

28 AUGUST 2008



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

Interim Results for 6 months ended 30 June 2008

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

FINANCIAL HIGHLIGHTS

- Strong revenue growth of 26 per cent to £145.1 million (2007: £115.0 million).
- Operating profit improved by 28 per cent to £6.4 million (2007: £5.0 million).
- Profit before tax increased 14.6 per cent to £5.5 million (2007: £4.8 million).
- Net profit attributable to shareholders up 20.8 percent to £2.9 million (2007: £2.4 million).
- Gas distribution operating profit tripling to £2.3 million, now the largest contributor to the Group operating profit.
- Earnings per share up to 0.16 pence (2007: 0.14 pence).
- £9.9 million raised in July 2008 through a placing of new ordinary shares to Kerry Holdings.

OPERATIONAL HIGHLIGHTS

- H1 2008 gas sales increased by 49 per cent year on year to 155 million cubic metres.
- First gas produced from Liulin CBM block in May 2008 and exploration license extended for further 2 years from April 2008.
- Sales of jet fuel by Bluesky were 0.86 million tonnes, an increase of 11 per cent over H1 2007.
- Maoming SPM throughput decreased 11 per cent due to high oil prices, but there is scope for profits to increase when international and domestic prices become more aligned.
- Oil products trading activities contributed £0.5 million of operating profit.

CURRENT TRADING & OUTLOOK

- Trading in Second Half 2008 is in line with expectations.
- On track to achieve target of supplying 1 billion cubic metres of gas per year (1 per cent of China market) by 2012.

Mr. Qian Benyuan, Chairman of Fortune Oil, commented:

“Fortune Oil’s strong interim results demonstrate the benefits of having diversified operations in both oil infrastructure and natural gas. We continue to create the first regionally integrated gas company in China. Sustainability and clean fuels will become increasingly important in China’s energy policy and Fortune Oil intends to be at the forefront of the country’s advances in the energy sector.”

ENQUIRIES:

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FORTUNE OIL PLC

Interim Results for 6 Months ended 30 June 2008

CHIEF EXECUTIVE'S REVIEW

In the first half of 2008 Fortune Oil achieved a robust increase in both revenues and profits, with particularly strong growth in the gas business. The Group operating profit increased to £6.4 million, a 28 per cent increase on the same period in 2007. This profit increase was in spite of the record high oil and coal prices that have caused significant supply problems for other energy companies in China. It highlights the benefits of Fortune Oil having diversified operations in the oil sector and an increasing focus on natural gas, a clean energy sourced primarily from within China.

Financial Results for the First Half of 2008

- Revenues including the Group's share of jointly controlled entities increased to £145.1 million, up 26 per cent from the same period last year.
- Profit from operations increased by 28 per cent to £6.4 million.
- Retained profits attributable to equity shareholders rose to £2.9 million and earnings per share grew to 0.16 pence, an increase of 20 per cent from the same period in 2007.

Operational Results for the First Half of 2008

- Sales volume of natural gas increased by 49 per cent to 155 million cubic metres and the net operating profit of the gas distribution business tripled to £2.3 million. The gas business is now the largest contributor to the operating profit of the Group.
- The exploration term for the Liulin coal bed methane block was extended for a further two years from April 2008 and additional science wells have been drilled to provide sufficient data for reserves certification of a northern section of the block. In May 2008 a vertical exploration well entered into the first phase of gas desorption and the flowrate has exceeded 1,300 cubic metres per day, above the level required to demonstrate commercial potential for a vertical well.
- Sales volume at Bluesky increased by 11 per cent to 0.86 million tonnes despite the record high jet fuel prices. The government compensation scheme ensured that Bluesky's profit contribution to Fortune Oil rose to £2.1 million, a 35 per cent increase over the first half of 2007.
- The Maoming SPM continued to suffer from the reduced throughput caused by the record high oil pricing environment in China. The volume throughput declined by 11 per cent to 4.3 million tonnes and the operating profit fell to £2.2 million. The Company expects an opportunity for a considerable increase in profit when international and domestic oil prices become more aligned.
- As previously highlighted the cross-border products Trading business has now begun to make an earnings contribution for the Company, being £0.5 million for the first 6 months of 2008 including exchange gains.

Fortune Oil closed two transactions after the 30 June balance sheet date which illustrate the size of the gas market opportunities. In March 2008 the Company announced an agreement to acquire 100 per cent of the share capital of the Xinyang City gas company for a payment of £1.8 million while taking on outstanding debts of £14.1 million. The city has a population of 600,000 residents, of whom only 15 per cent have been connected to the city pipeline network, and this is typical of the city gas acquisition opportunities available to Fortune Oil. In addition, in July the Tianjin

Tianhui joint venture committed to a £5.1 million spur pipeline which should be delivering 400 million cubic metres of gas per year by 2012 in the major city of Tianjin. Both projects will significantly enhance profits from 2010 and are major steps in achieving the target of supplying 1 billion cubic metres of gas per year, 1 per cent of the forecast China market, by 2012.

Post-Balance Sheet Investment by Kerry Holdings

In July 2008 Fortune Oil closed a share placement to a wholly-owned subsidiary of Kerry Holdings Limited, issuing 91,816,800 new ordinary shares for a consideration of approximately £9.9 million. Kerry Holdings Limited is the main investment vehicle in Hong Kong of the Kuok Group, which has substantial investments in Asia and significant experience in China, and now holds approximately 4.74 per cent of Fortune Oil's fully diluted share capital.

As announced at the time of the Company's Annual General Meeting, Fortune Oil has also entered into discussions with a number of parties, including Kerry Holdings Limited, over the possibility of equity participation directly into Fortune Oil's gas business, comprising the Company's upstream, wholesale and retail gas businesses in China. This equity participation would assist in financing the further growth of this gas business and would be for minority positions, likely to total up to 30 per cent, with Fortune Oil retaining control. Fortune Oil has entered into a non-binding Letter of Intent with Kerry Holdings Limited with regard to a certain proportion of such a minority interest in the gas business.

Outlook

The Company continues to establish the first regionally integrated gas company in China. This gas platform will capture methane gas from coal seams, install local LNG and CNG plants at gas sources for wholesale distribution by truck prior to building pipelines and will invest in new retail pipeline networks and CNG stations for delivering clean fuel to the people of China. The oil sector operations will also continue to grow as China gradually allows private sector participation in solving its energy challenges. Sustainability and clean fuels will become increasingly important in China's energy policy and Fortune Oil intends to be at the forefront of the country's advances in the energy sector.

BUSINESS REVIEW

CHINA REVIEW

Economic Growth

The Beijing Olympics this August were a remarkable success in raising China's profile world-wide but, as China prepared for the Olympics, the first half of 2008 was a turbulent time for the Chinese economy. Not only were there record high energy prices and tumbling stock markets but also snow storms and the tragic Sichuan earthquake. Despite these challenges, China's economy again achieved strong growth, with a 10.4 per cent increase in GDP compared to the same period in 2007 according to preliminary estimates by the National Bureau of Statistics. However the rate of growth in China's economy and energy demand is slowing down. For example, electricity consumption increased by only 12 per cent in the first half of 2008, compared with 16 per cent in 2007.

The value of exports in the first six months of 2008 rose 22 per cent in US dollar terms and China's foreign exchange reserves increased by 36 per cent year-on-year to the end June of 2008 to US\$1.8 trillion. Over the next few years China is set to overtake USA as the world's largest producer of manufactured goods in US dollar terms. This will be assisted by the weakening of the US economy and a steadily rising level of sophistication in Chinese manufacturing. The government is targetting a high level of self-sufficiency, for example in the manufacture of oil & gas equipment and in the production of petrochemicals.

The government's focus remains on inflation as the consumer price index increased by 6.3 per cent year-on-year to the end of July 2008 but factory gate inflation was 10 per cent, the highest since 1996. China has had some success in increasing energy efficiency, with the national energy consumption per unit GDP reducing by 2.9 per cent in the first half of 2008 (versus a target of 4 per cent for the year) but the government recognises that more effort is required to increase energy conservation and energy efficiency.

Energy Pricing

For many years China has maintained a policy of controlling domestic fuel prices so as to limit inflation and to protect the rural communities. However in the year from June 2007 the international price of oil doubled to US\$140 per barrel while domestic spot coal prices for Chinese coal rose by 70 per cent. This has caused worsening pricing and supply problems for oil products and coal. A number of companies in the power, oil refining and oil retail sectors incurred losses for the first six months of 2008, causing some companies to shut down their facilities, which further disrupted local energy supplies. In June 2008 the government implemented significant increases in domestic energy prices to help alleviate these pricing tensions; for example the domestic jet fuel price was increased by 25 per cent but it still remained substantially below the international price level.

Principal Risks

Fortune Oil has been careful to avoid those parts of the energy sector where the margin is highly sensitive to government pricing policies, such as oil refining and power. However, throughputs in the Company's petroleum distribution businesses are still at risk from these pricing tensions, as evidenced at the Maoming SPM. These pricing tensions have also caused occasional shortages in the supply of gasoline and diesel and hence affected throughput at Fortune Oil's product terminals over the past two years. A national compensation mechanism helps Bluesky reduce most of its exposure to changes in international jet fuel prices, but the compensation is calculated for China as a whole rather than company-specific so there remains some risk at the end of every quarter of a shortfall (or excess) of compensation.

In contrast to the oil sector, the margins in the gas sector are more stable and natural gas prices are significantly below competing oil product prices on an energy equivalent basis. The Company expects a gradual but significant increase in pricing level across the gas chain in China, as domestic prices move towards international prices and as the international price of gas moves towards that of oil. This should benefit margins in both the upstream and wholesale gas sectors.

The enormous demand for gas as a clean fuel but shortage of infrastructure makes gas supply the most significant risk, particularly in winter, hence Fortune Oil's strategic plan to build an integrated gas network. The development of the natural gas industry is strongly supported by the government but there are likely to be significant changes in regulation and the emergence of stronger competition from both private and state-controlled companies.

OIL SECTOR OPERATIONS

South China Bluesky Aviation Oil Company

Net profit at Bluesky rose by 35 per cent to RMB 121.6 million (£8.7 million) compared to RMB 98.7 million (£6.5 million) for the same period last year. Bluesky's sales of jet fuel increased by 11 per cent to 861,000 tonnes in the first half of 2008 (2007: 777,000 tonnes). The most significant airport continues to be Guangzhou, where sales are expected to further increase in 2009 after the opening of the Federal Express hub.

Because of the domestic pricing controls, domestic airlines have not been subject to the full impact of the price rises for international jet fuel and they are allowed to pass on fuel price increases to passengers as surcharges. Under a government compensation scheme, aviation fuel suppliers such as Bluesky are compensated quarterly in arrears by the domestic airlines for disparities in price between domestic and imported jet fuel, which significantly reduces Bluesky's exposure to jet fuel price risk and helps stabilise the operating margin.

Bluesky continues to invest in new infrastructure as the airports expand their capacity. For example in early 2008 Bluesky commissioned supply facilities for the new Terminal 2 at Wuhan Airport and is in the process of completing new supply projects at Guangzhou and Zhengzhou.

Maoming Single Point Mooring

In the first six months of 2008 the Maoming SPM delivered crude oil from 21 tankers (2007: 24) with a total throughput of 4.3 million tonnes (2007: 4.8 million tonnes). As the oil price sharply increased to US\$140 per barrel in the first half of 2008, the Maoming refinery tried to stem losses by further reducing throughput. The write-backs that buoyed the 2007 results (£0.6 million demurrage charge) were not repeated in 2008 and the MKM joint venture net earnings fell to RMB 25 million (£1.8 million) for the period (2007: RMB 45 million, £3.0 million). The facility continues to operate efficiently with minimal expense required for maintenance of the buoy and subsea pipeline. The Company believes that the throughput volume will trend upwards during the second half of 2008, assuming that international oil prices continue to fall back. The Maoming SPM continues to have an accident-free and spill-free record.

Products Terminals and Supply

At the **West Zhuhai Terminal (South China Petroleum Company)** the throughput in the first half of 2008 was 1.0 million tonnes, similar to the same period in 2007. The net profit contribution to Fortune Oil was also similar at RMB 4.3 million (£0.3 million). In 2008 Fortune Oil has continued to receive dividends from the West Zhuhai joint venture, paying RMB 9.3 million (£0.7 million) in this period. The major customer of the terminal continues to be PetroChina and Vitol has also used the facilities for bonded oil storage.

As previously indicated the **Zhanjiang Fu Duo LPG** business is non-core and in July 2008 Fortune Oil signed a preliminary share transfer agreement for the disposal of its remaining assets. Terms of the sale have yet to be fully agreed but a deposit of RMB 3 million (£0.2 million) has been received from the buyer. Fortune Oil believes that the disposal will result in at least a break-even position for the Group.

The **Trading** business continues to focus on low-risk cross-border supply of non-regulated oil products and petrochemicals. These cross-border activities benefited from the appreciation of RMB and generated an operating profit of RMB 7.7 million (£0.5 million) for the first six months of 2008. For the Trading division as a whole, including the Shantou depot and gasoline retail stations, the revenues decreased to RMB 287.3 million (£20.6 million) (2007: RMB 479.7 million, £31.5

million), while the operating profit increased to RMB 9.2 million (£0.66 million) (2007: RMB 3.7 million, £0.2 million).

NATURAL GAS DISTRIBUTION

Volume sales of natural gas increased by 49 per cent to 155 million cubic metres (m³) in the first half of 2008 (2007: 105 million m³). The total revenues from gas sales almost doubled to RMB 273 million (£19.6 million) (2007: RMB 158 million, £10.4 million). The operating profit for the gas distribution business tripled to RMB 32.2 million (£2.3 million), compared with RMB 11.6 million (£0.8 million) in the same period in 2007.

A major contributor to the increased sales was Henan Fortune Green Energy Development Company ("Green Energy"), which was acquired in June 2007. Green Energy sold 41 million m³ in the first half of 2008, mostly as wholesale LNG (Liquefied Natural Gas) from its Puyang LNG plant and retail CNG (Compressed Natural Gas) to local vehicles. Sales of LNG are expected to increase significantly in 2009 after the second Puyang LNG plant starts up.

In late 2007 Fortune Oil also acquired a 50 per cent interest in China United Shanxi CBM, in partnership with the government. The joint venture's principal aim is to seed end-user gas markets in Shanxi Province as the vast resources of local coal seam gas are developed. It has already developed retail CNG stations to promote the use of gas as a clean fuel for local taxis and buses. This joint venture and Green Energy are both distributors of coal bed methane which is currently produced in south Shanxi; while in north Shanxi Fortune Oil has joint ventures which continue to supply customers with gas from the high-pressure cross-province natural gas pipelines. Fortune Oil is the only private or foreign company supplying both natural gas and coal bed methane to users in Shanxi Province.

In April 2008 Fortune Oil announced the acquisition of the city gas company in Xinyang, the largest city gas network to date in the Company's portfolio, and the acquisition was completed in July 2008. Together with the 3,800 new connections made by the Company in the first half of 2008, the acquisition brought the total number of connected gas customers to over 115,000. Fortune Oil now operates over 825 km of pipeline, principally in city gas networks. However the Company is also investing in high-pressure high-volume spur pipelines, such as a 26 km line that will be constructed by the Tianjin Tianhui joint venture at a cost of RMB 70 million (£5.1 million) and is expected to be supplying 400 million m³ of gas to industrial users by 2012.

Fortune Oil is at the forefront of introducing clean fuels to China's cities. For example, the ancient city of Qufu (the home of Confucius) was recently connected to a natural gas pipeline and a retail CNG station constructed to supply 100 new CNG-powered buses. In Beijing, Green Energy continues to fuel Asia's first LNG-powered buses via a special LNG retail station supplied by the Group's Puyang LNG plant. Where available, natural gas is the fuel of choice for China's taxis and buses as it is priced more than 50 per cent below gasoline or diesel on a per kilometre basis. Natural gas is also the most environmentally friendly fuel besides hydrogen, and the carbon dioxide emissions are lower than those for petroleum fuels. Many of the Group's trucks for transporting CNG or LNG are now also fuelled by methane gas from these CNG or LNG trailer tanks, rather than consuming diesel which is a more polluting fuel.

COAL BED METHANE

First gas was seen at the Liulin CBM block in May 2008: the LW3 vertical exploration well entered into the initial stages of gas desorption as the well dewatered seam 8. The production rate of LW3 in August 2008 has exceeded 1,300 cubic metres per day, above the threshold certification requirement for demonstrating commercial potential for such a vertical CBM well. The vertical exploration wells EP1 and EP2 are being re-fracked to target seams 3/4/5 to speed up their dewatering. Two new exploration wells (EP4/ED1B, EP5) have been drilled and tested and will be

fraced in September. Coring and IFO testing have also been carried out for two additional datawells (G27, G36) drilled by a local coal mine in the PSC area.

Every exploration well to date has been an isolated vertical science well for data gathering, following the Chinese procedures for reserves certification, so dewatering times have been slow. CBM development wells should normally be large patterns of vertical wells or horizontal wells so as to properly depressure and dewater the reservoir. The Company is pleased that the gas flow rates seen at LW3 demonstrate producibility even from an isolated vertical well, and combined with the geologic data gathered to date, confirm Liulin as a high quality CBM block.

In June 2008 formal approval was received from the Ministry of Commerce for a further two year extension of the Liulin exploration license to March 2010. By contrast, license extensions for some other foreign operators in China have been delayed this year by the decision by PetroChina to withdraw its investment in China United Coalbed Methane Corporation Ltd (CUCBM), the national coal bed methane body. The planned withdrawal by PetroChina from CUCBM will not affect the rights of Fortune Liulin Gas under the Liulin Production Sharing Contract (PSC) nor its ability to develop the Liulin block. However this is part of a gradual opening up of the Chinese coal seam gas industry, as other parties such as PetroChina are granted the right to enter into PSCs with foreign companies. This will create more opportunities for companies such as Fortune Oil, who understand the system, to access gas blocks that were not previously available to foreign companies.

Fortune Oil also continues to focus on the extraction of coal seam gas for distribution as natural gas. The Company is in discussion with various coal mine companies to assist in recovering the gas from their coal seams (“degassing”), to install plants for purifying the gas and then to distribute the gas by road as CNG or LNG. As markets develop, pipelines will be constructed to supply large volumes to dedicated offtakers and the CNG or LNG skid-mounted facilities will be utilised for new gas sources.

FINANCIAL REVIEW

Group revenues (including share of jointly controlled entities) increased by 26 per cent to £145 million in the first half of 2008 (2007: £115 million). This is principally due to higher volume sales and jet fuel price at Bluesky (with a £31 million revenue increase) and higher sales of natural gas (a £9 million revenue increase) and is despite a reduction in trading revenues (£11 million). The Group profit from operations was £6.4 million, an increase of 28 per cent above the previous period (2007: £5.0 million). The profit attributable to equity shareholders increased by 20 per cent to £2.9 million (2007: £2.4 million).

Net assets of the Group increased to £69.8 million at 30 June 2008 (2007: £54.4 million). The capital expenditure for the period was primarily £1.1 million investment in CBM exploration assets and £1.7 million investment in CNG distribution and pipeline assets. The cash balance of £23 million at 30 June 2008 did not include funds from the share placement (a total of £9.85 million) which was completed on 4 July 2008. Trade & other receivables increased to £16.1 million (2007: £11.2 million) principally because of higher trade account receivables and dividends receivable from MKM.

The most significant contributions to earnings were from the natural gas and the Bluesky operations, with the gas business achieving the strongest growth, increasing operating profit by 211 per cent. The long-established Bluesky and Maoming SPM joint ventures still provide the majority of the Group’s profits but the contribution from the natural gas operations has been steadily increasing and represented 36 per cent of Group operating profit in the first half of 2008. It is likely to continue to rise in the coming years.

DIRECTORS’ RESPONSIBILITY STATEMENT PURSUANT TO DTR 4

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

- 1) The condensed set of financial statements, which has been prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, and the undertakings included in the consolidation as a whole in accordance with IAS 34 (DTR 4.2.4R and DTR 4.2.10(4));
- 2) The interim management report includes a fair review of important events in the interim period, their impact on the financial information, and a description of the principal risks and uncertainties for the remaining six months of the financial year (DTR 4.2.7R); and
- 3) The interim management report includes a fair review of related party transactions (DTR 4.2.8R).

FORTUNE OIL PLC

Interim Results for 6 Months ended 30 June 2008

GROUP INCOME STATEMENT

Amount in £'000	6 months ended 30.06.08 (Unaudited)	6 months ended 30.06.07 (Unaudited)	12 months ended 31.12.07
Revenue including share of jointly controlled entities	145,091	115,015	219,887
Share of revenue of jointly controlled entities	(101,512)	(69,026)	(147,199)
Group revenue	43,579	45,989	72,688
Cost of sales	(36,233)	(40,624)	(61,831)
Gross profit	7,346	5,365	10,857
Administrative expenses	(3,562)	(2,351)	(5,169)
Share of results of jointly controlled entities	2,638	1,993	4,012
Profit from operations	6,422	5,007	9,700
Finance costs	(1,225)	(301)	(1,243)
Investment income	266	50	364
Profit before taxation	5,463	4,756	8,821
Taxation	(494)	(338)	(619)
Profit for the period / year	4,969	4,418	8,202
Attributable to			
Equity shareholders	2,921	2,438	4,487
Minority interests	2,048	1,980	3,715
	4,969	4,418	8,202
Earnings per share			
Basic	0.16p	0.14p	0.25p
Diluted	0.16p	0.14p	0.25p

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Interim Results for 6 Months ended 30 June 2008

GROUP BALANCE SHEET

Amount in £'000	6 months ended 30.06.08 (Unaudited)	6 months ended 30.06.07 (Unaudited)	12 months ended 31.12.07
Assets			
Non-current assets			
Property, plant and equipment	45,573	23,294	43,283
Investment properties	1,550	1,540	1,561
Goodwill	1,621	920	2,100
Other intangible assets	4,738	2,722	3,810
Prepaid lease payments	3,820	685	3,263
Investments in jointly controlled entities	27,242	22,083	22,593
Available-for-sale investments	499	-	470
Club debentures	176	99	131
	85,219	51,343	77,211
Current assets			
Inventories	1,354	849	1,064
Trade and other receivables	16,104	11,190	8,759
Cash and cash equivalents	23,337	18,344	27,263
	40,795	30,383	37,086
Total assets	126,014	81,726	114,297
Liabilities			
Current liabilities			
Borrowings	4,841	2,540	5,212
Trade and other payables	20,326	7,619	15,410
Current tax liabilities	429	226	549
	25,596	10,385	21,171
Non-current liabilities			
Borrowings	28,944	16,683	27,976
Deferred tax liabilities	1,616	265	1,527
	30,560	16,948	29,503
Total liabilities	56,156	27,333	50,674
Net assets	69,858	54,393	63,623
Shareholders' equity			
Ordinary shares	18,363	18,363	18,363
Treasury shares	(594)	(594)	(594)
Share premium account	22	22	22
Translation reserves	1,295	(3,391)	(932)
Retained earnings	31,412	26,112	28,291
Total shareholders' equity	50,498	40,512	45,150
Minority interests	19,360	13,881	18,473
Total equity	69,858	54,393	63,623

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Interim Results for 6 Months ended 30 June 2008

GROUP CASH FLOW STATEMENT

Amount in £'000	6 months Ended 30.06.08 (Unaudited)	6 months ended 30.06.07 (Unaudited)	12 months ended 31.12.07
Cash flows from operating activities			
Profit for the period/year	4,969	4,418	8,202
Adjustments for:			
Share of post-tax results of jointly controlled entities	(2,638)	(1,993)	(4,012)
Taxation	494	338	619
Amortisation and depreciation	2,344	1,307	3,229
Impairment	464	-	-
Loss/(gain) on disposal of property, plant and equipment	62	3	(26)
Loss on disposal of subsidiary undertakings	-	-	17
Share-based payments	200	70	200
Investment income	(266)	(50)	(364)
Finance costs	1,225	301	1,243
(Increase)/decrease in inventories	(228)	53	386
(Increase)/decrease in trade and other receivables	(6,857)	(4,880)	2,319
Increase in trade and other payables	3,751	2,245	604
Cash generated from operations	3,520	1,812	12,417
Finance costs	(1,225)	(301)	(1,243)
Taxation paid	(637)	(278)	(227)
Net cash generated from operating activities	1,658	1,233	10,947
Cash flows from investing activities			
Investment income	266	50	364
Dividend received from jointly controlled entities	687	494	2,868
Payment for property, plant and equipment	(2,755)	(985)	(6,534)
Payment for other intangible assets	(452)	(1,769)	(2,455)
Payment for prepaid lease payments	-	-	(2,395)
Receipt from disposal of subsidiary undertakings	-	-	166
Payment for acquisition of subsidiary undertakings	-	-	(5,730)
Receipt from disposal of property, plant and equipment	12	-	110
Investments in jointly controlled entities	(1,197)	-	(73)
Repayment to jointly controlled entities	-	(28)	-
Purchase of club debentures	(46)	-	(31)
Loan to jointly controlled entities	(1,664)	-	(501)
Total cash flows used in investing activities	(5,149)	(2,238)	(14,211)
Cash flows from financing activities			
Loan from minority shareholders	864	159	245
Dividend paid to minority shareholders	(2,849)	-	(3,178)
Capital contribution from minority shareholders	856	828	1,333
(Decrease)/increase in bank loans	(885)	10,144	23,460
Total cash flows (used in)/generated from financing activities	(2,014)	11,131	21,860
Net (decrease)/increase in cash and cash equivalents	(5,505)	10,126	18,596
Cash and cash equivalents at beginning of the period/year	27,263	8,202	8,202
Effect of foreign exchange rate changes	1,579	16	465
Cash and cash equivalents at end of the period/year	23,337	18,344	27,263

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GROUP STATEMENT OF CHANGES IN EQUITY

Amount in £'000	Ordinary Shares	Treasury Shares	Share Premium Account	Translation Reserves	Retained Earnings	Total Shareholders' Equity	Minority Interests	Total Equity
Balance as at 1 January 2007	18,363	(795)	22	(2,717)	23,805	38,678	11,288	49,966
Movement in treasury shares	-	201	-	-	(201)	-	-	-
Capital contribution by minority shareholders of a subsidiary	-	-	-	-	-	-	828	828
Currency translation differences	-	-	-	(674)	-	(674)	(221)	(895)
Profit for the period	-	-	-	-	2,438	2,438	1,980	4,418
Share-based payments	-	-	-	-	70	70	-	70
Dividend paid	-	-	-	-	-	-	6	6
Balance as at 30 June 2007	18,363	(594)	22	(3,391)	26,112	40,512	13,881	54,393
Balance as at 1 January 2008	18,363	(594)	22	(932)	28,291	45,150	18,473	63,623
Capital contribution by minority shareholders of a subsidiary	-	-	-	-	-	-	856	856
Currency translation differences	-	-	-	2,227	-	2,227	832	3,059
Profit for the period	-	-	-	-	2,921	2,921	2,048	4,969
Share-based payments	-	-	-	-	200	200	-	200
Dividend paid	-	-	-	-	-	-	(2,849)	(2,849)
Balance as at 30 June 2008	18,363	(594)	22	1,295	31,412	50,498	19,360	69,858

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Interim Results for 6 Months ended 30 June 2008

NOTES

1. Basis of preparation and accounting policies

The interim financial statements for the six months to 30 June 2008 have been prepared on the basis of the accounting policies set out in the Company's financial statements for the year ended 31 December 2007. These accounting policies are drawn up in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. These interim financial statements have been prepared in accordance with IAS 34 'Interim financial reporting'.

The financial information for the six months ended 30 June 2008 and 30 June 2007 was neither audited nor reviewed by the auditors. The full year figures for 2007 do not constitute statutory accounts for the purposes of section 240 of the Companies Act 1985. A copy of the statutory accounts for the year to 31 December 2007 has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain statements under section 237 (2) or (3) of the Companies Act 1985.

2. Segmental Analysis

(a) Business segments

Amount in £'000	Natural Gas		Single point mooring facility		Aviation	
	2008 (Unaudited)	2007 (Unaudited)	2008 (Unaudited)	2007 (Unaudited)	2008 (Unaudited)	2007 (Unaudited)
Revenue including share of jointly controlled entities	19,560	10,368	5,157	6,036	95,720	64,171
Share of revenue of jointly controlled entities	(1,755)	(1,923)	-	-	(95,720)	(64,171)
Group revenue	17,805	8,445	5,157	6,036	-	-
Profit from operations (including share of results of jointly controlled entities)	2,308	742	2,151	3,173	2,093	1,572
Finance costs						
Investment income						
Profit before taxation						
Taxation						
Profit for the period						
Attributable to						
Equity shareholders						
Minority interests						
Net assets: by class of business	30.06.08 (Unaudited)	31.12.07	30.06.08 (Unaudited)	31.12.07	30.06.08 (Unaudited)	31.12.07
Assets						
Segment assets	63,711	55,372	18,920	15,152	18,871	17,054
Unallocated assets						
Consolidated total assets						
Liabilities						
Segment liabilities	(14,698)	(13,700)	(6,139)	(487)	(375)	(356)
Unallocated liabilities						
Consolidated total liabilities						

2. Segmental Analysis (continued)

Amount in £'000	Oil trading & storage*		Central administration		Group	
	2008 (Unaudited)	2007 (Unaudited)	2008 (Unaudited)	2007 (Unaudited)	2008 (Unaudited)	2007 (Unaudited)
Revenue including share of jointly controlled entities	24,654	34,440	-	-	145,091	115,015
Share of revenue of jointly controlled entities	(4,037)	(2,932)	-	-	(101,512)	(69,026)
Group revenue	20,617	31,508	-	-	43,579	45,989
Profit from operations (including share of results of jointly controlled entities)	398	(95)	(528)	(385)	6,422	5,007
Finance costs					(1,225)	(301)
Investment income					266	50
Profit before taxation					5,463	4,756
Taxation					(494)	(338)
Profit for the period					4,969	4,418
Attributable to						
Equity shareholders					2,921	2,438
Minority interests					2,048	1,980
Net assets: by class of business	30.06.08 (Unaudited)	31.12.07	30.06.08 (Unaudited)	31.12.07	30.06.08 (Unaudited)	31.12.07
Assets						
Segment assets	22,844	24,939	118	219	124,464	112,736
Unallocated assets					1,550	1,561
Consolidated total assets					126,014	114,297
Liabilities						
Segment liabilities	(5,846)	(6,657)	(128)	(98)	(27,186)	(21,298)
Unallocated liabilities					(28,970)	(29,376)
Consolidated total liabilities					(56,156)	(50,674)
					69,858	63,623

* Includes overheads in Hong Kong/PRC offices.

b) Geographical operations

With the exception of operating loss of £480,000 (2007: £343,000) in respect of central administration in the United Kingdom, all of the Group's activities are carried out in the PRC and Hong Kong. The Directors are of the opinion that the PRC and Hong Kong form one geographic segment.

c) Analysis of group revenue

Amount in £'000	6 months ended 30.06.08 (Unaudited)	6 months ended 30.06.07 (Unaudited)
Sales of Goods	41,379	44,308
Income from construction contracts	1,360	986
Rental income	499	555
Others	341	140
	43,579	45,989

3. Dividends were not paid in any of the periods reported upon and no dividend is proposed.

4. 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:

	30.06.08 No. '000	30.06.08 pence	30.06.07 No. '000	30.06.07 pence	31.12.07 No. '000	31.12.07 pence
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)		
Basic	1,777,248	0.16	1,776,967	0.14	1,777,015	0.25
Share option adjustment	7,106	-	8,000	-	4,538	-
Diluted	1,784,354	0.16	1,784,967	0.14	1,781,553	0.25

5. Post balance sheet events:

- a) Share placement to Kerry Holdings Limited

The Company issued 91.8 million new ordinary shares to a wholly owned subsidiary of Kerry Holdings Limited for a consideration of £9.852 million. Kerry Holdings will be a strategic investor and intends to leverage their significant experience in developing businesses in China. Kerry Holdings now holds approximately 4.74% of the Company's fully diluted share capital.

- b) Xinyang City Gas: Newly Acquired Business

In July 2008, Fortune Oil completed its acquisition of the city gas company in Xinyang ("Xinyang"), which is the largest city gas business to date in the Fortune Oil Group. The total assets in Xinyang were RMB 222 million (£15.3 million) at 31 December 2007, and consist of a 106 km spur pipeline, which is connected to the West East Gas Pipeline operated by PetroChina, and a city gas network of 138 km. Fortune Oil has agreed to pay the seller, which is the city government, a total of RMB 26 million (£1.8 million) for 100% of the shares in the city gas company and its distribution rights for 30 years.

No disclosure of relevant fair values has been made, as it has not been practical to calculate fair values in the time between the acquisition and the authorisation of this report.

- c) Tianjin Tianhui joint venture to construct high capacity pipeline

Government approval has been granted for Tianjin Tianhui ("TTH"), an associate company, to construct a high capacity gas pipeline in Tianjin. Fortune Oil effectively owns 40% of TTH.

The pipeline will have a maximum capacity of 1.5 billion cubic metres per year and will be 26 km in length. Though limited gas may be supplied to end-users in the first few years, the pipeline should supply up to 400 million cubic metres per year by the end of 2012, mainly to steel and glass factories.

The cost of the pipeline is expected to be approximately RMB 70 million (£5.1 million), to be financed by a combination of local bank loans and internally generated funds.

6. At the 2007 Annual General Meeting a resolution was passed to amend the Company's Articles of Association to take advantage of the provisions in the Companies Act 2006 in relation to electronic communications. The provisions enable website publication of information for shareholders. Documents such as Interim Reports, Notices of general meetings and the Annual Report and Accounts, will be supplied via the Company's website (www.fortune-oil.com) to shareholders who have not requested a hard copy of these documents. The documents are available in Adobe Acrobat Portable Document Format (PDF).

The use of website publication enables faster receipt of documents, reduces the Company's printing, paper and postage costs and has a positive impact on the environment.