



CNPC (HONG KONG) LIMITED

(incorporated in Bermuda with limited liability)

中國(香港)石油有限公司*

(Stock Code: 135)

ANNOUNCEMENT OF RESULTS

HIGHLIGHTS OF THE FINANCIAL RESULTS OF THE GROUP

	Year ended 30 June		Change %
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i> (Note 3)	
Revenue	2,005,725	3,602,569	-44.33
Profit attributable to the owners of the Company before share of provision of an associate	519,218	1,882,474	-72.42
Share of provision for payment of export custom duties of an associate in Kazakhstan	(202,862)	(233,176)	13.00
Profit attributable to the owners of the Company after share of provision of an associate	316,356	1,649,298	-80.82
	<i>HK cent</i>	<i>HK cent</i>	
Earnings per share (Basic)	7.11	34.04	-79.11
Earnings per share (Diluted)	7.05	33.67	-79.06
Dividend per share – Interim	NIL	NIL	N.A.

The directors of CNPC (Hong Kong) Limited (the “Company”) announce that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2009 (the “Period”) are as follows:

CONSOLIDATED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	<i>Note</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i> <i>(Note 3)</i>
Revenue	4	2,005,725	3,602,569
Other gains, net		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		(1,592)	(223,287)
Other expenses		(4,511)	(110,995)
Interest expenses	5	(78,183)	(84,782)
Share of profits less (losses) of:			
– Associates		(59,208)	1,520,306
– Jointly controlled entities		180,376	114,796
		<hr/>	<hr/>
Profit before income tax expense	6	486,729	2,840,912
Income tax expenses	7	(119,847)	(578,163)
		<hr/>	<hr/>
Profit for the period		366,882	2,262,749
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
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)
		<hr/>	<hr/>
Other comprehensive (loss)/income, net of tax		(989,875)	287,852
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total comprehensive (loss)/income for the period		(622,993)	2,550,601
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Profit for the period attributable to:			
– Owners of the Company		316,356	1,649,298
– Non-controlling interest		50,526	613,451
		<hr/>	<hr/>
		366,882	2,262,749
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

	<i>Note</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i> <i>(Note 3)</i>
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
		<u>(622,993)</u>	<u>2,550,601</u>
Earnings per share for profit attributable to owners of the Company			
	8		
– Basic (HK cents)		7.11	34.04
– Diluted (HK cents)		7.05	33.67
		<u>7.05</u>	<u>33.67</u>

CONSOLIDATED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION*As at 30 June 2009*

		30 June 2009	31 December 2008
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(Note 3)</i>
Assets			
Non-current assets			
Property, plant and equipment		4,668,420	4,656,759
Advanced operating lease payments		79,067	73,659
Investments in jointly controlled entities		1,099,745	934,530
Investments in associates		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		47,332	35,822
Accounts receivable	9	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		581,830	580,796
		5,813,337	6,253,893
Total assets		15,928,596	17,281,642

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited consolidated interim condensed 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 2).

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 material to the Group for six months 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

2. 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 and crude oil 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.

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	Corporate	Total
	South			Distribution		
	PRC	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	<u>724,534</u>	<u>198,588</u>	<u>208,583</u>	<u>874,020</u>	<u>–</u>	<u>2,005,725</u>
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						<u>366,882</u>
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	<u>–</u>	<u>–</u>	<u>38,596</u>	<u>39,587</u>	<u>–</u>	<u>78,183</u>
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	<u>1,635,064</u>	<u>215,208</u>	<u>264,822</u>	<u>1,979,589</u>	<u>1,707,402</u>	<u>5,802,085</u>
Segment assets	<u>3,393,184</u>	<u>420,925</u>	<u>1,328,779</u>	<u>3,266,818</u>	<u>2,147,932</u>	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						<u>15,928,596</u>

	Exploration and Production			Natural Gas	Corporate	Total
	South			Distribution		
	PRC	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	<u>1,842,184</u>	<u>421,851</u>	<u>574,642</u>	<u>763,892</u>	<u>–</u>	<u>3,602,569</u>
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						<u>2,262,749</u>
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	<u>–</u>	<u>–</u>	<u>38,596</u>	<u>46,186</u>	<u>–</u>	<u>84,782</u>
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	<u>1,764,075</u>	<u>199,025</u>	<u>283,890</u>	<u>1,117,011</u>	<u>2,889,892</u>	<u>6,253,893</u>
Segment assets	<u>4,018,506</u>	<u>389,315</u>	<u>1,325,892</u>	<u>2,364,985</u>	<u>2,938,540</u>	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						<u>17,281,642</u>

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.

3. COMPARATIVES AND ACQUISITIONS FOR THE PERIOD

- (i) 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 end 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 Company Limited (“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 (ii).

- (ii) The Board of Directors of the Company approved the acquisitions by the Company of (i) a 97% equity interest in Xinjiang Xinjie Co., Ltd. (“Xinjie”) for a cash consideration of approximately RMB328,057,000 (approximately HK\$379,049,000) on 9 January 2009; (ii) a 51% equity interest in China Natural Gas Co., Ltd. (“Huayou”) for a cash consideration of approximately RMB435,155,000 (approximately HK\$493,476,000) on 16 February 2009; and (iii) a 51% equity interest in CNPC Shennan Oil Technology Development Co., Ltd. (“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 are 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 China National Petroleum Corporation (“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.

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 (i)) 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

4. REVENUE AND TURNOVER

Turnover represents revenue from the sale of crude oil and natural gas, and from the transportation of crude oil.

5 INTEREST EXPENSES

	For the six months ended 30 June	
	2009 HK\$'000	2008 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

6 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
	<u> </u>	<u> </u>

7. 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
	<u> </u>	<u> </u>
	107,529	508,524
Deferred tax	12,318	69,639
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	119,847	578,163
	<u> </u>	<u> </u>

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 the Mainland China have 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%).

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-Aktobemuaigas Joint Stock Company ("Aktobe"), which is charged at 20% (Six months ended 30 June 2008: 15%).

8. 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.

9. 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
	<u>285,378</u>	<u>157,073</u>

Amounts due from related parties are interest free and unsecured.

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
	<u>285,378</u>	<u>157,073</u>

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 above aging analysis.

10. 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

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

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

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 Aktobe project. The Group recorded a decrease in 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 Group shared HK\$202,862,000. Excluding such exceptional item, the profit would be HK\$519,281,000.

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 approximate 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, loss 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 (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.

Kazakhstan

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

The Group indirectly owns 15.07% equity interest in CNPC-Aktobemunaigas Joint Stock Company (“Aktobe”) through holding 60% equity interest in CNPC International (Caspian) Limited (“Caspian”). Aktobe 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 outcome of the disputes uncertain 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 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 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 loss of: HK\$62,811,000), representing a decrease of HK\$67,618,000 or 107.65% as compared with the previous year.

Gobustan Oil Field

The Group holds 31.41% equity interest in Commonwealth Gobustan Limited. 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 (loss in 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 year.

The Steel Pipes Factory was re-organized in January, 2009. Its registered capital increased to RMB 467,680,000, 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 BOPP 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 BOPP 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 year.

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 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 existing 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 have 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 "Existing Shareholders of Xinjiang Xinjie") respectively, pursuant to which the Company conditionally agreed to acquire the respective equity interest of the Existing 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) On 16 February 2009, the Group entered into the Huayou Capital Injection Agreement with the existing 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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

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 (Hauyou 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	51%	RMB95,091,000 (approximately HK\$108,325,000)	Fully paid on 14 January 2009
9 January 2009	Xinjiang Xinjie Co Ltd	98%	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%	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%	RMB51,000,000 (approximately HK\$58,028,000)	Fully paid on 21 July 2009
12 May 2009	Hebei Huagang City Gas Company Limited	51%	RMB102,000,000 (approximately HK\$116,056,000)	USD\$4,500,000 paid on 12 August 2009
10 June 2009	Xing Jing Bridge Energy Limited	75%	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 009, 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 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 separate and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.

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

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

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

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 have 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.

DETAILED INFORMATION OF INTERIM RESULTS

Detailed interim results containing the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be released on or before 15 September 2009 on The Stock Exchange of Hong Kong Limited’s website (www.hkex.com.hk) and the Company’s website (www.irasia.com/listco/hk/cnpchk).

MEMBERS OF THE BOARD

As at the date of this announcement, the Board of Directors of the Company comprises Mr Li Hualin as the Chairman, Mr Zhang Bowen as the Chief Executive Officer, Mr Cheng Cheng as Executive Director and Dr Lau Wah Sum, Mr Li Kwok Sing Aubrey and Dr Liu Xiao Feng as Independent Non-Executive Directors.

By Order of the Board

Li Hualin

Chairman

Hong Kong, 28 August 2009

* *For identification only*