

26 AUGUST 2010

FORTUNE OIL PLC
("Fortune Oil", "the Company" or "the Group")



Half Year Report for 6 months ended 30 June 2010

Fortune Oil invests in and manages oil and gas supply and infrastructure projects in China. Fortune Oil is quoted on the official list of the London Stock Exchange and has its headquarters in Hong Kong.

FINANCIAL HIGHLIGHTS

- Strong increase in revenues, including the Group's share of jointly controlled entities, up 21% to £222 million (H1 2009: £184 million).
- Group operating profit increased by 45% to £10.6 million (H1 2009 £7.3 million).
- Group profit before tax up 69% to £9.5 million (H1 2009 £5.6 million).
- Profits attributable to equity shareholders increased by 134% to £4.5 million (H1 2009: £1.9 million).
- Earnings per share more than doubled to 0.24 pence compared with 0.10 pence in H1 2009.
- Net cash position up 54% to £4.7 million as at 30 June 2010 (H1 2009 £3 million) with total Group cash balance up 14% £60.5 million (H1 2009: £52.9 million).

OPERATIONAL HIGHLIGHTS

- Natural gas sales in H1 increased by 32% to 298 million cubic metres and development of an integrated gas business remains on track.
- The Liulin coal bed methane ("CBM") block is making good progress as a State Pilot Project, and the production sharing contract exploration period was extended to March 2012.
- Sales volume at Bluesky rose by 13% to 1.1 million tonnes.
- Revenues and profit increased by 22% and 38%, respectively, in the West Zhuhai Products Terminal where the utilization by Petrochina has increased quite significantly.
- Revenues increased at the Maoming Single Point Mooring ("Maoming SPM") as throughput increased by 3%.

Mr Qian Benyuan, Chairman of Fortune Oil, commented:

"I am delighted to report on the significant progress made by Fortune Oil's in the first half of 2010 building on the record performance achieved in 2009. Our natural gas business maintained momentum and continues to provide the engine of growth for the business.

"Fortune Oil is uniquely placed given its portfolio of assets, strong local relationships and geographical footprint in China, now the world's largest energy consumer. Building on our track record, skill set and through joint ventures we are focused on growing the business, increasing our market share in China, and delivering shareholder value."

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FORTUNE OIL PLC

Half Year Report for 6 months ended 30 June 2010

CHIEF EXECUTIVE'S REVIEW

FINANCIAL HIGHLIGHTS

- Fortune Oil achieved a record performance in 2009 and this growth trend continues with a strong first half in 2010.
- Revenues including the Group's share of jointly controlled entities increased to £222 million, up 21% (H1 2009: £184 million).
- Profit from operations for the Group increased by 45% to £10.6 million (H1 2009: £7.3 million).
- Profits attributable to equity shareholders increased to £4.5 million compared with £1.9 million in H1 2009. The increase was primarily due to the strong contribution from Bluesky and lower finance costs, offset, in part, by the increase in provisions for professional fees, which is related to business expansion and development.
- Earnings per share more than doubled to 0.24 pence, compared with 0.10 pence in H1 2009.
- Net cash position of £4.7 million (31 December 2009: £7.2 million) and total Group cash of £60.5 million as at 30 June 2010 (31 December 2009: £55.8 million).

OPERATIONAL HIGHLIGHTS

Natural Gas

- Sales volumes of natural gas increased by 32% to 298 million cubic metres compared to H1 2009, with this figure exceeding the total annual sales volume for FY 2007.
- Net operating profit of the natural gas business increased by 15% from £4.0 million to £4.6 million for the first half of the year.
- The development of an integrated gas business remains on track.
- The natural gas business continues to be the "growth engine" of the Company, with a compound annual growth rate of gas volume sales over the past 5 years of more than 30%, faster than the market which is growing at 18%. Despite ongoing investment in the expansion of this business, net operating profits have also continued to grow at attractive rates.

Coal Bed Methane

- Development of the Liulin coal bed methane ("CBM") block as a State Pilot Project is

progressing well and the production sharing contract (“PSC”) exploration period was extended to March 2012.

- Reserve certification of 5.3 billion cubic metres (“bcm”) of “gas in place” was formally registered by the Ministry of Land & Resources in May 2010 of which 2.7 bcm is currently categorised as economically recoverable.
- Two lateral wells have been drilled successfully by Fortune Liulin Gas Company Limited (“FLG”) and another two horizontal wells by China United Coal Bed Methane Corporation Ltd. (“CUCBM”).
- Good progress is being made with Dart Energy (previously, Arrow Energy International) as our strategic partner and we aim to complete the two lateral wells as part of our progress toward an Overall Development Plan (“ODP”) approval and achieving initial gas sales in 2011.

Oil Business

- Bluesky continues to achieve a record performance with sales volumes increasing by 13% to 1.1 million tonnes, driven by the continued increase in domestic air travel demand. In addition, Bluesky saw a dramatic improvement in profit, recording a record performance of £3.5 million operating profit for the Group, due principally to more efficient cost management and innovative procurement strategies for jet fuel from local refineries. The Company will continue to invest in new airport refuelling infrastructure in order to support the ongoing increase in domestic air travel.
- At the West Zhuhai Products Terminal, utilisation by Petrochina has increased significantly, resulting in revenues and profits increasing by 22% and 38%, respectively, over the same period in 2009.
- Revenues increased at the Maoming Single Point Mooring (“SPM”) as throughput increased by 3%.

There was no lost time due to accidents in any of the Company’s operations in the period.

China Economy

The pace of China’s economic growth slowed moderately to 10.3 per cent in the second quarter from 11.9 per cent in the first quarter due to a slowdown in fixed asset investment and a fall in industrial production both resulting from government efforts to cool the housing market and infrastructure investment. The economy’s average growth rate was 11.1 per cent in the first half of 2010 and is forecast to grow at 10 per cent in the second half of 2010. The National Bureau of Statistics noted that, “a moderate slowdown is good for the country to avoid overheating”.

In spite of this minor slowdown, China has overtaken Japan as the world’s second largest economy after the United States and is expected to account for one third of global economic growth this year if current rates are maintained.

Demand for oil in China reached a record high, despite government tightening measures, with anticipated demand in 2010 of almost 9 mmbbls/d. Based on International Energy Agency (“IEA”)

calculations, China has now overtaken the United States to become the world's largest energy consumer. The rise in energy consumption levels has been faster than expected mainly due to the fact that China was not as affected by the recent global financial crisis as other major economies. Growth in oil demand is expected to continue in the second half of the year, but at a more moderate pace, supported by robust demand from the transportation sector, with an additional one million new cars on the road every month.

China has the aspiration to grow its gas economy, with current consumption of 4% (93 bcm) of the total energy mix forecast to grow to 10% (280 bcm to 300 bcm) by 2020. This growth, coupled with China's ambition, as indicated at the Copenhagen climate change conference, to reduce carbon intensity (the amount of carbon dioxide it emits for every unit of GDP) by 40% to 45% from 2005 levels by 2020, means that natural gas will play a key role as China develops. To achieve this target, China will require significant investment in gas infrastructure and storage facilities over the next 10 to 20 years. By 2020, piped gas from central Asia, Russia and Myanmar will account for close to 20% of China's total supply mix, with imported LNG (10 million tonnes in 2010 to 46 million tonnes in 2020) meeting another 15% to 20% of the supply mix.

Given this aspiration, China will need to expand its domestic gas supplies and unconventional gas developments in order to meet demand. Domestic gas basins such as Ordos, Tarim, Junggar and Sichuan will become increasingly important, as will off-shore developments such as the South China Sea. Unconventional gas developments, principally in CBM, coal-based synthetic natural gas ("SNG") and shale gas will be the key focus for development and commercialisation. China will need to establish the appropriate policies and the necessary incentive measures to drive these developments.

Gas demand is created through the substitution of higher cost oil products. Gas does not compete directly with coal, even though some gas will go into electricity generation to meet peak power requirements during high demand periods. Natural gas has been used successfully and extensively across China in transportation for buses, trucks and passenger cars. Currently there are over 400,000 compressed natural gas ("CNG") vehicles in China, principally urban city buses and taxis. In contrast there are only 1,450 liquid natural gas "LNG" buses and 620 LNG heavy duty vehicles in operation in China, with the key limiting factor being the absence of LNG infrastructure and refuelling stations.

The development of the natural gas industry will create significant opportunities for both state controlled companies and independent gas players. Given Fortune Oil's experience, track record and strong relationships within the gas supply industry in China, we aim to capitalise on the continued growth of this strategically significant market.

Outlook

I am very excited about the growth prospects for Fortune Oil. The Company is uniquely placed given its portfolio of assets, strong local relationships and geographical footprint in China. We have the track record, skill set and network to capitalise on the opportunities to grow the market share in the oil and gas infrastructure sector.

As an integrated gas player, we are well placed to exploit the opportunities available to grow the natural gas business. In particular, we aim to focus on expanding the LNG business given our experience with the Puyang LNG liquefaction facilities and our pilot LNG retail station in Beijing (China's first LNG station) for buses.

The Company will focus on resource development and on strengthening our technological innovation capability, with gas conversion technologies (such as our LNG liquefaction techniques) as our core competency. In our upstream business, in addition to CBM, we are in the longer term looking to explore coal conversion to SNG and underground coal gasification as additional sources of gas to support our downstream gas business. In our downstream gas business our focus will be the transportation and industrial sectors, notably transport vehicles and ships using diesel fuels converting to LNG fuel and the associated LNG refuelling infrastructure. We see significant new business opportunities in conversion technology areas and developing our capability in this area will position the Company for further success.

In this strategic context, the recent appointments of Mr. Premal Shah as Chief Financial Officer and Dr. Mike Jones as Technical & Development Director have further strengthened our financial and technical capabilities.

China's economic growth and increasing energy demand provides significant growth opportunities for Fortune Oil. Following yet another strong set of results for the first half of 2010, I look forward to leading the Company into the next phase of expansion, focusing on growth, profitability and shareholder value.

TEE Kiam Poon
Chief Executive
26th August 2010

BUSINESS REVIEW

CHINA REVIEW

Economic Growth

China's economy has performed well and is continuing to develop in line with government expectations. Real GDP growth slowed to 10.3% in the second quarter due to both a reduction in inventories and fall in capital investment. Consumption remains robust, exports are rebounding and we expect economic growth rates of approximately 10% for the rest of 2010. According to the National Bureau of Statistics, industrial output growth slowed to 13.7% from the previous 3 month average of 16%. Heavy industry output experienced a larger proportion of the overall decline as the government eliminated export tax rebates and reduced high pollution capacity. As a result we could see industrial production growth decelerate gradually in the coming months. Inflation slowed to 2.9%, down from 3.1% in May, taking it below the government's official target of 3%.

The global economic recovery remains fragile, with news of slowing expansion in Chinese manufacturing adding to a slower than expected rebound in US GDP growth. Chinese Government curbs on lending and real estate speculation are starting to show some effect on the buoyant housing market. The money supply continued to decelerate sharply and banks have reported a drop in loans in the first half of the year indicating that cooling measures are starting to impact the wider market.

China is currently the world's largest exporter, however, historic high growth rates are not sustainable and consequently China is adapting to a future in which it has lower dependency on export markets and infrastructure spend and an increasing reliance on consumer spending, technology development and innovation.

Retail sales remain robust underpinning growth trends. We believe consumer spending in smaller cities and rural areas will make an increasing contribution to aggregate demand and will remain resilient amid the slowdown in the economy in the second half. China is well placed to help drive the global economic recovery and Fortune Oil will capitalise on this by investing for growth in the second half of the year.

Energy Market

Global consumption of crude oil is expected to increase in 2010 by 1.7 million barrels per day ("bpd") to a record 86.4 million bpd. China currently accounts for close to 40% of global market growth this year and IEA forecasts this to increase to 45% from 2010 to 2015.

China's oil demand reached a record high despite government tightening measures. Growth was driven primarily by high levels of demand for diesel in support of strong industrial output growth and demand. Demand for transportation fuels has continued to drive China's gasoline, diesel and jet fuel demand. Over the last decade the number of passenger vehicles and the number of new expressways has grown at annual growth rates of 23% and 17% respectively, creating huge opportunities for transportation fuels including refuelling infrastructure required for trucks, trailers and buses. Car sales remain strong at one million units per month. We believe this phenomenal demand is likely to continue for the foreseeable future. China is currently the world's largest market for automobiles yet car ownership currently runs at only 6 cars per 100

people compared with over 80 cars per 100 people in the US, hence we see significant potential for growth.

If China continues to deliver real GDP growth of 8-10% over the next few years despite government pressure to reduce the energy content required by such growth, we estimate demand for oil is likely to see compound annual growth rates of 6-7%. This level of growth will require significant growth in delivery systems – pipelines, storage facilities and delivery stations.

Over the recent years China has made great efforts to develop into renewable and alternative energy and has emerged as one of the world's leaders particularly in wind power and solar energy. However, these sources are not expected to make more than a marginal contribution to the total energy supply.

China is also leading the world in the development of a coal conversion industry which converts coal into liquid fuels, SNG and petrochemicals. China has plans to develop the coal conversion industry to effectively displace and reduce crude imports of up to 2 million bpd. Coal to SNG represents a unique opportunity for an integrated gas player. Similarly China has installed or is building the capacity to produce more than 30 million tonnes of coal-sourced methanol and is now the largest methanol producer in the world. One of the growing markets for methanol is to blend methanol (15%) with gasoline as M15. Now the methanol producers and research bodies are working to explore other possibilities with new engines to run on higher methanol mixes (M85 or M100) and national standards are being developed for these composite fuels. Shanxi province is now leading the way in providing the M15 mix in their fuel stations. Both the coal conversion to SNG and methanol into fuels will have a significant impact on the transportation fuels in China.

China consumed 22% more natural gas in H1 2010 versus H1 2009 with total consumption reaching an estimated 105 bcm this year and by 2020 the demand could be as high as 300 bcm which is about 10% of China's total energy consumption. This demand is driven both by economic growth and by the increasing focus on reducing emissions. Gas imports, including 1.7 bcm piped from Central Asia and 4.8 million metric tons of LNG, increased by 60% in the first 6 months of 2010 compared with H1 2009. China may still face shortages of natural gas in some regions during the peak winter months due to pipeline bottlenecks; insufficient storage capacity, combined with the unwillingness of gas importing companies to bring in higher priced supplies from abroad.

As China continues to establish its gas economy emphasis is being placed on developing both conventional and unconventional gas resources. Smaller scale producers where pipeline access is not commercially viable can now use small scale natural gas liquefaction plants, so that the gas can be liquefied and moved in tankers to the consumer. China has today small scale LNG plants with a combined capacity of 2.6 bcm per year (2 million tonnes) and more plants are in the pipeline as LNG is developed as a key transportation fuel for the future. This is an area of particular interest to the Company.

China's aspiration to develop a "gas economy" means CBM will be likely to play a key role in meeting part of China's future gas demand. China's development of CBM is still in its infancy stage where currently CBM production remains less than 1 bcm a year. China, with estimated reserves of 36.8 trillion cubic meters of CBM, has ambitions to increase CBM production to 50 bcm a year, equivalent to 25% of China's total gas production by 2020. The Chinese Government has recently increased the well-head price by RMB0.23/m³ providing a greater incentive for CBM developers and upstream operators. CBM exploitation is highly significant to

China's development of unconventional gas and will be the focus for major investment and expansion in coming years.

NATURAL GAS BUSINESS

Since having entered the natural gas market five years ago, this part of Fortune Oil's business has grown at a faster rate than the overall market over the same period. The natural gas business is now acting, and is expected to continue to act, as the growth engine for the Company in both revenue and earnings.

Sales volumes increased 32% to 298 million m³ in the first half of 2010 (H1 2009: 225 million m³) and a further 12,860 new customers were connected in this period (H1 2009: 10,700), representing a 20% increase. Total revenues from gas sales increased by 32.4% to RMB 478 million, £46.3 million (H1 2009: RMB 360 million, £35.0 million). The operating profit for the gas business increased to RMB 47 million, £4.6 million compared with RMB 41 million, £4.0 million in the same period 2009. The contribution also increased significantly growing 36.6% to RMB 25 million, £2.4 million.

With the Chinese government's desire to increase natural gas consumption, the key to developing the natural gas business is the development of gas infrastructure across the country linking gas supplies to end consumers. In 2009, China consumed 93 bcm of gas delivered via 38,000 km of installed natural gas pipelines. By way of comparison the US consumed 700 bcm of gas using 492,000 km of installed pipeline, 13 times the installed pipeline length in China. For China to achieve a volume of 300 bcm of gas in 2020 it would need an approximate three-fold increase in pipeline length. China over the last few years has experienced severe gas shortages during the winter peak seasons as it stores 8 demand days of natural gas consumption compared to the US with 60 days.

Given these bottleneck in pipelines and storage facilities, Fortune Gas is presented with a unique opportunity to develop and invest in spur pipelines and LNG production and delivery along with LNG and natural gas storage facilities. National oil companies are leading the development of major pipeline and storage infrastructure across the country and have a dominant position in the development of city gas to major cities. However, there is a niche opportunity for Fortune Gas to develop and invest in smaller market opportunities, particularly in second and third tier-cities with the provision of gas via spur pipelines and LNG, as well as CNG and natural gas storage facilities.

A major development for Fortune Gas in H1 2010 was the investment in the Dashiqiao gas pipeline. Our 51% equity stake with Liao Ning Zheng Run Natural Gas Company provides the right to develop the spur pipeline and gas distribution in the Dashiqiao areas. Fortune Gas has secured gas supply with Petrochina and the spur pipeline is expected to commence operations in mid 2011 and is expected to supply up to 0.3 bcm of gas per year by 2015. This provides an opportunity not only to supply retail consumers directly linked into the gas network but also to develop LNG stations along motorways and supply gas to industrial customers. Within the Dashiqiao area there is a particular market in the magnesium industries all which were previously users of coal and heavy fuel oil. These fuels will be progressively substituted by natural gas resulting in substantial reductions in pollution.

Fortune Oil's Puyang LNG plant is China's first small scale LNG liquefaction plant and presently supplies approximately 100 million m³ of LNG annually. We also operate China's first LNG pilot

retail station in Beijing supplying LNG to LNG fuelled buses. With this experience Fortune Gas is uniquely placed to develop LNG retail stations and refuelling infrastructure to supply city buses and trucks with LNG instead of diesel fuel.

The Company has developed a strong knowledge base in the LNG business and has developed both technical and commercial skills in this field. Given that one of our key objectives is to leverage our knowledge, which covers LNG liquefaction technology, distribution and marketing, LNG logistics and our experience of fuel conversion, we expect to become market leaders in the LNG business. Fortune Oil is uniquely placed to explore and expand the LNG operations and develop a sustainable business which is integral with China's overall natural gas development strategy.

COAL BED METHANE

Fortune Gas with its Liulin CBM project designated as a State Pilot project is strategically well positioned to capitalise on the expansion of CBM in China. Dart Energy has acquired a 35% equity interest in Fortune Liulin Gas ("FLG") for a total consideration of US\$13.3 million.

The PSC was extended earlier this year for another two years to 29 March 2012. In May 2010 the Ministry of Land & Resources ("MLR") registered Fortune Oil's reserves for seams 3, 4 and 5 in the northern section of the block, covering an area of 72 square kilometres with gas in place of 5.3 bcm, of which 2.7 bcm is categorised as economically recoverable. Fortune Oil's net share of in situ certified gas is 1.7 bcm. This represents only a portion of the Company's total share as certification has yet to be carried out for other seams and other sections of the block. In China, reserve certification by MLR is a critical and necessary step as it enables preparation of ODP for commercial field development. Reserves certification for other sections of the block and ODP preparation are planned for 2010 and 2011.

This is significant as it is the first time a foreign company has successfully applied for certification of CBM reserves in China since the introduction of the new certification system in 2003.

By the end of June 2010, and in conjunction with Dart Energy, FLG has drilled and completed a single lateral well in the northern section of the block with in-seam (seams 8, 9 & 10) drilling footage of 2,615 meters and is currently drilling the second lateral well (seams 3, 4 and 5) with a designated in-seam drilling length of 4,000 meters. FLG also completed fracture stimulation of 6 vertical cluster wells for seams 3, 4 and 5 and put these into test production in preparation of reserve certification of the southern section of the block.

FLG is investing alongside the government partner, CUCBM, with the objective of demonstrating a gas production capacity of 50 million cubic metres per year from 45 to 50 vertical and 5 lateral production wells drilled by the partners in 2009 and 2010. As at 30 June 2010, CUCBM and FLG had drilled a total of 50 vertical and 3 lateral wells. Currently, 12 vertical and 2 lateral wells are in test production. The two horizontal wells drilled by CUCBM have shown very promising results with a gas flow of 9,600 cubic metres per day measured at approximately 1.5 Mpa BHP after less than two months of dewatering.

FLG and CUCBM are jointly working on the initial sale of gas with CUCBM Shanxi, an existing joint venture between Fortune Oil and CUCBM. The parties have reached an understanding on the gas sale with terms and conditions to be signed with CUCBM Shanxi for the construction of

CNG wholesale and retail stations to market CBM gas from Liulin CBM block. Completion of the gas sales contract is due in September 2010 and initial gas sales should commence in the second half 2011.

Dart Energy and Fortune Gas have collaborated with CUCBM on the Liulin block in progressing development towards commercial production. The Liulin block, as a State Pilot Project, has the potential to deliver initial gas sale by 2011 and demonstrate its commercial viability. We believe this will not only provide evidence of the viability of the CBM sector in China, but also highlight the progress towards the long-term contribution that CBM can make to China's overall energy needs.

OIL BUSINESS

Aviation Refuelling (South China Bluesky Aviation Oil Company)

China's aviation sector recovered much faster than the rest of the world after the global financial crisis and more cities are building new airports with jet refuelling infrastructure being installed across the country to support this expected expansion in demand for air travel.

The jet fuel price has remained stable in 2010 and China's government continues to ensure that domestic prices for transportation fuels track changes in international prices. As a result, the operating margin in the aviation and refuelling businesses has also remained stable.

Bluesky continues to invest in new infrastructure to meet the increasing demand for jet fuel, such as a new storage facility at Nanning.

In H1 2010, China's aviation jet fuel market registered 16% growth compared to the same period in 2009. Bluesky achieved excellent jet fuel volume growth of 13% to 1.1 million tonnes with profits of RMB 148 million (£14.4 million). Given recent momentum we are confident in achieving another record year of performance.

High-speed rail systems from Wuhan to Guangzhou and from Hunan to Guangzhou have recently been completed. We are not yet able to fully quantify the impact of the opening of these rail links, however initial indications show the demand for air travel on those routes has reduced. The Company has taken the decision to review some of the investment opportunities for new refuelling infrastructure in some of the secondary airports to mitigate the slower growth from Wuhan and Hunan to Guangzhou.

Management have taken steps to develop a more effective procurement strategy of sourcing jet fuel from local refineries in Guangdong and Wuhan. The Company has procured close to 3 million tonnes of jet fuel from these refineries reducing reliance on imported jet fuel from Singapore and the international market. Going forward, the Company will continue to look at cost management and explore procurement options for jet fuel to supply various airports. Moreover, Fortune Oil will continue to invest in new refuelling infrastructure to meet the increasing demand for jet fuel.

Maoming Single Point Mooring

The Maoming SPM volume throughput in the first half of 2010 was 4.8 million tons (2009 4.7 million tons). The joint venture achieved revenue of RMB 79.1 million of which RMB 74.2 million was from throughput charges and RMB 4.9 million was from tugboat leasing, resulting in net profit for H1 2010 of RMB 23.6 million, £2.3million (H1 2009: RMB 24.5 million, £2.4 million). However, the cost of maintaining Maoming SPM has increased as a result of servicing larger carriers and addressing the higher level of health and safety obligations.

In its 16 years of operation, Maoming SPM continues to have an accident and spill-free record indicating solid operational expertise.

Products Terminal and Supply

The **West Zhuhai Products Terminal (South China Petroleum Company)** continues to deliver better than expected performance. The throughput for the first half was 1.3 million tonnes (H1 2009: 1.0 million tonnes) increasing total revenues to RMB 40.7 million (£3.9 million). The contribution to Fortune Oil's profits increased to RMB 6.8 million (£0.7 million) compared to RMB 5.0 million (£0.5 million) in H1 2009.

The major terminal throughput continues to come from Petrochina for both bonded and non-bonded oil products, while independent customers continue to contribute significantly accounting for 22.2% of the total throughput volume. This terminal will continue to play an important role for Petrochina given their strategic interest in the asset and their downstream strategy in Southern China. We therefore expect continued use of the terminal as the strategic distribution hub to support downstream business, including the retail joint venture with BP in the Pearl River Delta (500 retail stations).

The **Trading Business** continues to focus on non regulated oil and petrochemicals products. The activities generated a turnover of £33.1 million, equivalent to RMB 341 million, (H1 2009: £51.3 million, RMB 528 million). The trading environment was more difficult this year as some industries have yet to fully recover from the financial crisis and export markets continue to prove challenging. We expect the trading environment for the second half of 2010 to be equally challenging.

FINANCIAL REVIEW

Group revenues (including the share of jointly controlled entities) increased by 21% to £222 million in H1 2010 (H1 2009: £184 million) resulting from increased sales of natural gas (£11 million increase in revenue) and aviation fuel (£44 million increase in revenue), which was partly offset by a £18 million reduction in trading revenues as a result of decreases in trade volumes.

Group profit from operations was £10.6 million, an increase of 45% on the previous period (H1 2009: £7.3 million). Bluesky's contribution significantly increased to £3.5 million in H1 2010 (H1 2009: £0.2 million) with all other business segments' contributions remaining relatively stable. The profit attributable to equity shareholders increased to £4.5 million (H1 2009: £1.9 million) principally due to an increase in the profit share of non-controlling interests in the aviation business.

In the period Bluesky's business contributed 45% to the Company's profit, the natural gas business contributed 29% to profit and the Maoming SPM contributed 12%.

Group net assets as at 30 June 2010 were £156.2 million, compared with £134.2 million as at 31 December 2009. Capital expenditure for the period was £4.6 million (H1 2009: £8.3 million) of which £2.7 million related to gas distribution assets, £1.5 million to FLG and £0.4 million for renovation and enhancement of the SPM business.

The Group's cash balance as at 30 June 2010 was £60.5 million, with a net cash position of £4.7 million (31 December 2009: cash balance of £55.8 million and net cash position of £7.2 million). The finance charges decreased to £1.3 million (H1 2009: £1.8 million) due to the repayment of bank loans in H2 2009, aided by decreases in interest rates. As detailed earlier, the cash balance exceeds the outstanding bank loan and both the current loan repayment obligations and approved investment commitments being financed through expected cash flows.

In March 2010, an extension of the exploration period for the PSC for the Liulin CBM block was approved by the Ministry of Commerce for a further two years to 29 March 2012. As a consequence, Dart Energy paid a further US\$5.3 million (£3.5 million) to the Group, in line with the existing arrangements, after which Dart Energy has a 35 per cent interest in FLG, acquired for a total consideration of US\$13.3 million (£8.8 million).

On 14 April 2010, Fortune Oil PRC Holdings Limited, the Company's principal intermediate holding company in Hong Kong, signed a US\$80 million (£52 million) loan agreement with Standard Chartered Bank (Hong Kong) Limited, as facility coordinator and agent bank with a total of 11 other international and regional banks. The facility is a dual currency term loan (in US dollars and Hong Kong dollars) with a term of 3 years and a margin of 2.7% above LIBOR or HIBOR. The facility is guaranteed by Fortune Oil and has been used to refinance the previous loan facility with the balance available for the general working capital requirements of the Group.

The taxation charge increased to £1.7million (H1 2009: £1.0 million), which is in line with the increase in profit before tax of the Group. The overall effective tax rate was 18.3% compared with 18.5% for H1 2009.

There have been significant movements in the exchange rate between sterling and renminbi in 2009 and to date in 2010. The Reminbi strengthened 7% against sterling in the period from 31 December 2009 to 30 June 2010.

PRINCIPAL RISKS AND UNCERTAINTIES

Fortune Oil Group is focused on the distribution in mainland China of hydrocarbon fuels with recent expansion into coal bed methane and is subject to a variety of business risks. These risks have not changed since the date of the Annual Report 2009, where the principal risks and uncertainties are detailed on pages 20-22.

The general business risks facing Fortune Oil's operations in China include: country risk; the regulatory regime; relationship risks; attraction and retention of employees; speed of development; current and future financing; uninsured risks; foreign exchange risks; liquidity risk; commodity price risk; and health, safety and environment (HSE) risks. Specific risks pertaining to the Group's fuel distribution business include: the level of energy demand; technical risk; physical security; and gas availability. Specific risks and uncertainties for the Group's upstream gas business include: general exploration, development and production risks; estimation of gas resources; and the work programme under the Group's production sharing contract.

GOING CONCERN STATEMENT

The Group's business activities and associated opportunities and risks are set out above in the "Business Review" and "Principal Risks and Uncertainties". The financial position of the Group, its cash flows and liquidity position is described in the Financial Review. In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operation and mitigate the effects of fluctuations in cash flows. The Group meets part of its capital expenditure requirements from medium term loan facilities.

The current economic conditions may create uncertainty over:

- (a) the level of demand for the Group's products and services;
- (b) international exchange rates that affect commodity prices and hence the Group's revenues in China as denominated in US dollars or sterling;
- (c) the availability of bank or equity finance in the foreseeable future; and
- (d) counterparty credit risk.

The Group has a considerable cash balance after entering into a US\$80 million loan facility in 2009. The Group's current forecasts and projections, adjusting for reasonably possible changes in trading conditions, show that the Group will be able to repay the interest and principal payments in a timely manner in accordance with loan agreements.

The Directors believe that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, Fortune Oil continues to adopt the going concern basis in preparing the half year report and accounts.

RESPONSIBILITY STATEMENT PURSUANT TO DTR 4.2

We confirm that, to the best of each person's knowledge:

1)The condensed financial statements, which have been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and income of the issuer, and the undertakings included in the consolidation as a whole as required by DTR 4.2.4 R; and DTR 4.2.10(4));

2) The half year management report includes a fair review of important events in the half year period, their impact on the financial information and a description of the principal risks and uncertainties in accordance with DTR 4.2.7R; and

3) The half year management report includes a fair review of related party transactions in accordance with DTR 4.2.8 R.

By order of the Board

Tee Kiam Poon
Chief Executive Officer

FORTUNE OIL PLC

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2010

	6 months ended 30.06.10 (Unaudited)	6 months ended 30.06.09 (Unaudited)
<hr/>		
Revenue including share of jointly controlled entities	222,184	184,188
Share of revenue of jointly controlled entities	(137,411)	(92,098)
<hr/>		
Group revenue	84,773	92,090
Cost of sales	(65,087)	(75,772)
<hr/>		
Gross profit	19,686	16,318
<hr/>		
Distribution expenses	(7,619)	(5,754)
Administrative expenses	(6,191)	(4,211)
Share of results of jointly controlled entities	4,684	933
<hr/>		
Profit from operations	10,560	7,286
<hr/>		
Finance costs	(1,342)	(1,765)
Investment revenue	313	120
<hr/>		
Profit before tax	9,531	5,641
Income tax charge	(1,743)	(1,045)
<hr/>		
Profit for the period	7,788	4,596
<hr/>		
Attributable to:		
Owners of the company	4,480	1,911
Non-controlling interest	3,308	2,685
<hr/>		
	7,788	4,596
<hr/>		
Earnings per share		
Basic	0.24p	0.10p
Diluted	0.24p	0.10p
<hr/>		

All results shown are from continuing operations.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2010**

	6 months ended 30.06.10 (Unaudited)	6 months ended 30.06.09 (Unaudited)
Amount in £'000		
Profit for the period	7,788	4,596
Exchange differences on translation of foreign operations	10,377	(15,900)
Other comprehensive income for the period	10,377	(15,900)
Total comprehensive income for the period	18,165	(11,304)
Attributable to:		
Owners of the company	11,458	(7,780)
Non-controlling interest	6,707	(3,524)
	18,165	(11,304)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

Amount in £'000	30.06.10 (Unaudited)	31.12.09 (Audited)
Assets		
<i>Non-current assets</i>		
Property, plant and equipment	100,863	94,126
Goodwill	7,137	6,224
Other intangible assets	6,490	6,130
Prepaid lease payments	5,152	4,744
Investments in jointly controlled entities	40,486	31,326
Available for sale investments	915	849
	161,043	143,399
<i>Current assets</i>		
Inventories	4,935	5,260
Trade and other receivables	36,657	14,817
Cash and cash equivalents	60,450	55,766
	102,042	75,843
Total Assets	263,085	219,242
Liabilities		
<i>Current liabilities</i>		
Borrowings	16,085	30,192
Trade and other payables	46,526	32,458
Current tax liabilities	1,036	1,026
	63,647	63,676
<i>Non-current liabilities</i>		
Borrowings	39,699	18,346
Deferred tax liabilities	3,508	3,024
	43,207	21,370
Total Liabilities	106,854	85,046
Net Assets	156,231	134,196
Equity		
<i>Capital and reserves</i>		
Ordinary shares	19,875	19,875

Treasury shares	(929)	(929)
Share premium account	10,129	10,129
Other reserve	2,232	-
Foreign currency translation reserve	20,832	13,854
Retained earnings	51,737	47,157
	<hr/>	
Equity attributable to owners of the company	103,876	90,086
Non-controlling interest	52,355	44,110
	<hr/>	
Total Equity	156,231	134,196
	<hr/>	

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2010**

	6 months ended 30.06.10 (Unaudited)	6 months ended 30.06.09 (Unaudited)
Amount in £'000		
Net cash (used in)/from operating activities	675	6,171
Interest received	313	120
Dividend received from jointly controlled entities	-	19
Payment for property, plant and equipment	(4,466)	(8,334)
Payment for other intangible assets	(6)	-
Payment for prepaid lease payments	(43)	(138)
Payment for acquisition of subsidiary undertakings	(1,275)	-
Consideration for disposal of interest in a subsidiary	3,524	-
Receipt from disposal of property, plant and equipment	256	4
Receipt from disposal of prepaid lease payment	9	-
Loan (to)/from jointly controlled entities	(2,262)	19
Net cash used in investing activities	(3,950)	(8,310)
Repayment of loans to non-controlling shareholders	(670)	(2,217)
Dividend paid to non-controlling shareholders	(96)	(194)
Net capital contribution (to)/from non-controlling shareholders	-	388
New bank loans raised	26,541	1,763
Repayment of borrowings	(21,947)	(4,417)
Net cash from/(used in) financing activities	3,828	(4,677)
Net increase/(decrease) in cash and cash equivalents	553	(6,816)
Cash and cash equivalents at beginning of period	55,766	67,823
Cash flow effect of foreign exchange rate changes	4,131	(8,069)
Cash and cash equivalents at end of period	60,450	52,938

**CONSOLIDATED STATEMENT OF CHANGES IN
EQUITY FOR THE PERIOD ENDED 30 JUNE 2010**

Amount in £'000	Issued capital		Share	Other	Foreign	Retained	Attributable	Non-	Total
	Ordinary	Treasury	premium		currency				
	shares	shares	account	reserve	translation	earnings	of	interest	
					reserve		the		
							company		
Balance at 1 January 2009	19,282	(594)	8,932	-	21,428	37,618	86,666	49,944	136,610
Profit for the period	-	-	-	-	-	1,911	1,911	2,685	4,596
Other comprehensive income for the period	-	-	-	-	(9,691)	-	(9,691)	(6,209)	(15,900)
Total comprehensive income for the period	-	-	-	-	(9,691)	1,911	(7,780)	(3,524)	(11,304)
Payment of dividends	-	-	-	-	-	-	-	(3,545)	(3,545)
Net capital contribution by non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	388	388
Balance at 30 June 2009 (Unaudited)	19,282	(594)	8,932	-	11,737	39,529	78,886	43,263	122,149
Balance at 1 January 2010	19,875	(929)	10,129	-	13,854	47,157	90,086	44,110	134,196
Profit for the period	-	-	-	-	-	4,480	4,480	3,308	7,788

Other comprehensive income for the period	-	-	-	-	6,978	-	6,978	3,399	10,377
Total comprehensive income for the period	-	-	-	-	6,978	4,480	11,458	6,707	18,165
Payment of dividends	-	-	-	-	-	-	-	(3,552)	(3,552)
Acquisition of a subsidiary	-	-	-	-	-	-	-	481	481
Deemed disposal of 31.3% interest in a subsidiary	-	-	-	2,232	-	-	2,232	(2,572)	(340)
Consideration for disposal of 31.3% interest in a subsidiary	-	-	-	-	-	-	-	7,181	7,181
Share-based payments	-	-	-	-	-	100	100	-	100
Balance at 30 June 2010 (Unaudited)	19,875	(929)	10,129	2,232	20,832	51,737	103,876	52,355	156,231

1. Basis of preparation

The condensed financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

The financial information for the six months ended 30 June 2010 and 30 June 2009 was neither audited nor reviewed by the auditors. The full year figures for 2009 do not constitute statutory accounts for the purposes of section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 December 2009 has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

2. Significant accounting policies

Changes in accounting policy

The condensed financial statements have been prepared under the historical cost convention, except for the revaluation of certain properties and financial instruments.

The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2009, except for the impact of the adoption of the Standards and Interpretations described below.

In the current financial year, the Group has adopted International Financial Reporting Standard 3 "Business Combinations" (revised 2008) and International Accounting Standard 27 "Consolidated and Separate Financial Statements" (revised 2008).

The significant changes in accounting for business combinations are as follows:

- to change the recognition and subsequent accounting requirements for contingent consideration. Any pre-existing equity interest in the entity acquired is remeasured to fair value at the date of the obtaining control, with any resulting gain or loss arising from the re-measurement is recognized in profit or loss;
- any changes in the Group's ownership interest subsequent to the date of obtaining control are recognized directly in equity, with no adjustment to goodwill;
- any changes to the cost of an acquisition, including contingent consideration, resulting from events after the date of acquisition are recognized in profit or loss than adjusting goodwill recognized on the acquisition; and
- to require the acquisition related costs which previously would have been included in the cost of a business combination be expensed through profit or loss as they are incurred.

3. Segmental Reporting

The Group has adopted IFRS 8 Operating Segments (effective on 1 January 2009) to identify six operating segments on the basis of internal reports about components of the Group which are reviewed regularly by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (IAS 14 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. As a result following the adoption of IFRS 8, the identification of the Group's reportable segments has changed.

In prior years, segment information reported externally was analysed on the basis of major business divisions of the Group. However, information reported to the Group's Chief Executive Officer for the purposes of resource allocation and assessment of performance is more specifically detailed into each business segment by treating the Group's overheads as separate item. The principal business segments are constant with minor changes on names and office overheads segregated. The Group has reclassified the operating divisions and the reportable segments under IFRS 8 as "Natural Gas", "Single point mooring facility", "Aviation Refuelling", "Trading", "Products Terminal" and "Others".

Information regarding these segments is presented below. Amounts reported for the prior period have been restated to conform to the requirements of IFRS 8 as required by IAS 34.

a) Operating segments

	Natural Gas		Single point mooring facility		Aviation Refuelling	
	2010 (Unaudited)	2009 (Unaudited)	2010 (Unaudited)	2009 (Unaudited)	2010 (Unaudited)	2009 (Unaudited)
Amount in £'000						
Revenue including share of jointly controlled entities	46,283	34,972	7,418	7,216	130,483	86,477
Share of revenue of jointly controlled entities	(1,994)	(1,368)	-	-	(130,483)	(86,477)
Group revenue	44,289	33,604	7,418	7,216	-	-
Profit from operations (including share of results of jointly controlled entities)	4,589	3,994	2,716	2,949	3,506	212
Office overheads *						
Operating profit, net of overheads						
Finance costs						
Investment revenue						
Profit before taxation						
Taxation						
Profit for the period						
Attributable to						
Owners of the parent						
Non-controlling interests						

	Natural Gas		Single point mooring facility		Aviation Refuelling	
	30.06.10 (Unaudited)	31.12.09	30.06.10 (Unaudited)	31.12.09	30.06.10 (Unaudited)	31.12.09
Amount in £'000						
Net assets: by class of business						
Assets						
Segment assets	181,390	156,311	23,608	17,840	20,709	16,047
Unallocated assets						
Consolidated total assets						
Liabilities						
Segment liabilities	(48,938)	(48,238)	(8,378)	(352)	(45)	(43)
Unallocated liabilities ***						
Consolidated total liabilities						

	Trading		Products Terminal		Others**		Group	
	2010	2009	2010	2009	2010	2009	2010	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Amount in £'000								
Revenue including share of jointly controlled entities	33,066	51,270	1,459	1,197	3,475	3,056	222,184	184,188
Share of revenue of jointly controlled entities	-	-	(1,459)	(1,197)	(3,475)	(3,056)	(137,411)	(92,098)
Group revenue	33,066	51,270	-	-	-	-	84,773	92,090
Profit from operations (including share of results of jointly controlled entities)	188	599	662	482	285	181	11,946	8,417
Office overheads *							(1,386)	(1,131)
Operating profit, net of overheads							10,560	7,286
Finance costs							(1,342)	(1,765)
Investment revenue							313	120
Profit before taxation							9,531	5,641
Taxation							(1,743)	(1,045)
Profit for the period							7,788	4,596
Attributable to								
Owners of the parent							4,480	1,911
Non-controlling interests							3,308	2,685

Amount in £'000	Trading		Products Terminal		Others**		Group	
	30.06.10	31.12.09	30.06.10	31.12.09	30.06.10	31.12.09	30.06.10	31.12.09
	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
Net assets: by class of business								
Assets								
Segment assets	35,477	27,940	1,156	457	(73)	(338)	262,267	218,257
Unallocated assets							818	985
Consolidated total assets							263,085	219,242
Liabilities								
Segment liabilities	(10,168)	(9,565)	-	-	-	-	(67,529)	(58,198)
Unallocated liabilities ***							(39,325)	(26,848)
Consolidated total liabilities							(106,854)	(85,046)
							156,231	134,196

* Includes overheads in UK/HK/PRC offices.

** Others include retail and distribution.

*** Bank loan, deferred tax and dividend withhold tax be unallocated among segments.

b) Analysis of group revenue

Amount in £'000	6 months	6 months
	ended	ended
	30.06.10	30.06.09
	(Unaudited)	(Unaudited)
Sales of goods	80,821	87,826
Income from construction contracts	2,982	3,301
Rental income	596	520
Others	374	443
	84,773	92,090

4. Income tax charge

Interim period income tax is accrued based on the average effective income tax rate of 18.3 per cent (6 months ended 30 June 2009: 18.5 per cent).

The Group tax charge does not include any amounts for jointly controlled entities, whose results are disclosed in the statement of comprehensive income net of tax.

Please refer to the financial review for discussion on the increase in tax charges during the period.

5. Earnings per share

Earnings per share has been calculated by dividing earnings attributable to the shareholders by the weighted average number of shares in issue during the respective periods, as indicated below:

	30.06.10	30.06.10	30.06.09	30.06.09	31.12.09	31.12.09
	No.		No.		No.	
	'000	pence	'000	pence	'000	pence
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)		
Basic	1,894,564	0.24	1,869,115	0.10	1,873,799	0.47
Share option adjustment	585	-	4,347	-	3,911	-
Diluted	1,895,149	0.24	1,873,462	0.10	1,877,710	0.47

6. Property, plant and equipment

During the period, the Group spent approximately £ 4.6 million on assets in the course of construction, single point mooring buoy and exploration and evaluation.

The Group also disposed of certain part of its single point mooring buoy and fixtures and fittings with a carrying amount of £ 837,000 for proceeds of £ 256,000. There has been an exchange gain of £ 12,000.

The depreciation charge for the period was £ 4.3 million (6 months ended 30 June 2009: £ 3.4 million).

7. Investments in jointly controlled entities

There was no acquisition during the period and the movement was mainly represented by the share of the profit and loan to the jointly controlled entities. There have been exchange gains of £ 2,214,000. Details are as follows:

Amount in £ '000	Interest in jointly controlled entities (Unaudited)	Net loans to jointly controlled entities (Unaudited)	Total jointly controlled entities (Unaudited)
Share of net assets/cost			
At 1 January 2010	26,045	5,281	31,326
Exchange rate difference	1,849	365	2,214
Loan addition	-	2,262	2,262
Share of profit	4,684	-	4,684
At 30 June 2010	32,578	7,908	40,486

8. Bank Loan

A new loan of £ 52 million (US\$80 million) was drawn down by the Group on 14 April 2010. The loan is a dual currency loan (in US dollars and HK dollars) with a term of 3 years and a margin of 2.7 per cent above LIBOR or HIBOR. The loan is being used to refinance the previous loan facility, which matured on 26 April 2010, and for general working capital requirements of the group.

9. Issued capital

Issued capital as at 30 June 2010 amounted to £ 19,875,000. There were no movements in the issued capital of the Company during the period.

10. Acquisition of a subsidiary

On 19 May 2010, the Group acquired 51% of the issued share capital of Liao Ning Zheng Run Natural Gas Limited, obtaining control of Liao Ning Zheng Run Natural Gas Limited. Liao Ning Zheng Run Natural Gas Limited, an investment vehicle, was acquired in order to obtain the right to develop the spur pipeline and gas distribution in Dashiqiao areas.

The fair value allocated to the acquired assets is preliminary in nature and will be reviewed in accordance with the provisions of IFRS 3 (Revised 2008) - Business Combinations.

	(Unaudited)
	£ '000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	120
Financial assets	861
Total identifiable assets	<u>981</u>
Non-controlling interest	<u>(481)</u>
	500
Goodwill	<u>786</u>
Total consideration satisfied in cash	<u><u>1,286</u></u>
Net cash outflow arising on acquisition	
Cash consideration	1,286
Less: cash and cash equivalents acquired	<u>(11)</u>
	<u><u>1,275</u></u>

The financial assets includes other receivables with a book value of £ 736K.

The best estimate at acquisition date of the contractual cash flows not to be collected is nil.

The goodwill of £ 786K arising from the acquisition represents the difference between the purchase consideration and the net assets value acquired.

None of the goodwill recognized is expected to be deductible for income tax purposes.

There was no acquisition related costs recorded in the period.

Liao Ning Zheng Run Natural Gas Limited was acquired on 19 May 2010 and the company is yet to commence business, no profit or loss at the date of acquisition.

11. Sale of additional interest in subsidiary

Further to the Subscription and Shareholders Agreement dated 18 December 2009, the Group further disposed of 31.3% interest in Fortune Liulin Gas Company Limited on 25 March 2010 to Arrow Energy Limited. Following this sale the Group's interest in FLG is 65% and control is retained by the Group. In accordance with IAS27 (2008) no gain or loss has been recognized in the Income Statement in relation to this transaction.

The net assets of Fortune Liulin Gas Company Limited at the date of disposal were as follows:

	(Unaudited)
	£ '000
Intangible assets	3
Tangible assets	11,666
Trade and other receivables	141
Cash and cash equivalents	9,391
Trade and other payables	(5,445)
Due to fellow subsidiary	(436)
Due to immediate holding company	(635)
	<hr/>
	14,685
	<hr/> <hr/>
Share 31.3% net assets	4,597
Exchange reserves	59
Other reserves	2,506
Total consideration	<hr/>
	7,162
	<hr/> <hr/>
Satisfied by:	
Cash consideration	<hr/>
	7,162
	<hr/> <hr/>

12. Notes to the cash flow statement

	6 months ended 30.06.10 (Unaudited) £'000	6 months ended 30.06.09 (Unaudited) £'000
Profit for the period	7,788	4,596
Adjustments for:		
Share of post-tax results of jointly controlled entities	(4,684)	(933)
Taxation	1,743	1,045
Amortisation	191	106
Depreciation	4,289	3,454
Loss on disposal of property, plant and equipment	569	234
Loss on disposal of prepaid lease payment	4	19
Share-based payments	100	-
Investment revenue	(313)	(120)
Finance costs	1,342	1,765
	<hr/>	<hr/>
Operating cash flows before movements in working capital	11,029	10,166
Decrease in inventories	736	754
(Increase) in trade and other receivables	(19,920)	(414)
Increase/(decrease) in trade and other payables	11,539	(990)
	<hr/>	<hr/>
Cash generated from operations	3,384	9,516
Interest paid	(1,342)	(1,765)
Income tax paid	(1,367)	(1,580)
	<hr/>	<hr/>
Net cash (used in)/from operating activities	675	6,171

13. Related party transactions and significant contracts

The Group's related parties, the nature of the relationship and the extent of transactions with them are summarised below:

Amount in £'000	Sub note	30.06.10 (Unaudited)	30.06.09 (Unaudited)
Loans from equity non-controlling interests to subsidiaries	1	(3,207)	(2,755)
Loans to equity non-controlling interests to subsidiaries	1	688	2,126
Other loans from major shareholders	2	-	(3,784)
Interest paid and payable to major shareholders	2	32	64
Trade account receivable from non-controlling shareholders	3	4,746	3,772
Shareholder loans to / (from) jointly controlled entities	4	7,908	4,521
Sales of goods to jointly controlled entities	5	1,316	-
Purchase of goods from Vitol Asia	5	-	2,859
Purchase of goods from jointly controlled entities	5	1,061	669
Current account with Vitol Energy	5	(469)	(423)
Current account with jointly controlled entity	5	(275)	-

Sub Notes

1. *The loans £3,207,000 (2009: £2,755,000) comprised loans from the non-controlling shareholders of Shuozhou Jingshuo Natural Gas Limited, Beijing Fuhua Dadi Gas Company Limited (DADI), Luquan Fu Xin Gas Company Limited, Shuozhou Jingping Natural Gas Limited, Shuozhou Fu Hua Natural Gas Limited, Qufu Fu Hua Gas Company Limited and Fortune Liulin Gas Company Limited. Except for £1,632,000 (2009: £1,303,000) from non-controlling shareholders of DADI which is interest bearing of 5.841% p.a. (2009: 5.841% p.a.), the loans are unsecured, interest free and without fixed payment terms. The loans £688,000 (2009: £2,216,000) comprised mainly loans to the non-controlling shareholders of Henan Fortune Green Energy Development Company Limited which loans are unsecured, interest free and without fixed payment terms.*
2. *Other loans at 30 June 2010 were £nil (2009: £3,784,000) from the major shareholder First Level Holdings Limited (FLHL). The amount due is unsecured, interest bearing of LIBOR plus 2% and without fixed payment terms. The interest payable to FLHL was £32,000 (2009: £64,000) of which all interest paid at 30 June 2010 (2009: £6,000).*
3. *Maoming Petrochemical Corporation (MPCC) is a corporate shareholder of the Group's subsidiary, Maoming King Ming Petroleum Company Limited and has representatives on the Board. Throughputting turnover from MPCC amounted to £7,190,000. (2009 : £6,958,000) of which £4,746,000 was owed at 30 June 2010 (2009: £3,772,000).*
4. *The shareholder loans are part of shareholders' investment in the jointly controlled entities. These are common methods of making an investment in jointly controlled entities in China. £7,908,000 (2009: £4,398,000) was due from Tianjin Tianhui Natural Gas Limited, Jining Qufu New Fu Hong Gas Limited, Shandong Green Energy Gas Company Limited and Xinyang Fortune Vehicle Gas Company Limited at the end of 30 June 2010. The remaining balances relate to a number of other jointly controlled entities.*

5. *Vitol Energy (Bermuda) Limited is a shareholder of the Company. Purchases from Vitol Asia Pte Ltd to a Group's subsidiary, Fortune Oil Holdings Limited amounted to £nil (2009: £2,859,000) and purchases from jointly controlled entities - Shandong Green Energy Gas Company and Jining Qufu New Fu Hong Gas Limited to Group's subsidiaries, Henan Fortune Green Energy Development Company Limited and Qufu Fu Hua Gas Company Limited amounted to £435,000 and £626,000 (2009: £115,000 and £554,000) respectively. Sales from Group's subsidiary, Xinyang Fortune Gas Company Limited to Group's jointly controlled entity, Xinyang Fortune Vehicle Gas Company Limited, amounted to £1,316,000 (2009: £nil). Current account due to Vitol Energy (Bermuda) Limited amounted to £469,000 (2009: £423,000). Current account due to jointly controlled entity, Jining Qufu New Fu Hong Gas Company Limited, amounted to £275,000 (2009: £nil).*

14. Approval of interim financial statements

The interim financial statements were approved by the board of directors on 26 August 2010.