

3 Turnover and contribution to profit before taxation

Turnover represents principally proceeds from the sale of crude oil (net of sales tax).

Analyses of the Group's turnover and contribution to profit before taxation by principal activity and by geographical segment are as follows:

	Unaudited	
	Six months ended 30th June	
	2001	2000
	HK\$'000	HK\$'000
(a) Analysis by principal activity		
(i) Turnover		
Sale of crude oil	777,674	799,454
Others	45	163
	777,719	799,617
(ii) Contribution to profit before taxation		
Sale of crude oil	349,796	433,106
Others	(897)	(107)
	348,899	432,999
Net corporate income/(expenses)	23,344	(14,519)
	372,243	418,480

4 Other revenues

	Unaudited	
	Six months ended 30th June	
	2001	2000
	HK\$'000	HK\$'000
Bank interest income	12,740	2,040
Refund of PRC income tax resulting from reinvestment of profits generated from oil production sharing contract	31,608	-
Others	-	23
	44,348	2,063

5 Profit before taxation

Profit before taxation is arrived at after charging depletion and depreciation of oil properties amounted to HK\$129,291,000 (six months ended 30th June 2000: HK\$132,330,000).

6 Taxation

	Unaudited	
	Six months ended 30th June	
	2001	2000
	HK\$'000	HK\$'000
PRC income tax		
Current	83,260	127,524
Deferred	16,078	10,534
	99,338	138,058

6 Taxation (continued)

No provision for Hong Kong profits tax has been made as the Group has no assessable profit for the six months ended 30th June 2001 (six months ended 30th June 2000: nil).

Pursuant to an approval from Karamay Tax Bureau on 9th February 2001, the taxable income in respect of the oil production under the Xinjiang Contract is entitled to preferential PRC income tax rate of 15% for three years commencing from 1st January 2000 to 31st December 2002. For the six months ended 30th June 2000, PRC income tax was provided at the rate of 30% on the taxable income for the Period.

The taxable income in respect of the oil production under the Leng Jiapu Contract is subjected to the income tax rate of 33% (six months ended 30th June 2000: 33%) for the Period.

7 Interim dividend

The directors do not declare the payment of an interim dividend in respect of the six months ended 30th June 2001 (six months ended 30th June 2000: nil).

8 Earnings per share

The calculation of earnings per share is based on the profit for the Period of HK\$272,905,000 (six months ended 30th June 2000: HK\$280,422,000) and the weighted average number of shares 5,126,004,290 (six months ended 30th June 2000: 5,300,233,512 shares) in issue during the Period.

Diluted earnings per share is not presented as the effect of dilution resulting from the exercise of options, which were outstanding at 30th June 2001, is insignificant.

9 Trade receivables

The Group grants a credit period of 30 to 60 days to its customers. All the trade receivables were aged under three months as at 30th June 2001 and 31st December 2000.

10 Trade payables

The aging analysis of trade payables as at 30th June 2001 and 31st December 2000 is as follows:

	Unaudited 30th June 2001 HK\$'000	Audited 31st December 2000 HK\$'000
Within three months	29,818	54,316
Between three to six months	4,232	4,326
Over six months	5,469	8,900
	39,519	67,542

11 Share capital

	Unaudited 2001 HK\$'000
Authorised: 8,000,000,000 shares of HK\$0.01 each	80,000
Issued and fully paid:	
At 1st January	51,903
Repurchase of own shares	(1,177)
At 30th June	
5,072,563,512 (31st December 2000: 5,190,283,512) shares of HK\$0.01 each	50,726

11 Share capital (continued)

During the Period, 117,720,000 shares (year ended 31st December 2000: 109,950,000 shares) of HK\$0.01 each were repurchased and cancelled by the Company and no new shares (year ended 31st December 2000: nil) were issued.

As at 30th June 2001, the Company had outstanding options granted under the Company's executive share option scheme to directors and a senior executive to subscribe for a total of 185,000,000 shares of the Company. Details of outstanding options are as follow:

Date of issue	Exercise price HK\$	Options outstanding	Expiry date
		as at 30th June 2001	
16th June 1997	1.390	5,000,000	15th June 2002
16th June 1997	1.310	20,000,000	15th June 2002
16th June 1997	1.310	20,000,000	15th June 2002
3rd March 1998	1.610	5,000,000	3rd March 2003
12th May 1999	0.910	20,000,000	11th May 2004
8th March 2001	0.410	20,000,000	7th March 2006
8th March 2001	0.410	20,000,000	7th March 2006
26th April 2001	0.610	5,000,000	25th April 2006
26th April 2001	0.610	20,000,000	25th April 2006
26th April 2001	0.610	10,000,000	25th April 2006
26th April 2001	0.610	30,000,000	25th April 2006
26th April 2001	0.610	10,000,000	25th April 2006
		<hr/>	
		185,000,000	

12 Reserves

	Contributed surplus	Share premium	Exchange reserve	Retained profit	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2001	134,323	1,587,438	(6,420)	846,352	2,561,693
Effect of adopting SSAP 9 (revised)	-	-	-	204,458	204,458
	<u>134,323</u>	<u>1,587,438</u>	<u>(6,420)</u>	<u>1,050,810</u>	<u>2,766,151</u>
At 1st January 2001 as restated	134,323	1,587,438	(6,420)	1,050,810	2,766,151
2000 final dividend paid and payable	-	-	-	(204,458)	(204,458)
Translation differences	-	-	636	-	636
Repurchase of own shares	-	(70,187)	-	-	(70,187)
Profit for the Period retained	-	-	-	272,905	272,905
	<u>134,323</u>	<u>1,517,251</u>	<u>(5,784)</u>	<u>1,119,257</u>	<u>2,765,047</u>
At 30th June 2001	134,323	1,517,251	(5,784)	1,119,257	2,765,047

13 Related party transactions

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

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

		Unaudited	
		Six months ended 30th June	
	Note	2001	2000
		HK\$'000	HK\$'000
Sale of crude oil	(i)	216,277	267,795
Operating management fee	(ii)	89,262	68,021
Assistance fee		105	105
		<u> </u>	<u> </u>

Notes:

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

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

14 Commitments

(a) Capital commitments

	Unaudited 30th June 2001 HK\$'000	Audited 31st December 2000 HK\$'000
Contracted but not provided for		
Development cost under the Leng Jiapu Contract	190,038	316,802
Development cost under the Xinjiang Contract	14,163	–
Investment in joint ventures	–	27,909
	204,201	344,711

(b) Commitments under operating leases

At 30th June 2001, the Group had total future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Unaudited 30th June 2001 HK\$'000	Audited 31st December 2000 HK\$'000
Expiring in the first year	2,467	1,605
Expiring in the second to fifth year inclusive	921	1,523
	3,388	3,128

