Group for the Period was HK$491,000 (Six months ended 30 June 2008 profit of: HK$6,667,000), representing a decrease of HK$7,158,000, or 107.36% over last period.

With continued economic growth in China, demand for packaging materials will gradually increase. The Group is confident that the project will provide steady income to the Group in the future.

BUSINESS PROSPECTS

On 27 August 2008, the Company was informed by PetroChina Company Limited ("PetroChina") which would become the controlling shareholder 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 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 cooperation 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.

During the period, through the equity acquisitions and capital injections, the Group became the controlling shareholder of the following three companies, which lays a foundation for the Company's business transition and the development of its natural gas business.

(1) Shennan Oil Capital Injection. On 19 December 2008, the Group entered into an agreement with Shennan Oil and the original shareholders of Shennan Oil, pursuant to which the Company conditionally agreed to subscribe for capital in Shennan Oil of RMB52,000,000, representing 50.98% equity interest in Shennan Oil. The relevant capital injection has been completed.

(2) Xinjiang Xinjie Acquisitions. On 9 January 2009, the Group entered into agreements with PetroChina, Lead Source Limited, Xinjiang Tongyu Co., Ltd and Xinjiang Tongyuan Co., Ltd. (collectively "Original Shareholders of Xinjiang Xinjie") respectively, pursuant to which the Company conditionally agreed to acquire the respective equity interest of the Original Shareholders of Xinjiang Xinjie in Xinjiang Xinjie. Upon completion of the Xinjiang Xinjie Acquisitions, the Company will own 97.26% equity interest in Xinjiang Xinjie. At the Special General Meeting held on 12 February 2009, the proposal for acquiring Xinjiang Xinjie was approved and the acquisition procedures have been completed.

(3) Huayou Capital Injection. On 16 February 2009, the Group entered into the Huayou Capital Injection Agreement with the original shareholders of Huayou, pursuant to which the Company conditionally agreed to subscribe for 177,000,000 shares of Huayou at a consideration of RMB435,154,500 (equivalent to approximately HK$493,596,000). Upon completion of the Huayou Capital Injection, Huayou will be owned as to 51.01% by the Company and will become its non-wholly owned subsidiary. At the Special General Meeting held on 24 March 2009, the proposal for injecting capital into Huayou was approved and the capital injection procedures have been completed.

    The Company formed joint ventures at places where the resources and market allocation are relatively favourable, in order to make use of the complementary advantages of each party and rapidly build up scale and market share in the local location.

(4) The establishment of a joint venture company. On 10 June 2009, the Company established Xing Jing Bridge Energy Limited (新疆博瑞能源有限公司) ("Borui JV") in the PRC with China Xinjiang Recycle Energy Company Limited (中國新疆循環能源有限公司) and China Hainan Hiran Hi-tech Energy Co., Ltd. (中國海南海然高新能源有限公司). Borui JV will engage in the collection of associated gas generated from oilfields, which will be utilised for the production of compressed natural gas, liquefied natural gas and hydrocarbon for sale in the PRC. The total investment amount and the registered capital of the Borui JV are RMB668,000,000 (equivalent to approximately HK$757,646,000) and RMB500,000,000 (equivalent to approximately HK$567,100,000) respectively. The Company will hold 75% of the equity interests in Borui JV.

(5) The establishment of a joint venture company. The Company established Xi'an Qinggang Clean Energy Technology Company Limited (西安慶港潔能科技有限公司) (the "Qinggang JV") with Changqing Petroleum Exploration Bureau Collective Assets Investment Centre (長慶石油勘探局集體資產投資中心)in the PRC. The registered capital of Qinggang JV is RMB100,000,000, of which the Group holds 51%.

(6) The establishment of a joint venture company. The Company established Hebei Huagang Gas Company Limited (河北華港燃氣有限公司) (the "Huagang JV") with Hebei Huayou Exploration Bureau Collective Assets Investment Centre (河北華油勘探局集體資產投資中心)in the PRC. The registered capital of Huagang JV is RMB200,000,000, of which the Group holds 51%.

Through the above equity interest acquisitions, capital injections and establishment of new joint ventures, the Group has officially commenced its business transition, and will pay more effort on the development of natural gas end users sale. Whereas conditions are appropriate, the Group will actively seek to participate in the construction of the ancillary natural gas distribution pipelines, so as to facilitate the effective linkage between resources and the market and to develop the user market; meanwhile, to pay more effort on carrying out the liquefied natural gas (LNG) business and cultivate the new markets for the utilization of natural gas.

With a strong financial position and prudent approach, the Group aims to expand into an international petroleum corporation mainly engaging in the natural gas end users sale and comprehensive utilisation businesses. The crude oil price is expected to fluctuate in the future. The Group will accelerate on the exploration of existing oil projects, increase reserves, adjust production volume as appropriate, strengthen the management, costs control, increase efficiency and stabilise income. In the meantime, the Group will develop new business on the natural gas end users sale and comprehensive utilization business and under the firm support of China National Petroleum Corporation and PetroChina, and will accelerate the acquisition of the natural gas downstream business, develop actively the comprehensive utilisation projects for natural gas, realize rapidly the business transition, so as to develop quickly a strong and top position of the Group's businesses, and generate a considerable return to our shareholders.

By Order of the Board

Li Hualin
Chairman

Hong Kong, 28 August 2009

OPERATING RESULTS

The Group recorded a total revenue of HK$2,005,725,000 for the six months period ended 30 June 2009 (the "Period") (Six months ended 30 June 2008: HK$3,602,569,000(restated)), representing a decrease of HK$1,596,844,000 or 44.33%. The decrease of the total revenue represents a decrease in crude oil of HK$1,706,972,000 or 60.13 % compare with HK$2,838,677,000 and an increase in natural gas of HK$110,128,000 or 14.42 % compare with HK$763,892,000 in last period.

The profit for the Period is HK$366,882,000 (Six months ended 30 June 2008: HK$2,262,749,000). The profit attributable to owners of the Company for the Period is HK$316,356,000 (Six months ended 30 June 2008: HK$1,649,298,000) representing a decrease of HK$1,332,942,000 or 80.82%.

The weighted average realised crude oil selling price decreased from US$84.54 per barrel corresponding period last year to US$39.90 per barrel this Period. The decrease of profit is mainly due to the decrease of realised selling price and share of provision for export custom duties of an associate operating in Kazakhstan amounting HK$338,103,000 (of which attributable to owners of the Company amounted to HK$202,862,000). The weighted average realised compressed natural gas selling price increase from US$244.38 per thousand cubic metre corresponding period last year to US$251.82 per thousand cubic metre this Period.

LIQUIDITY AND CAPITAL RESOURCES

As at 30 June 2009, the value of total assets of the Group is HK$15,928,596,000, representing a decrease of HK$1,353,046,000 or 7.83% as compared with 31 December 2008.

The major changes of the assets are as follows:

	Increase/(decrease) HK$'000
Investments in jointly controlled entities	165,215
Account receivables, prepaid expenses and other current assets	201,824
Bank balances and cash	(666,176)
	(299,137)
Investments in associates	(1,058,417)#
Net decrease in assets	(1,357,554)

The decrease is mainly due to share of loss and translation difference, arising from the devaluation of Kazakhstan Tenge by 20% in February 2009, of the investment in the associate operating in Kazakhstan.

The gearing ratio of the Group was 24.89% as at 30 June 2009 compared with 20.93% (restated) as at 31 December 2008. It is computed by dividing the total borrowings of HK$2,383,096,000 (31 December 2008: HK$2,270,571,000 (restated)) by the equity attributable to owners of the Company of HK$9,574,451,000 (31 December 2008: HK$10,850,728,000 (restated)).

During the Period, no capex injection into Leng Jiapu oil field as development costs (Six months ended 30 June 2008: RMB516,000,000 (approximately HK$586,313,000)).

In accordance with the Karamay Contract, RMB52,958,000 (approximately HK$60,104,000) was paid out of profit and re-invested as development costs of the Karamay oil field (Six months ended 30 June 2008: RMB53,246,000 (approximately HK$60,431,000)).

The Group paid interest of HK$50,817,000 (Six months ended 30 June 2008: HK$84,782,000) during the Period.

The Group received dividends of HK$12,866,000 (Six months ended 30 June 2008: nil) from associates during the Period.

The Group paid HK$39,874,000 (Six months ended 30 June 2008: nil) as part of the consideration to acquire a subsidiary (Xinjie) and injected additional capital of HK$601,801,000 (Six months ended 30 June 2008: nil) into two newly acquired subsidiaries (Huayou and Shennan) during the Period.

The Group borrowed RMB1,016,975,000 (approximately HK$1,154,211,000) and also repaid RMB917,830,000 (approximately HK$1,041,686,000) to financial institutions resulting a net increase in borrowings of RMB99,145,000 (approximately HK$112,525,000).

USE OF PROCEEDS

During the Period, few senior executives of the Company exercised their share options. As a result, the Company issued 18,240,000 new shares (Six months ended 30 June 2008: nil) and received subscription amount of HK$17,884,000 (30 June 2008: nil).

2008 final dividend of HK$0.15 per share amounting HK$668,854,000 (2007: HK$0.12 per share amounting HK$581,399,000) was distributed to owners of the Company during the Period.

Taking into account the cashflow from the operating activities, the Group as at 30 June 2009 has a bank balance and cash of HK$4,561,677,000 (31 December 2008: HK$5,227,853,000).

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

NEW INVESTMENT

On 27 August 2008, the Company was informed by PetroChina Company Limited ("PetroChina") that PetroChina would become the controlling shareholder 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 new business growth opportunities in city gas, vehicle fuel gas and related businesses with the support of PetroChina. After receiving the information, the Group promptly accelerated the search for relevant natural gas projects to be injected into the Group.

Date	Investees	Percentage of holding	Invested amount	Payment date
19 December 2008	CNPC Shennan Oil Technology Development Co., Ltd.	50.98%	RMB95,091,000 (approximately HK$108,325,000)	Fully paid on 14 January 2009
9 January 2009	Xinjiang Xinjie Co., Ltd.	97.26%	RMB328,057,000 (approximately HK$379,049,000)	RMB29,210,000 paid on 12 June 2009
16 February 2009	China Natural Gas Co., Ltd.	51.01%	RMB435,155,000 (approximately HK$493,476,000)	Fully paid on 25 June 2009
12 May 2009	Xi'an Qinggang Clean Energy Technology Company Limited	51.00%	RMB51,000,000 (approximately HK$58,028,000)	US$3,750,000 paid on 21 July 2009
12 May 2009	Hebei Huagang City Gas Company Limited	51.00%	RMB102,000,000 (approximately HK$116,056,000)	US$4,500,000 paid on 12 August 2009
10 June 2009	Xing Jing Bridge Energy Limited	75.00%	RMB375,000,000 (approximately HK$425,325,000)	Paid upon request

As part of the Group's business strategy, the Group is actively seeking new investment opportunities in natural gas businesses. During the Period, the Group has the above new investments. The Group will continue to seek new sizable investment opportunities in the acquisition of strategic, possible controlling, stakes in profitable companies operating in natural gas businesses in the PRC.

PLEDGED OF ASSETS

As at 30 June 2009, short-term borrowings of RMB115,053,000 (approximately HK$130,579,000) (31 December 2008: RMB605,770,000; no long-term borrowings (31 December 2008: RMB25,000,000 (approximately HK$28,374,000)) are secured by property, plant and equipment, advanced operating lease payments and assets held for sale with aggregate carrying values of HK$272,110,000 (31 December 2008: HK$747,178,000).

EMPLOYEE

On 30 June 2009, the Group had approximately 3,828 staff (excluding the staff under entrustment contracts) (31 December 2008: 3,813 staff (restated)) 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 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 2008 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 separated 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.

REVIEW OF INTERIM FINANCIAL INFORMATION

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 2009.

The unaudited consolidated interim condensed financial information of the Group for the six months ended 30 June 2009 has been reviewed by the Audit Committee of the Company and by the Company's auditor, PricewaterhouseCoopers, 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted written guidelines on terms no less exacting 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.

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 2009.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, any of its fellow subsidiaries or its parent company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Period or at any time during the Period.

DIRECTORS' INTERESTS IN SHARES

At as 30 June 2009, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities Future Ordinance (the "SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director and chief executive of the Company is taken or deemed to have under such provisions of the SFO); or which (b) were required to be entered into the register maintained by the Company, pursuant to Section 352 of the SFO; or which (c) were required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules are set out below.

Ordinary Shares of HK$0.01 each of the Company

Name	Number of Shares	Capacity and Nature of Interests	Percentage of Issued Shares
Li Kwok Sing Aubrey (1)	1,000,000	Beneficial owner	0.02%

Notes:

(1) The interests held by Mr Li Kwok Sing Aubrey represent long position in the shares of the Company.

Share options are granted to directors and chief executive 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 executive 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 January 2009	Options granted during the Period	Exercised during the Period	Outstanding at 30 June 2009
Directors							
Li Hualin	27 Apr 2005	27 Jul 2005 – 26 Apr 2010	1.224	20,000,000	–	–	20,000,000
	8 Jan 2007	8 Apr 2007 – 7 Jan 2012	4.186	25,000,000	–	–	25,000,000
	26 May 2008	26 Aug 2008 – 25 May 2013	4.240	3,200,000	–	–	3,200,000
	26 Mar 2009	26 Jun 2009 – 25 Mar 2014	3.250	–	3,200,000	–	3,200,000
Zhang Bowen	8 Jan 2007	8 Apr 2007 – 7 Jan 2012	4.186	20,000,000	–	–	20,000,000
	26 May 2008	26 Aug 2008 – 25 May 2013	4.240	2,400,000	–	–	2,400,000
	26 Mar 2009	26 Jun 2009 – 25 Mar 2014	3.250	–	2,400,000	–	2,400,000
Cheng Cheng	25 Jun 2004	25 Sep 2004 – 24 Jun 2009	0.940	15,640,000	–	(15,640,000)	–
	8 Jan 2007	8 Apr 2007 – 7 Jan 2012	4.186	10,000,000	–	–	10,000,000
	26 May 2008	26 Aug 2008 – 25 May 2013	4.240	1,500,000	–	–	1,500,000
	26 Mar 2009	26 Jun 2009 – 25 Mar 2014	3.250	–	1,500,000	–	1,500,000
Liu Xiao Feng	27 Apr 2005	27 Jul 2005 – 26 Apr 2010	1.224	1,600,000	–	(1,600,000)	–
Employees	27 Apr 2005	27 Jul 2005 – 26 Apr 2010	1.224	26,000,000	–	(1,000,000)	25,000,000
	8 Jan 2007	8 Apr 2007 – 7 Jan 2012	4.186	25,000,000	–	–	25,000,000
	14 Sep 2007	14 Dec 2007 – 13 Sep 2012	4.480	20,000,000	–	–	20,000,000
	26 May 2008	26 Aug 2008 – 25 May 2013	4.240	7,000,000	–	–	7,000,000
	26 Mar 2009	26 Jun 2009 – 25 Mar 2014	3.250	–	7,000,000	–	7,000,000
				177,340,000	14,100,000	(18,240,000)	173,200,000

The closing prices of the Company's shares immediately before 26 March 2009, the date of grant of the options, was HK$3.16.

The weighted average closing prices of the Company's shares immediately before the dates on which the share options were exercised was HK$3.30.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES

At at 30 June 2009, 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 the chief executive of the Company.

Name	Number of shares		Percentage of the total number of shares in issue
	Direct interest	Indirect interest	
Sun World Limited (1)	2,513,917,342 (L)	–	56.38%
PetroChina Hong Kong (BVI) Ltd (1)	–	2,513,917,342 (L)	56.38%
PetroChina Hong Kong Ltd (1)	–	2,513,917,342 (L)	56.38%
PetroChina Company Limited (1)	–	2,513,917,342 (L)	56.38%
China National Oil and Gas Exploration and Development Corporation ("CNODC") (2)	–	72,790,000 (L)	1.63%
CNPC International Ltd ("CNPCI") (2)	–	72,790,000 (L)	1.63%
Fairy King Investments Ltd	72,790,000 (L)	–	1.63%
China National Petroleum Corporation (1)(2)	–	2,586,707,342 (L)	58.01%

Notes:

(1) Sun World Limited is a wholly-owned subsidiary of PetroChina Hong Kong (BVI) Ltd., which in turn is wholly owned by PetroChina Hong Kong Ltd.. PetroChina Hong Kong Ltd. is wholly owned by PetroChina, which is in turn owned as to 86.42% by China National Petroleum Corporation ("CNPC"). Accordingly, CNPC is deemed to have interest in the 2,513,917,342 shares held by Sun World Limited. Mr Li Hualin, the Chairman of the Company and Mr Zhang Bowen, the Chief Executive Officer of the Company are also directors of Sun World Limited, which is a substantial shareholder of the Company (within the meaning of Part XV of the SFO).

(2) Fairy King Investments Ltd is a wholly-owned subsidiary of CNPCI, which in turn is wholly owned by CNODC, which is in turn owned as to 100.00% by CNPC. Accordingly, CNPC is deemed to have interest in the 72,790,000 shares held by Fairy King Investments Ltd.

Save as disclosed above, as at 30 June 2009, the Directors and the chief executive of the Company were 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 Divisions 2 and 3 of Part XV of the SFO.

As at 30 June 2009, the Directors and the chief executive of the Company were not aware of any person (other than a Director or chief executive of the Company) who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any options in respect of such capital.

By Order of the Board

Zhang Bowen
Chief Executive Officer

Hong Kong, 28 August 2009

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

(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the consolidated interim condensed financial information set out on pages 21 to 52 which comprises the consolidated interim condensed statement of financial position of CNPC (Hong Kong) Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2009 and the related consolidated interim condensed statement of comprehensive income, consolidated interim condensed statement of changes in equity and consolidated interim condensed cash flow statement for the six months period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of 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 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated interim condensed 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 consolidated interim condensed financial information consists of making enquires 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 opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 August 2009

For the six months ended 30 June 2009

	Note	2009 HK$'000	2008 HK$'000 (Note 21)
Revenue	4	**2,005,725**	3,602,569
Other gains, net	5	**5,486**	18,856
Interest income		**24,217**	66,019
Purchases, services and others		**(937,697)**	(1,039,180)
Employee compensation costs		**(160,173)**	(144,755)
Exploration expenses, including exploratory dry holes		**(12,106)**	(43,381)
Depreciation, depletion and amortisation		**(251,857)**	(425,486)
Selling, general and administrative expenses		**(223,748)**	(409,768)
Taxes other than income taxes	6	**(1,592)**	(223,287)
Other expenses		**(4,511)**	(110,995)
Interest expenses	7	**(78,183)**	(84,782)
Share of profits less (losses) of:			
– Associates		**(59,208)**	1,520,306
– Jointly controlled entities		**180,376**	114,796
Profit before income tax expense	8	**486,729**	2,840,912
Income tax expense	9	**(119,847)**	(578,163)
Profit for the period		**366,882**	2,262,749
Other comprehensive (loss)/income:			
Currency translation differences		**(1,004,585)**	343,751
Fair value gain/(loss) from available-for-sale financial assets		**14,710**	(55,899)
Other comprehensive (loss)/income, net of tax		**(989,875)**	287,852
Total comprehensive (loss)/income for the period		**(622,993)**	2,550,601
Profit for the period attributable to:			
– Owners of the Company		**316,356**	1,649,298
– Non-controlling interest		**50,526**	613,451
		366,882	2,262,749
Total comprehensive (loss)/income for the period attributable to:			
– Owners of the Company		**(260,381)**	1,893,893
– Non-controlling interest		**(362,612)**	656,708
		(622,993)	2,550,601
Earnings per share for profit attributable to owners of the Company	10		
– Basic (HK cents)		**7.11**	34.04
– Diluted (HK cents)		**7.05**	33.67

The accompanying notes are an integral part of this interim financial information.

UNAUDITED CONSOLIDATED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

	Note	**30 June 2009 HK$'000**	31 December 2008 HK$'000 (Note 21)
Assets			
Non-current assets			
Property, plant and equipment	12	**4,668,420**	4,656,759
Advanced operating lease payments		**79,067**	73,659
Investments in jointly controlled entities	13	**1,099,745**	934,530
Investments in associates	14	**4,105,607**	5,164,024
Available-for-sale financial assets		**71,150**	56,081
Intangibles and other non-current assets		**8,066**	52,927
Deferred tax assets		**83,204**	89,769
		10,115,259	11,027,749
Current assets			
Inventories	15	**47,332**	35,822
Accounts receivable	16	**285,378**	157,073
Prepaid expenses and other current assets		**325,868**	252,349
Income taxes recoverable		**11,252**	–
Time deposits with maturities over three months		**329,135**	476,677
Cash and cash equivalents		**4,232,542**	4,751,176
		5,231,507	5,673,097
Assets held for sale	17	**581,830**	580,796
		5,813,337	6,253,893
Total assets		**15,928,596**	17,281,642

As at 30 June 2009

	Note	30 June 2009 HK$'000	31 December 2008 HK$'000 (Note 21)
Equity			
Equity attributable to owners of the Company			
Share capital	18	**44,590**	44,408
Retained earnings		**10,036,803**	10,419,989
Reserves		**(506,942)**	386,331
		9,574,451	10,850,728
Non-controlling interest		**1,967,719**	2,339,285
		11,542,170	13,190,013
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	19	**1,092,033**	901,269
Income taxes payable		**45,200**	43,331
Other taxes payable		**2,319**	24,259
Short-term borrowings	20	**1,049,347**	1,248,323
		2,188,899	2,217,182
Non-current liabilities			
Long-term borrowings	20	**1,333,749**	1,022,248
Deferred tax liabilities		**863,778**	852,199
		2,197,527	1,874,447
Total liabilities		**4,386,426**	4,091,629
Total equity and liabilities		**15,928,596**	17,281,642
Net current assets		**3,624,438**	4,036,711
Total assets less current liabilities		**13,739,697**	15,064,460

The accompanying notes are an integral part of this interim financial information.

For the six months ended 30 June 2009

	Note	2009 HK$'000	2008 HK$'000
Cash flows from operating activities		**206,198**	1,492,091
Cash flows from investing activities			
Business combinations under common control		**(39,874)**	–
Capital expenditure		**(273,039)**	(245,604)
Dividends received from associates		**12,866**	–
Decrease in deposits with maturities more than three months		**147,542**	895,248
Interest received		**24,217**	66,019
Net cash (used in)/generated from investing activities		**(128,288)**	715,663
Cash flows from financing activities			
Dividends paid to owners of the Company		**(668,854)**	(581,399)
Dividends paid by subsidiaries to non-controlling interest		**(7,282)**	(20,303)
Dividends paid to former owners of the Natural Gas Projects		**–**	(16,855)
Issue of shares		**17,884**	–
Interest paid		**(50,817)**	(84,782)
Increase in borrowings	20	**1,154,211**	438,755
Repayments of borrowings	20	**(1,041,686)**	(391,129)
Net cash used in financing activities		**(596,544)**	(655,713)
(Decrease)/increase in cash and cash equivalents		**(518,634)**	1,552,041
Cash and cash equivalents at beginning of the period		**4,751,176**	3,518,448
Effect of foreign exchange rate changes		**–**	38,845
Cash and cash equivalents at end of the period		**4,232,542**	5,109,334

The accompanying notes are an integral part of this interim financial information.

For the six months ended 30 June 2009

		Attributable to owners of the Company				Non-controlling interest	Total equity
		Share capital	Retained earnings	Reserves	Sub-total		
	Note	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balances at 31 December 2007		48,450	7,728,413	1,237,609	9,014,472	987,569	10,002,041
Business combinations under common control	21	–	(91,176)	222,666	131,490	616,930	748,420
Balances at 1 January 2008		48,450	7,637,237	1,460,275	9,145,962	1,604,499	10,750,461
Total comprehensive income for the six months ended 30 June 2008		–	1,649,298	244,595	1,893,893	656,708	2,550,601
Transfer between reserves		–	(1,141)	1,141	–	–	–
Dividend for 2007	11	–	(581,399)	–	(581,399)	–	(581,399)
Recognition of equity settled share-based payments	18	–	–	7,333	7,333	–	7,333
Dividends to former owners of the Natural Gas Projects		–	(16,855)	–	(16,855)	(20,303)	(37,158)
		–	1,049,903	253,069	1,302,972	636,405	1,939,377
Balances at 30 June 2008		48,450	8,687,140	1,713,344	10,448,934	2,240,904	12,689,838
Balances at 31 December 2008		**44,408**	**10,466,146**	**147,369**	**10,657,923**	**1,619,895**	**12,277,818**
Business combinations under common control	21	**–**	**(46,157)**	**238,962**	**192,805**	**719,390**	**912,195**
Balances at 1 January 2009		**44,408**	**10,419,989**	**386,331**	**10,850,728**	**2,339,285**	**13,190,013**
Total comprehensive income/(loss) for the six months ended 30 June 2009		**–**	**316,356**	**(576,737)**	**(260,381)**	**(362,612)**	**(622,993)**
Transfer between reserves		**–**	**(30,688)**	**30,688**	**–**	**–**	**–**
Dividend for 2008	11	**–**	**(668,854)**	**–**	**(668,854)**	**–**	**(668,854)**
Recognition of equity settled share-based payments	18	**–**	**–**	**14,123**	**14,123**	**–**	**14,123**
Issue of shares upon exercise of share options	18	**182**	**–**	**17,702**	**17,884**	**–**	**17,884**
Acquisition of the Natural Gas Projects	21	**–**	**–**	**(379,049)**	**(379,049)**	**–**	**(379,049)**
Dividends paid by subsidiaries to non-controlling interest		**–**	**–**	**–**	**–**	**(8,954)**	**(8,954)**
		182	**(383,186)**	**(893,273)**	**(1,276,277)**	**(371,566)**	**(1,647,843)**
Balances at 30 June 2009		**44,590**	**10,036,803**	**(506,942)**	**9,574,451**	**1,967,719**	**11,542,170**

The accompanying notes are an integral part of this interim financial information.

1 Organisation and principal activities

CNPC (Hong Kong) Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is China National Petroleum Corporation ("CNPC") which is a company established in the People's Republic of China (the "PRC"). The immediate holding company of the Company is Sun World Limited ("Sun World"), which is a company incorporated in the British Virgin Islands. On 28 August 2008, PetroChina Company Limited ("PetroChina"), a subsidiary of CNPC, entered into a sale and purchase agreement with CNPC to acquire 100% equity interest in Sun World. On 18 December 2008, the transaction was completed. Since then, PetroChina became an intermediate holding company of the Company and indirectly owned 56.38% equity interest in the Company as at 30 June 2009.

The address of the Company's principal office and registered office are Room 3907-3910, 39/F, 118 Connaught Road West, Hong Kong and Clarendon House, Church Street, Hamilton HM11, Bermuda, respectively.

The Company acts as an investment holding company. The principal activities of its subsidiaries, associates and jointly controlled entities are the exploration and production of crude oil and natural gas in the PRC, the Republic of Kazakhstan ("Kazakhstan"), the Sultanate of Oman, Peru, the Kingdom of Thailand, the Azerbaijan Republic and the Republic of Indonesia, and the sale of natural gas and transmission of natural gas in the PRC.

2 Basis of preparation and accounting policies

The unaudited consolidated interim condensed financial information (comprising the consolidated condensed statement of comprehensive income, the consolidated condensed statement of financial position, the consolidated condensed cash flow statement and the consolidated condensed statement of changes in equity and summary of significant accounting policies and other explanatory notes, referred to as interim financial information) for the six months ended 30 June 2009 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited consolidated interim condensed financial information presented herein should be read in conjunction with the consolidated financial statements and notes thereto included in the annual report of the Company for the year ended 31 December 2008.

Except as described below, the accounting policies and methods of computation applied in the preparation of the unaudited consolidated interim condensed financial information are consistent with those of the consolidated financial statements for the year ended 31 December 2008.

The following new/revised standards are mandatory for the first time for the financial year beginning 1 January 2009:

HKAS 1 (revised) "Presentation of Financial Statements". The revised standard requires all changes in equity arising from transactions with owners in their capacity as owners and the related current and deferred tax impacts be presented separately from non-owner changes in equity. Recognised income and expenses shall be presented in a single statement (a statement of comprehensive income) or in two statements (a statement of profit and loss and a statement of comprehensive income), separately from owner changes in equity.

The Group has elected to present recognised income and expenses in a single statement of comprehensive income and this consolidated interim condensed financial information has been prepared under the revised disclosure requirements.

HKFRS 8 "Operating Segments" replaces HKAS 14 "Segment Reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes (Note 22).

2 Basis of preparation and accounting policies (Continued)

The consolidated interim condensed financial information as of 30 June 2009 and for the six months period ended 30 June 2009 and 30 June 2008 included herein are unaudited but reflect, in the opinion of the Board of Directors, all adjustments (which include only normal recurring adjustments) necessary to properly prepare the unaudited consolidated interim condensed financial information, in all material respects, in accordance with HKAS 34. The results of operations for the six months ended 30 June 2009 are not necessarily indicative of the results of operations expected for the year ending 31 December 2009.

Costs that are incurred unevenly during the financial year are accrued or deferred in the unaudited consolidated interim condensed financial information only if it would be also appropriate to accrue or defer such costs at the end of the financial year.

The following new amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for or their impact is not material to the Group for the six months period ended 30 June 2009.

HKAS 23 (revised)	Borrowing Costs
HKAS 32 (amendment)	Financial Instruments: Presentation
HKAS 39 (amendment)	Financial Instruments: Recognition and Measurement
HKFRS 2 (amendment)	Share-based Payment
HKFRS 7 (amendment)	Financial Instruments: Disclosures
HK(IFRIC) 9 (amendment)	Reassessment of Embedded Derivatives
HK(IFRIC) 13	Customer Loyalty Programmes
HK(IFRIC) 15	Agreements for the Construction of Real Estate
HK(IFRIC) 16	Hedges of a Net Investment in a Foreign Operation

3 Critical accounting estimates and judgements

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

The matters described below are considered to be the most critical in understanding the estimates and judgements that are involved in preparing the Group's unaudited consolidated interim condensed financial information.

(a) Estimation of oil and natural gas reserves

Estimates of oil and natural gas reserves are key elements in the Group's investment decision making process. They are also an important element in testing for impairment. Changes in proved oil and natural gas reserves, particularly proved developed reserves, will affect unit-of-production depreciation, depletion and amortisation recorded in the Group's consolidated financial information for property, plant and equipment related to oil and gas production activities. A reduction in proved developed reserves will increase depreciation, depletion and amortisation charges. Proved reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms, evolution of technology or development plans.

3 Critical accounting estimates and judgements (Continued)

(a) Estimation of oil and natural gas reserves (Continued)

As at 1 January 2009, management has revised the Group's proved developed reserve estimates with reference to the latest professional valuers resulting in an increase in profit for the six months ended 30 June 2009 amounting to approximately HK$139,889,000.

(b) Estimation of impairment of property, plant and equipment

Property, plant and equipment, including oil and gas properties, are reviewed for possible impairments when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination as to whether and how much an asset is impaired involves management estimates and judgements such as the future price of crude oil. However, the impairment reviews and calculations are based on assumptions that are consistent with the Group's business plans. Favourable changes to some assumptions may allow the Group to avoid the need to impair any assets in these years, whereas unfavourable changes may cause the assets to become impaired.

(c) Provisions

Management judgement is required in assessing the quantum of provisions at each balance sheet date, which are made based on an estimation of historical and anticipated claims, the merits of the claims against the Group, its associates and/or jointly controlled entities, and the existence of any obligation under the terms of relevant agreements with the counter parties.

The basis of estimation is reviewed on an on-going basis and revised where appropriate. Changing the assumptions selected by management to determine the level, if any, of provisions, could affect the present value of the expenditure expected to be required to settle the obligation and as a result affect the Group's financial position and results of operations.

(d) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

4 Revenue and turnover

Turnover represents revenue from the sale of crude oil and natural gas, and from the transportation of crude oil. Analysis of revenue by segment is shown in Note 22.

5 Other gains, net

	For the six months ended 30 June	
	2009	2008
	HK$'000	HK$'000
Government grants related to reinvestment of profits generated from oil production sharing contracts (Note)	**–**	9,544
Net exchange (losses)/gains	**(4,919)**	1,641
Others	**10,405**	7,671
	5,486	18,856

Note:

The PRC Government offered government grants to the subsidiaries established outside the PRC for the Leng Jiapu Contract and the Xinjiang Contract. Such government grants were endorsed by the relevant tax bureau for the qualification of these grants. It was recognised at their fair value where there was a reasonable assurance that the grant would be received.

6 Taxes other than income taxes

Taxes other than income taxes mainly represent special levy which is paid or payable on the portion of income realised from the sales of domestically-produced crude oil at prices above a certain level.

7 Interest expenses

	For the six months ended 30 June	
	2009	2008
	HK$'000	HK$'000
Interest on		
Bank loans, wholly repayable within five years	**22,562**	45,424
Loans other than bank loans, wholly repayable within five years, from:		
– Fellow subsidiaries	**10,341**	–
– Non-controlling interest of subsidiaries	**6,684**	762
Loans other than bank loans, not wholly repayable within five years, from:		
– A fellow subsidiary	**38,596**	–
– Immediate holding company	**–**	38,596
	78,183	84,782

8 Profit before income tax expense

	For the six months ended 30 June	
	2009	2008
	HK$'000	HK$'000
Items debited in arriving at the profit before income tax expense include:		
Amortisation on advanced operating lease payments, intangibles and other non-current assets	**1,705**	1,228
Cost of inventories recognised as expense	**1,189,554**	1,464,666
Provision for loans to and amounts due from jointly controlled entities	**4,511**	110,995
Operating lease expenses	**3,528**	4,475

9 Income tax expense

	For the six months ended 30 June	
	2009	2008
	HK$'000	HK$'000
Current tax		
– PRC	**65,007**	164,051
– Overseas	**42,522**	344,473
	107,529	508,524
Deferred tax	**12,318**	69,639
	119,847	578,163

Hong Kong profits tax has not been provided for as the Group has no assessable profit for the period (Six months ended 30 June 2008: Nil).

The Group's subsidiaries in Mainland China are subject to Corporate Income Tax of Mainland China at a statutory rate of 25% for the six months ended 30 June 2009 (Six months ended 30 June 2008: 25%).

The Group's certain subsidiaries operating in certain regions in Mainland China are qualified for certain tax incentives in a form of reduced Corporation Income Tax rate. For the six months ended 30 June 2009, those subsidiaries enjoy preferential income tax rates ranging from 10% to 20% (Six months period ended 30 June 2008: 10% to 20%).

9 Income tax expense (Continued)

Income tax expense on overseas (other than the PRC) profits has been calculated on the estimated assessable profit for the period at the applicable rates of taxation prevailing in the jurisdictions in which the Group operates.

Included in overseas income tax expense is withholding tax of HK$2,573,000 (Six months ended 30 June 2008: HK$238,862,000) in respect of dividend received from an associate, CNPC-Aktobemunaigas Joint Stock Company ("Aktobe"), which is charged at 20% (Six months ended 30 June 2008: 15%).

10 Basic and diluted earnings per share

(a) The calculation of basic earnings per share is based on the Group's profit attributable to owners of the Company of approximately HK$316,356,000 (Six months ended 30 June 2008: HK$1,649,298,000, as restated) and weighted average number of ordinary shares in issue during the period of approximately 4,450,012,000 shares (Six months ended 30 June 2008: 4,844,994,000 shares).

(b) Diluted earnings per share is calculated based on the profit attributable to owners of the Company of approximately HK$316,356,000 (Six months ended 30 June 2008: HK$1,649,298,000, as restated), and the weighted average number of ordinary shares of approximately 4,488,349,000 shares (Six months ended 30 June 2008: 4,897,829,000 shares) which is the weighted average number of ordinary shares in issue during the period plus the weighted average number of dilutive potential ordinary shares in respect of share options of approximately 38,337,000 shares (Six months ended 30 June 2008: 52,835,000 shares) deemed to be issued at nil consideration if all outstanding share options granted had been exercised.

11 Dividends

(a) Final dividend attributable to owners of the Company in respect of 2007 of HK12 cents per share amounting to a total of HK$581,399,000 were approved by the shareholders in the Annual General Meeting on 26 May 2008 and were paid on 10 June 2008.

(b) Final dividend attributable to owners of the Company in respect of 2008 of HK15 cents per share amounting to a total of HK$668,854,000 were approved by the shareholders in the Annual General Meeting on 14 May 2009 and were paid on 1 June 2009.

(c) The Directors do not recommend a payment of an interim dividend for the six months period ended 30 June 2009 (Six months ended 30 June 2008: Nil).

12 Property, plant and equipment

	For the six months ended 30 June	
	2009	2008
	HK$'000	HK$'000
Cost		
Balances at 31 December 2008/2007	**8,903,853**	7,599,585
Business combinations under common control	**1,564,007**	2,286,722
Balances at 1 January	**10,467,860**	9,886,307
Additions	**264,355**	245,604
Currency translation differences	**(3,011)**	526,699
Balances at 30 June	**10,729,204**	10,658,610
Accumulated depletion, depreciation and impairment		
Balances at 31 December 2008/2007	**5,420,212**	4,539,290
Business combinations under common control	**390,889**	660,914
Balances at 1 January	**5,811,101**	5,200,204
Charge for the period	**250,152**	424,258
Currency translation differences	**(469)**	325,575
Balances at 30 June	**6,060,784**	5,950,037
Net book value at 30 June	**4,668,420**	4,708,573

13 Investments in jointly controlled entities

	30 June 2009 HK$'000	31 December 2008 HK$'000
Share of net assets	**1,054,839**	889,624
Loans to jointly controlled entities	**265,052**	265,052
Less: Impairment losses	**(220,146)**	(220,146)
	44,906	44,906
	1,099,745	934,530

Loans to jointly controlled entities are unsecured and not repayable within one year. Except for an amount of HK$44,906,000 (31 December 2008: HK$44,906,000), which is interest free, the remaining amount of HK$220,146,000 (31 December 2008: HK$220,146,000) bears interest at London Interbank Offered Rate ("LIBOR") plus 3.75% (31 December 2008: LIBOR plus 3.75%) per annum. The effective interest rate is 4.35% (31 December 2008: 6.68%).

During the six months ended 30 June 2008, the Group recognised an impairment loss of HK$110,995,000 for loans to jointly controlled entities. The allowance is attributable to the unfavourable exploration results of the respective jointly controlled entities. The impairment loss is measured as the difference between the carrying amount of loans to the relevant jointly controlled entities and the present value of the estimated future cash flows discounted at the original effective interest rate.

At 30 June 2009, except for an amount of HK$220,146,000 (31 December 2008: HK$220,146,000), the remaining loans to jointly controlled entities are not past due and not impaired.

Dividends received and receivable from jointly controlled entities amounted to approximately HK$19,115,000 for the six months period ended 30 June 2009 (Six months ended 30 June 2008: HK$79,386,000).

14 Investments in associates

	30 June 2009 HK$'000	31 December 2008 HK$'000
Share of net assets	**4,105,607**	5,164,024

Included in the investments in associates is an investment in Aktobe, which is engaged in oil and gas exploration, development, and production in Aktobe region of Kazakhstan, and other activities supporting oil and gas production, and sale of oil, gas and oil products.

14 Investments in associates (Continued)

In April 2008, the government of Kazakhstan issued a decree for charging export custom duties on crude oil exported out of Kazakhstan with effect from 16 May 2008. Aktobe was originally not within the scope of these duties and therefore no payment was made from May to September 2008. In October 2008, the local government issued a notice demanding Aktobe for payment of these duties. During the year ended 31 December 2008, Aktobe has paid approximately HK$2,871,900,000, of which an amount of HK$531,282,000 (equivalent to the Group's share, net of tax, of HK$113,439,000) is related to January 2009. The unpaid duties amounted to HK$1,378,526,000, of which the Group shares approximately HK$224,664,000, net of tax.

By the end of 2008, Aktobe initiated a claim to the local court against the actions of the relevant government authorities of Kazakhstan, which resulted in illegal imposition on Aktobe of obligation to pay export custom duties. In July 2009, a judgement was made by the local court against Aktobe requiring it to settle the export custom duties in full. Aktobe paid the entire amount in July 2009.

Taking into account of the recent decision made by the court of Kazakhstan, management considers the exposure becomes probable and a provision is considered necessary as at 30 June 2009.

Included in the Group's share of losses of associates is an amount of the Group's share of provision for export custom duties including penalties, net of tax, amounting to HK$338,103,000 (Six months ended 30 June 2008: Nil) recognised during the six months ended 30 June 2009.

During the six months ended 30 June 2009, Kazakhstan Tenge, the functional currency of Aktobe, was devalued by approximately 20% against US dollar with effect from 4 February 2009 resulting a reduction of share of net assets of associates by HK$986,343,000 and corresponding reduction in translation reserve by the same amount.

Dividends received and receivable from associates amounted to approximately HK$12,866,000 for the six months ended 30 June 2009 (Six months ended 30 June 2008: HK$1,592,410,000).

15 Inventories

	30 June 2009 HK$'000	31 December 2008 HK$'000
Crude oil in tanks	**33,730**	22,220
Marina club debentures and wet berths	**13,602**	13,602
	47,332	35,822

16 Accounts receivable

	30 June 2009 HK$'000	31 December 2008 HK$'000
Accounts receivable due from		
– Third parties	**133,776**	118,181
– Related parties	**151,602**	38,892
	285,378	157,073

Amounts due from related parties are interest free and unsecured (Note 24).

The aging analysis of accounts receivable at 30 June 2009 and 31 December 2008 is as follows:

	30 June 2009 HK$'000	31 December 2008 HK$'000
Within 3 months	**254,271**	127,915
Between 3 to 6 months	**22,822**	23,787
Over 6 months	**8,285**	5,371
	285,378	157,073

The Group's sales of crude oil are generally collectable within a period ranging from 30 to 90 days from the invoice date while the sales of natural gas are made in cash or on credit terms no more than 90 days. As at 30 June 2009, accounts receivable of HK$31,107,000 (31 December 2008: HK$14,220,000) were past due but for which the Group has not provided for impairment losses. These accounts receivable relate to companies for whom there is no recent history of default. The aging analysis of the accounts receivable which are past due but not impaired is disclosed in the above aging analysis.

17 Assets held for sales

The assets related to the transmission of crude oil business ("Pipeline Business"), which is part of the Natural Gas Distribution segment, have been presented as held for sale following the Group's decision to dispose of this operation in service provision for crude oil transmission. The completion date for the transaction is expected to be within one year after the date of the held-for-sale classification but no later than 13 March 2010. The assets of the Pipeline Business are a disposal group. However, the Pipeline Business is not a discontinued operation at 30 June 2009, as it does not represent a major line of business of the Group.

The assets of the Pipeline Business were remeasured at the lower of carrying amount and fair value less cost to sell at the date of the classification. Depreciation of relevant non-current assets of the Pipeline Business ceased at the date of such classification resulting in a decrease in depreciation charge for the current period, net of tax, amounting to approximately HK$25,024,000.

17 Assets held for sales (Continued)

The major classes of assets of the Pipeline Business are as follows:

	30 June 2009 HK$'000	31 December 2008 HK$'000
Assets classified as held for sale:		
Property, plant and equipment	**576,193**	575,159
Advanced operating lease payments	**5,637**	5,637
	581,830	580,796

18 Share capital and share option schemes

(a) Share capital

	Number of ordinary shares '000	Nominal value of ordinary shares HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
At 31 December 2008 and 30 June 2009	8,000,000	80,000
Issue and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 January 2008 and 30 June 2008	4,844,994	48,450
At 1 January 2009	4,440,784	44,408
Issue of shares upon exercise of share options (Note)	18,240	182
At 30 June 2009	4,459,024	44,590

Note:

During the period, the Company allotted and issued 18,240,000 (Six months ended 30 June 2008: Nil) shares of HK$0.01 each for cash at the exercise price ranged from HK$0.94 to HK$1.22 (Six months ended 30 June 2008: Nil) per share as a result of the exercise of share options.

18 Share capital and share option schemes (Continued)

(b) Share option scheme

Pursuant to executive share option scheme of the Company dated 3 June 2002 and the resolution of the Company passed on 26 March 2009, 7,100,000 and 7,000,000 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 26 March 2009, the date of grant of the options, was HK$3.25.

The fair values of share options granted on 26 March 2009 were calculated using the Binomial model. The inputs into the model were as follows:

	Directors	**Employees**
Share price at grant date	HK$3.25	HK$3.25
Exercise price	HK$3.25	HK$3.25
Expected volatility	46.8%	46.8%
Risk-free rate	1.6%	1.6%
Expected dividend yield	3.2%	3.2%
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.

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 value of an option varies with different variables of certain subjective assumptions.

The fair value of the options granted to directors and employees of the Company during the period are HK$7,778,000 (Six months ended 30 June 2008: HK$4,821,000) and HK$6,345,000 (Six months ended 30 June 2008: HK$2,512,000), respectively.

The number of shares in respect of which options had been granted and outstanding at 30 June 2009 under the 2002 Share Option Scheme was 173,200,000 shares (31 December 2008: 177,340,000 shares), representing 3.88% (31 December 2008: 3.99%) of the issued share capital of the Company at 30 June 2009.

18 Share capital and share option schemes (Continued)

(b) Share option scheme (Continued)

Details of the options granted under the scheme outstanding as at 30 June 2009 and 31 December 2008 are as follows:

	Date of grant	Exercise period	Exercise price	Number of shares subject to the options 30 June 2009	31 December 2008
Directors	25/06/2004	25/09/2004-24/06/2009	HK$0.940	**–**	15,640,000
	27/04/2005	27/07/2005-26/04/2010	HK$1.224	**20,000,000**	46,600,000
	08/01/2007	08/04/2007-07/01/2012	HK$4.186	**55,000,000**	65,000,000
	26/05/2008	26/08/2008-25/05/2013	HK$4.240	**7,100,000**	8,600,000
	26/03/2009	26/06/2009-25/03/2014	HK$3.250	**7,100,000**	–
Employees	27/04/2005	27/07/2005-26/04/2010	HK$1.224	**25,000,000**	1,000,000
	08/01/2007	08/04/2007-07/01/2012	HK$4.186	**25,000,000**	15,000,000
	14/09/2007	14/12/2007-13/09/2012	HK$4.480	**20,000,000**	20,000,000
	26/05/2008	26/08/2008-25/05/2013	HK$4.240	**7,000,000**	5,500,000
	26/03/2009	26/06/2009-25/03/2014	HK$3.250	**7,000,000**	–
				173,200,000	177,340,000

19 Accounts payable and accrued liabilities

	30 June 2009 HK$'000	31 December 2008 HK$'000
Accounts payable		
– Third parties	**164,660**	241,622
– Related parties	**163,491**	272,913
	328,151	514,535
Salaries and welfare payable	**33,355**	76,863
Amounts due to related parties	**167,205**	111,192
Dividends payable by subsidiaries to non-controlling interest	**32,301**	30,629
Interest payables	**28,983**	1,617
Consideration payable for business combinations under common control	**293,777**	–
Accrued expenses and other payables	**208,261**	166,433
	1,092,033	901,269

19 Accounts payable and accrued liabilities (Continued)

Balances with related parties are interest free, unsecured and with no fixed terms of repayment (Note 24).

The aging analysis of accounts payable is as follows:

	30 June 2009 HK$'000	31 December 2008 HK$'000
Within 3 months	**207,954**	403,799
Between 3 to 6 months	**18,901**	6,377
Over 6 months	**101,296**	104,359
	328,151	514,535

20 Borrowings

	30 June 2009 HK$'000	31 December 2008 HK$'000
Short-term borrowings, wholly repayable within five years:		
– Secured	**130,579**	687,516
– Unsecured	**918,768**	560,807
	1,049,347	1,248,323
Long-term borrowings		
– Secured	**–**	28,374
– Unsecured	**1,333,749**	993,874
	2,383,096	2,270,571

As at 30 June 2009, secured short-term and long-term borrowings are secured by property, plant and equipment, advanced operating lease payments and assets held for sale with aggregate carrying values of HK$272,110,000 (31 December 2008: HK$747,178,000).

20 Borrowings (Continued)

The movements in the borrowings can be analysed as follows:

	For the six months ended 30 June 2009 HK$'000	2008 HK$'000
Balance as at 1 January	**2,270,571**	1,477,183
Increase in borrowings	**1,154,211**	438,755
Repayments of borrowings	**(1,041,686)**	(391,129)
Currency translation differences	**–**	37,578
Balance as at 30 June	**2,383,096**	1,562,387

The borrowings can be analysed as follows:

	Short-term borrowings		Long-term borrowings	
	30 June 2009 HK$'000	31 December 2008 HK$'000	30 June 2009 HK$'000	31 December 2008 HK$'000
Bank loans, wholly repayable within five years	**303,032**	948,706	**–**	28,374
Loans other than bank loans				
– Wholly repayable within five years	**746,315**	299,617	**368,858**	–
– Not wholly repayable within five years	**–**	–	**964,891**	993,874
	1,049,347	1,248,323	**1,333,749**	1,022,248

As at 30 June 2009 and 31 December 2008, the Group's short-term borrowings were repayable within one year and the Group's long-term borrowings were repayable as follows:

	Bank loans		Loans other than bank loans	
	30 June 2009 HK$'000	31 December 2008 HK$'000	30 June 2009 HK$'000	31 December 2008 HK$'000
Between one to two years	**–**	28,374	**204,290**	–
Between two to five years	**–**	–	**743,502**	414,939
After five years	**–**	–	**385,957**	578,935
	–	28,374	**1,333,749**	993,874

20 Borrowings (Continued)

As at 30 June 2009 and 31 December 2008, the loans other than bank loans were from fellow subsidiaries and non-controlling interest of subsidiaries, unsecured and bore interest ranging from 4.30% to 8.00% per annum.

As at 30 June 2009, the carrying values of borrowings approximate their fair values due to short maturity except for the amount of HK$964,891,000 (31 December 2008: HK$993,874,000) whose fair value is approximately HK$1,242,387,000 (31 December 2008: HK$1,178,729,000) and the fair value is based on cash flows discounted using a rate based on the borrowing rate of 0.60% (31 December 2008: 2.60%).

21 Subsidiaries

The principal subsidiaries of the Group are:

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued and fully paid ordinary shares/ registered capital	Type of legal entity	Attributable proportion of nominal value of issued share capital held by the Company	Principal activities
Hafnium Limited	British Virgin Islands	US$1	Limited liability company	100.00%	Exploration, production and sales of crude oil in the PRC
Beckbury International Limited	British Virgin Islands	US$1	Limited liability company	100.00%	Exploration, production and sales of crude oil in the PRC
SAPET Development Corporation ("SAPET")	United States of America	100 ordinary shares with no par value	Limited liability company	50.00% (Note (i))	Exploration, production and sales of crude oil and natural gas in Peru
SAPET Development Peru Inc	United States of America	100 ordinary shares with no par value	Limited liability company	50.00% (Note (i))	Exploration, production and sales of crude oil and natural gas in Peru
CNPC Shennan Oil Technology Development Co., Ltd. ("Shennan") (Note (iii))	The PRC	RMB102,000,000	Limited liability company	50.98%	Natural gas operation in the PRC
China Natural Gas Co., Ltd. ("Huayou") (Note (iii))	The PRC	RMB347,000,000	Limited liability company	51.01%	Natural gas production and operation in the PRC
Xinjiang Xinjie Co., Ltd. ("Xinjie") (Note (iii))	The PRC	RMB200,012,000	Limited liability company	97.26%	Natural gas operation in the PRC

21 Subsidiaries (Continued)

Notes:

(i) In accordance with the share purchase agreement dated 8 September 2001, the Group has the power to control the financial and operating policies of SAPET. As a result, SAPET is accounted for as a subsidiary of the Company.

Since SAPET Development Peru Inc. is wholly owned by SAPET, it is also accounted for as a subsidiary of the Company.

(ii) The presentation of the consolidated interim condensed statement of comprehensive income for the six months ended 30 June 2008 was revised to bring it in line with the annual financial statements for the year ended 31 December 2008. Certain comparative figures have been reclassified or restated to conform with the presentation in the current period, particularly accounting for business combinations under common control. For the year ended 31 December 2008, the Group adopted predecessor value method of accounting to account for its business combinations under common control after the acquisition by PetroChina. In prior years, purchase method of accounting was adopted by the Group to account for business combination under common control.

The effect of the adoption of predecessor value method of accounting on the consolidated interim condensed statement of comprehensive income for the six months ended 30 June 2008 is set out in Note 21 (iii).

(iii) The Board of Directors of the Company approved the acquisitions by the Company of (i) a 97.26% equity interest in Xinjie for a cash consideration of approximately RMB328,057,000 (approximately HK$379,049,000) on 9 January 2009; (ii) a 51.01% equity interest in Huayou for a cash consideration of approximately RMB435,155,000 (approximately HK$493,476,000) on 16 February 2009; and (iii) a 50.98% equity interest in Shennan for a cash consideration of approximately RMB95,091,000 (approximately HK$108,325,000) on 19 December 2008. The acquisitions were completed on 13 March 2009, 30 June 2009 and 9 February 2009 respectively. The acquisitions of Huayou and Shennan were by means of capital injection. Xinjie, Huayou and Shennan are collectively referred to as the "Natural Gas Projects".

These acquisitions are business combinations under common control since the Company and the Natural Gas Projects are under the common control of CNPC. As a result, the Company has accounted for the acquisition in a manner similar to a uniting of interests, whereby the assets and liabilities acquired are accounted for at carryover predecessor values to CNPC (net assets of approximately HK$822,590,000 in aggregate and attributable to the Group at the effective dates).

The consolidated financial information has been restated to give effect to these acquisitions with all periods presented as if the operations of the Group and the Natural Gas Projects have always been combined. The difference between the consideration and the net assets of Natural Gas Projects acquired has been adjusted against equity.

21 Subsidiaries (Continued)

Notes (Continued):

(iii) (Continued)

The summarised results of operations for the six months period ended 30 June 2008 and the financial position as at 31 December 2008 for the separate entities and on a consolidation basis are set out below:

	The Group (as previously reported) HK$'000	**Adoption of predecessor value method** (Note (ii)) HK$'000	**Natural Gas Projects** (aggregated amounts) HK$'000	**The Group** (as restated) HK$'000
Results of operations for the six months period ended 30 June 2008				
Revenue	2,838,677	–	763,892	3,602,569
Profit for the period	1,628,826	570,421	63,502	2,262,749
Earnings per share for profit attributable to owners of the Company				
– Basic (HK cents)	26.51	7.05	0.48	34.04
– Diluted (HK cents)	26.22	6.97	0.48	33.67
Financial position as at 31 December 2008				
Total assets	14,815,686	–	2,465,956	17,281,642
Total liabilities	2,537,868	–	1,553,761	4,091,629
Net assets	12,277,818	–	912,195	13,190,013

22 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker which is determined as the Board of Directors of the Company.

The Group organises its business around products and services. From the products and services perspective, the Group is engaged in a broad range of petroleum related activities and derives its revenue from its two operating segments: Exploration and Production, and Natural Gas Distribution.

The Exploration and Production segment is engaged in the exploration, development, production and sale of crude oil and natural gas. It is further evaluated on a geographic basis (PRC, South America and other territories).

The Natural Gas Distribution segment is engaged in the sale of natural gas and the transmission of natural gas in the PRC.

No sales between operating segments are undertaken. The Board of Directors assesses the performance of the operating segments based on each segment's profit/(loss) before income tax expense, share of profits less losses of associates and jointly controlled entities ("segment results").

Total assets exclude deferred and current taxes, available-for-sale financial assets, investments in associates and jointly controlled entities, all of which are managed on a central basis ("segment assets").

Corporate income and expenses, net, mainly refers to interest income earned from time deposits with maturities over three months and cash and cash equivalents, and general and administration expenses incurred at corporate level.

Corporate assets mainly comprise time deposits with maturities over three months and cash and cash equivalents held at corporate level.

22 Segment information (Continued)

The segment information provided to the Board of Directors for the reportable segments for the six months ended 30 June 2009 and 2008 are as follows:

	Exploration and Production			Natural Gas Distribution	Corporate	Total
	PRC	South America	Others	PRC		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the six months ended 30 June 2009						
Revenue from external customers	724,534	198,588	208,583	874,020	–	2,005,725
Segment results	167,192	86,260	(23,341)	169,624	(34,174)	365,561
Share of profits less (losses) of:						
– Associates						(59,208)
– Jointly controlled entities						180,376
Profit before income tax expense						486,729
Income tax expense						(119,847)
Profit for the period						366,882
Segment results included:						
Interest income	15,537	1,018	1,880	1,834	3,948	24,217
Depreciation, depletion and amortisation	142,337	15,891	42,617	50,696	316	251,857
Interest expenses	–	–	38,596	39,587	–	78,183
As at 30 June 2009						
Non-current assets	1,758,120	205,717	1,063,957	1,287,229	440,530	4,755,553
Current assets	1,635,064	215,208	264,822	1,979,589	1,707,402	5,802,085
Segment assets	3,393,184	420,925	1,328,779	3,266,818	2,147,932	10,557,638
Investments in jointly controlled entities						1,099,745
Investments in associates						4,105,607
Available-for-sale financial assets						71,150
Deferred tax assets						83,204
Income tax recoverable						11,252
Total assets						15,928,596

22 Segment information (Continued)

	Exploration and Production			Natural Gas Distribution	Corporate	Total
	PRC	South America	Others	PRC		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the six months ended 30 June 2008						
Revenue from external customers	1,842,184	421,851	574,642	763,892	–	3,602,569
Segment results	822,873	224,590	55,765	88,870	13,712	1,205,810
Share of profits less (losses) of:						
– Associates						1,520,306
– Jointly controlled entities						114,796
Profit before income tax expense						2,840,912
Income tax expense						(578,163)
Profit for the period						2,262,749
Segment results included:						
Interest income	16,381	1,082	4,431	3,717	40,408	66,019
Depreciation, depletion and amortisation	276,579	19,645	41,544	87,470	248	425,486
Interest expenses	–	–	38,596	46,186	–	84,782
As at 31 December 2008						
Non-current assets	2,254,431	190,290	1,042,002	1,247,974	48,648	4,783,345
Current assets	1,764,075	199,025	283,890	1,117,011	2,889,892	6,253,893
Segment assets	4,018,506	389,315	1,325,892	2,364,985	2,938,540	11,037,238
Investments in jointly controlled entities						934,530
Investments in associates						5,164,024
Available-for-sale financial assets						56,081
Deferred tax assets						89,769
Total assets						17,281,642

Neither the Group's revenue is derived from nor the Group's non-current assets are located in the place of domicile of the Company.

For the six months ended 30 June 2009, revenue of approximately HK$923,122,000 (Six months ended 30 June 2008: HK$2,264,036,000) are derived from two single external customers. The revenue is attributable to the Exploration and Production segment.

23 Commitments

(a) Operating lease commitments

Operating lease commitments of the Group are mainly for leasing of land and buildings and equipment. Leases range from 1 to 15 years and usually do not contain renewal options. Future minimum lease payments as of 30 June 2009 and 31 December 2008 under non-cancellable operating leases are as follows:

	30 June 2009 HK$'000	31 December 2008 HK$'000
Not later than one year	**5,335**	6,492
Later than one year and not later than five years	**11,708**	11,909
More than five years	**12,052**	12,464
	29,095	30,865

(b) Capital commitments

	30 June 2009 HK$'000	31 December 2008 HK$'000
Contracted but not provided for:		
Development cost under the Xinjiang Contract	**60,104**	222,610
Development cost under the Leng Jiapu Contract	**274,089**	391,556
Development cost for Onshore Exploration Block No. L21/43 in Thailand	**102,639**	140,166
	436,832	754,332
Authorised but not contracted for:		
Development cost for Azerbaijan Kursangi and Kurabagli oil field	**24,972**	70,083
Development cost for Peru Talara oil field	**22,673**	81,764
	47,645	151,847

24 Related party transactions

CNPC is a state-controlled enterprise directly controlled by the PRC Government. The PRC Government is the Company's ultimate controlling party. State-controlled enterprises and their subsidiaries, in addition to the CNPC Group, directly or indirectly controlled by the PRC Government are also related parties of the Group. Neither CNPC nor the PRC Government publishes financial statements available for public use.

The Group has extensive transactions with other companies of the CNPC Group. Because of the relationship, it is possible that the terms of the transactions between the Group and other members of the CNPC Group are not the same as those that would result from transactions with other related parties or wholly unrelated parties.

The Group entered into (i) the Xinjiang Contract and the Leng Jiapu Contract (together, the "PSAs") with the CNPC Group in 1996 and 1997 respectively and (ii) the Master Agreement in 2003. In 2006 and 2009, the Company entered into the First and Second Supplemental Agreement respectively, (together, "Supplemental Agreements") with CNPC amending certain terms of the Master Agreement. Under the PSAs and the Master Agreement (as amended by the Supplemental Agreements), the CNPC Group provided certain products and services and lease certain properties to the Group. In addition, the Group sold its share of the crude oil production from the PRC oilfields to the CNPC Group under the PSAs.

In addition to the related party information shown elsewhere in the consolidated interim condensed financial information, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the periods and balances arising from related party transactions at the end of the periods indicated below:

(a) Bank deposits

	30 June 2009 HK$'000	31 December 2008 HK$'000
Bank deposits in state-controlled banks and other financial institutions	**2,831,471**	3,065,758

	For the six months ended 30 June	
	2009 HK$'000	2008 HK$'000
Interest income from bank deposits in state-controlled banks and other financial institutions	**16,027**	29,856

The deposits yield interest at prevailing saving deposit rates.

24 Related party transactions (Continued)

(b) Sales of goods and services

	For the six months ended 30 June	
	2009	2008
	HK$'000	HK$'000
Purchases of the Group's share of crude oil and natural gas production by and provision of crude oil transmission service to the CNPC Group (Notes (i) and (ii))	**865,519**	2,032,469
Sales of natural gas to associates (Note (i))	**22,350**	17,237
	887,869	2,049,706

Notes:

(i) Sales of goods or provision of services to the CNPC Group and associates are conducted at market prices or in accordance with the terms determined and agreed by both parties.

(ii) The above transactions constituted connected transactions in accordance with Chapter 14A of the Listing Rules.

(c) Purchases of goods and services

	For the six months ended 30 June	
	2009	2008
	HK$'000	HK$'000
Products and services provided by the CNPC Group (Note (i))	**501,608**	492,740
Assistance fee paid to the CNPC Group (Note (ii))	**211**	238
Training fee paid to the CNPC Group (Note (ii))	**55**	–
Rental expenses paid to the CNPC Group (Note (iii))	**373**	412

Notes:

(i) The pricing for the products and services provided to the Group were charged in accordance with the Master Agreement and the Supplemental Agreements.

(ii) Assistance and training fees paid to the CNPC Group were charged in accordance with the terms of the PSAs.

(iii) Rental expenses paid to the CNPC Group were charged in accordance with the terms of the Supplemental Agreements with reference to prevailing market prices.

(iv) The above transactions constituted connected transactions in accordance with Chapter 14A of the Listing Rules.

24 Related party transactions (Continued)

(d) Period-end balances arising from sales/purchases of goods and services

	30 June 2009 HK$'000	31 December 2008 HK$'000
Accounts receivable from related parties at end of the period		
Fellow subsidiaries (CNPC Group)	**151,602**	38,892
Accounts payable and accrued liabilities to related parties		
Ultimate holding company	**1,409**	1,409
Intermediate holding company	**126,194**	–
Fellow subsidiaries (CNPC Group)	**525,853**	382,696
	653,456	384,105

(e) Loans

	For the six months ended 30 June 2009 HK$'000	2008 HK$'000
Loans to jointly controlled entities		
Beginning of the period	**44,906**	144,023
Interest received	**4,511**	11,878
Provision for impairment	**(4,511)**	(110,995)
End of the period	**44,906**	44,906

Loans to jointly controlled entities are included in investments in jointly controlled entities (Note 13).

24 Related party transactions (Continued)

(e) Loans (Continued)

	For the six months ended 30 June	
	2009	2008
	HK$'000	HK$'000
Loan from immediate holding company		
Beginning of the period	**–**	832,623
Interest charged	**–**	38,596
Interest paid	**–**	(38,596)
End of the period	**–**	832,623
Loans from fellow subsidiaries		
Beginning of the period	**1,115,754**	–
Loans received during the period	**936,330**	–
Loans repaid	**(150,864)**	–
Interest charged	**48,937**	–
Interest paid	**(19,954)**	–
End of the period	**1,930,203**	–
Loans from non-controlling interest		
Beginning of the period	**177,737**	101,598
Loans received during the period	**1,107**	135,157
Loans repaid	**–**	(9,080)
Interest charged	**6,684**	762
Interest paid	**(6,684)**	(762)
End of the period	**178,844**	227,675

Information on interest payable and loans from related parties are included in Notes 19 and 20 respectively.

24 Related party transactions (Continued)

(f) Key management compensation

	For the six months ended 30 June	
	2009	2008
	HK$'000	HK$'000
Salaries and allowances	**6,850**	6,850
Retirement benefits-defined contribution scheme	**637**	638
Share-based payments	**10,497**	5,506
	17,984	12,994