

24 APRIL 2008



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

Preliminary Results for Year Ended 31 December 2007
And Interim Management Statement for First Quarter 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

- Revenues increased by 25 per cent to £220 million (2006: £176 million).
- Operating profit before exceptionals rose 23 per cent to £9.7 million (2006: £7.9 million).
- Net profit after tax and before exceptionals gained 27 percent to £4.5 million (2006: £3.5 million).
- Gas distribution operating profit increased by 122 per cent to £2.7 million.
- Earnings per share up 4 per cent at 0.25 pence (2006: 0.24 pence).

OPERATIONAL HIGHLIGHTS

- Gas sales more than doubled in 2007 to 252 million cubic metres.
- Full year sales of jet fuel by Bluesky increased by 12 per cent over 2006.
- Maoming SPM throughput decreased 14 per cent from 2006 although the number of tankers handled remained the same.
- Continued strategic investment in the recovery and utilisation of coal seam gas.

CURRENT TRADING & OUTLOOK

- Trading in Q1 2008 is in line with expectations.
- Sales of gas increased by 43 per cent in Q1 2008 compared to Q1 2007.
- Construction of a second LNG production plant commenced at Puyang.
- Fortune Oil’s share of the Liulin CBM resource was independently valued at US\$185 million (£93 million) in April 2008.
- Fortune Oil is well placed to continue scaling up a fully integrated gas business.

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

“In 2007 Fortune Oil made major strides in establishing a regional integrated gas business, becoming the first foreign company to produce and distribute both liquefied and compressed natural gas in China. We have now established a major presence across the gas chain, where there is significant upside potential for our shareholders, particularly in our LNG and coal bed methane operations. The Company’s focus for 2008 is to strengthen its position in the China gas industry while still seeking new opportunities in the oil sector.”

ENQUIRIES:

Fortune Oil PLC

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CHAIRMAN'S STATEMENT

Introduction

This year of the Beijing Olympics is a watershed for China and provides an opportunity for the nation to demonstrate the remarkable progress it has made in the 21st century. China now has the fourth largest GDP in the world, the second largest GDP if measured by purchasing power parity. While Western governments are implementing desperate measures to stop a credit crisis and stalling growth, China has been trying to cut credit and excessive growth. Record high oil prices have not slowed this growth, which was the highest ever in 2007, but energy sustainability and the development of clean fuels are now at the forefront of China's economic policy.

In 2007 Fortune Oil made major strides in establishing a regional integrated gas business, becoming the first foreign company to produce and distribute both liquefied natural gas (LNG) and compressed natural gas (CNG) in China. We have now established a major presence across the gas chain, particularly in Shanxi Province which has the largest resource of coal seam gas in China but an undeveloped gas market. Whilst the oil sector business still accounts for 70 per cent of the Company's profit there remains significant upside potential for our shareholders in the gas business, particularly in our LNG and coal bed methane (CBM) operations.

Results

In 2007 the Group's operating profit before exceptionals increased by 23 per cent to £9.7 million as revenues (including the Group's share of jointly controlled entities) gained 25 per cent to £220 million. In 2007 Fortune Oil's profit attributable to equity shareholders rose by 4 per cent to £4.5 million. However the underlying net profit (excluding exceptionals and after minority interests) increased by 27 per cent in 2007, as the 2006 results included significant exceptional gains. Earnings per share in 2007 were 0.25 pence, compared with 0.24 pence in 2006.

The largest profit growth in 2007 was in the gas distribution business, whose operating profit contribution increased by 122 per cent to £2.7 million. This was due both to acquisitions and to increased volume sales in existing operations. The volume sales of gas by all our operations more than doubled in 2007 to 252 million cubic metres (m³). We expect significant volume and profit growth again in 2008, as the gas business becomes the Company's engine of growth.

As expected, Bluesky's volume sales of jet fuel rose again by 12 per cent in 2007 while Fortune Oil's share of net profit rose by 42 per cent to £3.3 million, helped by the introduction of the price compensation scheme in 2006. However throughput at the Maoming SPM declined by 14 per cent and our share of net profit fell to £1.8 million, due to a combination of the rising cost of crude oil and domestic price controls. The domestic oil sector is still dominated by the state oil companies and is difficult for any new private or foreign investors despite the enormous demand for petroleum fuels. The Company has a unique diverse portfolio of oil sector operations in China and they all continue to generate profit. We expect the oil sector to gradually liberalise under domestic pressures and we remain ready to take advantage of opportunities as they arise.

Management

In March 2008 the Group welcomed Mr. Timothy Shen as Chief Financial Officer and promoted Mr. Paul Kwong to Financial Controller with particular responsibility for the

gas operations. In April 2008 we also appointed Mr. Xian Baoan as our new CBM Operations Manager and he brings significant horizontal drilling experience from PetroChina. Our Non-Executive Director Mr. Li Anxi will retire at the forthcoming Annual General Meeting and we thank him for his support over the past three years.

Our acquisition in 2007 of Henan Fortune Green Energy brought to the Group a unique expertise in LNG technology as well as LNG production, originally developed within the Sinopec Group. Fortune Oil is becoming a major operator in the China gas sector, an industry which is young but whose standards are rapidly reaching those of any Western nation. By the end of 2007 the number of staff in the Fortune Oil Group (including all joint ventures) had increased by 50 per cent to 2,145. We are now creating a strong professional capability as a basis for our future growth.

Current Trading

Since the end of 2007 trading across the Group has been in line with expectations. Volume throughputs have continued to grow in all the Group's operating companies, with the exception of the Maoming SPM, where throughput decreased in Q1 2008 in comparison to Q1 2007, due to the continuing high price of crude oil. Operations were unaffected by the severe snow storms that occurred in China in January and February 2008 and there were no reported Lost Time Injuries in any of the Group's operations in the first quarter of 2008.

Gas sales in the first quarter of 2008 increased by 43 per cent to 81 million cubic metres (Q1 2007: 57 million cubic metres), with higher sales in most of the distribution companies. Jet fuel sales by Bluesky increased by 16 per cent in Q1 2008 to 430,000 tonnes (Q1 2007: 370,000 tonnes). Throughput and storage at the West Zhuhai Products Terminal increased by 16 per cent to 0.59 million tonnes (Q1 2007: 0.51 million tonnes), in part due to higher third party utilisation.

Henan Fortune Green Energy Development Company has commenced construction of a second LNG production plant at Puyang which should significantly increase LNG sales in 2009. It has also agreed to acquire a 20 per cent interest in a joint venture to assemble skid-mounted LNG production plants for gas recovery and sales at small gas fields. Fortune Oil expects significant demand for these transportable units both inside and outside China, particularly for liquefying gas from CBM or coal mine degassing operations; this LNG can then be easily transported at a cost far lower than the construction of a pipeline.

Future Developments

The Company's focus for 2008 is to strengthen its position in the China gas industry while still seeking new opportunities in the oil sector. In 2007 we made two strategic investments for wholesaling and retailing gas in Shanxi Province and Henan Province, and in April 2008 we acquired 100 per cent of the gas company in Xinyang, our largest city gas company to date. Given their current stage of growth, we envisage that these three acquisitions will have a marked impact on the Company's profit from 2009.

We continue to make steps towards the production and sales of CBM at Liulin. We look forward to being able to integrate these sales and those of other CBM producers into our wholesale and retail operations. For both producers and end-users the price of gas rose significantly in 2007, and we expect further increases towards international levels in the coming years. The Board has debated how to position the Company so as to maximise our margin as the price rises across the gas chain, and

we conclude that our strategy of integrated gas is the best for our shareholders. I look forward to reporting to you our progress on this in the coming years.

CHIEF EXECUTIVE'S REVIEW

Overview

Over the past year we have established critical mass in our gas business with investments across the gas chain funded by a US\$50 million (£25 million) syndicated loan. We are now a major producer and wholesaler of LNG and CNG in north and central China and we are building up our retail customer base as both gas demand and gas price increase. We continue our CBM exploration work at the high-quality Liulin CBM block and we are being a first mover in the recovery and proper utilisation of coal seam gas in Shanxi Province, which is a major environmental and energy challenge for China.

China Energy Demand

In 2007 China's GDP, exports, foreign direct investment and foreign exchange reserves all grew to record levels. Indeed growth was so fast that the PRC government has been discouraging domestic lending so as to force a slow-down. Despite the unprecedented growth in energy demand, the associated supply and pricing tensions can result in reduced or even negative margins for certain energy sectors such as oil refining and power generation. Fortune Oil has been careful to avoid investments in such sectors where operators have little pricing control, instead diversifying across the oil and gas industry into sectors where more control is possible over margins. Even so we have been impacted by government price controls in the oil sector, such as the reduced throughput in the Maoming SPM in 2007. Our particular focus is now in the high-growth, higher-margin gas sector. Gas is regarded as the premium clean fuel in China and prices are rising across the gas chain towards international levels, both because of planned imports and the need to encourage investment in recovering domestic gas resources.

Oil Sector Operations

In 2007 volume sales at the **Bluesky** aviation refuelling joint venture (South China Bluesky Aviation Oil Company) grew 12 per cent to 1.6 million tonnes. Bluesky's net profit increased by 42 per cent to £13.3 million (of which Fortune Oil share was £3.3 million). This profit increase was due both to the volume growth and the price compensation mechanism introduced by the NDRC in mid-2006 to ensure pass-through of international jet fuel prices to end-users. Bluesky continues to invest in new infrastructure, particularly at Guangzhou Baiyun International Airport where the new FedEx Asia hub will open later in 2008. The aviation sector continues to boom and Fortune Oil is one of the few private sector participants in China's aviation refuelling business.

Throughput at the **Maoming SPM** (MKM subsidiary) declined to 9.3 million tonnes from the record 10.8 million tonnes in 2006. This caused net profit before exceptionals to fall 20 per cent to £4.5 million, of which Fortune Oil share was £1.8 million (the 2006 net profit of £6.7 million included significant exceptional items). The throughput decline is due to a combination of high crude oil prices and government pricing controls: the Sinopec Maoming refinery currently makes a loss for every tonne of processed oil. The Maoming SPM continues to be a unique asset: it is the only foreign-controlled crude oil facility and the only offshore oil import system in China and it has safely and reliably supplied the largest refinery in southern China for 13 years.

Throughput for the **West Zhuhai Oil Products Terminal** joint venture was up 13 per cent in 2007 to 2.1 million tonnes. However net profit for the joint venture was down 30 per cent to £1.4 million (of which Fortune Oil share was £0.5 million) because of a higher tax rate, a safety maintenance programme and a higher allocation of dredging costs. In 2007 the terminal gained its first third party customers besides PetroChina, including Vitol who signed a contract in late 2007 to store bonded products, worth £0.5 million every 6 months in revenue to the terminal. Our independent **Trading** business expanded in 2007 with the import and export of non-regulated oil products and petrochemicals on a low-risk agency or back-to-back basis, and made an earnings contribution of £0.4 million.

Gas Distribution

In 2007 Fortune Oil's retail and wholesale gas operations sold 252 million cubic metres (m³) of gas, a 106 per cent increase over 2006. This gas distribution business generated an operating profit contribution to the Company of £2.7 million, a 122 per cent increase over 2006. Our gas distribution operations now take the form of:

- Wholesale Compressed Natural Gas (CNG): we control one of the largest CNG stations around Beijing, which purchases gas from a trunk pipeline and sells it as compressed gas to nearby customers via truck (we own 55 CNG trailers);
- Wholesale Liquefied Natural Gas (LNG): we control the first LNG production plant in China, which purchases gas from the adjacent Sinopec gas field and sells it in liquefied form via specialized trucks;
- Gas Pipelines: we control four spur pipelines;
- Retail CNG: we operate 13 retail stations selling CNG to vehicles (primarily buses and taxis); and
- City Gas Retail: we now control the gas distribution company in six cities with 113,000 connected users. There are substantial prospects for growth in supply to industrial, commercial and household users. The most recent acquisition, in April 2008, was the city gas company in Xinyang, which brought our total pipeline network to 825 km.

Our focus is north and central China, covering the provincial level areas of Beijing, Tianjin, Henan Province, Hebei Province, Shandong Province and Shanxi Province. Currently there is already partial integration of the operations across the gas chain, for example supplying our wholesale CNG and LNG to our retail city gas companies. Significant further value across the gas chain can be captured from the creation of a truly integrated upstream-wholesale-retail gas business with further acquisitions and new build.

Coal Bed Methane Upside

Exploration for coal bed methane (CBM) continues at the Liulin block in Shanxi Province, where Fortune Oil has at least a 30 per cent right in the production sharing contract (PSC). A subsidiary, Fortune Liulin Gas Company, has now drilled data wells, has three pilot production wells in dewatering and is planning further drilling in 2008 with the aim of reserves certification and application for commercial sales of gas in the coming year. In March 2008 the independent petroleum consultants Netherland, Sewell & Associates, Inc. estimated this 30 per cent share of the Liulin CBM block to have an unrisks present value of US\$185 million (£93 million), being the value sum of possible reserves and best estimates for unrisks contingent and prospective gas resources. The Liulin exploration PSC was extended for a further two years from April 2008, still subject to formal Ministry of Commerce approval.

Fortune Oil is also in discussion with coal mine companies at Liulin to assist in the extraction and utilisation of coal seam gas prior to mining. This should expedite the sales of gas as this “degassing” of coal mines does not require government approvals. Shanxi Province has one of the world’s largest untapped resources of coal seam gas and an undeveloped local gas market: in this province we are the only private or foreign distributor of CBM and natural gas as well as drilling for coal seam gas.

Post Balance Sheet Acquisition

On 31 March 2008 the Company announced the acquisition of the city gas company in Xinyang in Henan Province, the largest city gas company acquired to date. Fortune Oil will buy 100 per cent of the gas company and 30 year distribution rights from the municipal government for £1.8 million and assume a bank debt of £14.1 million, a slight premium to net assets of £15.3 million. This will be funded from existing cash balances drawn on the syndicated loan.

Strategy

Fortune Oil has invested in and managed oil and gas facilities in China for nearly 15 years. We have a track record of reliable and safe operation, rising profit for our shareholders and bringing clean energy and higher standards to local communities. We have a unique portfolio of oil and gas assets, in long term partnership with the largest industry players. We will continue to develop opportunities in the China oil sector as it opens further to private sector participation, in particular exploiting our unique position in oil products supply and terminals. In the gas sector we aim to become a leading integrated producer, wholesaler and retailer of gas in north and central China, targetting annual gas sales of 1 billion cubic metres within 5 years.

FINANCIAL REVIEW

Revenue and Expenditure

Revenues including the Group's share of jointly controlled entities increased by 25 per cent to £220 million (RMB 3,345 million, US\$441 million) in 2007 from £176 million (RMB 2,585 million, US\$324 million) in 2006. Group revenue excluding jointly controlled entities increased substantially in 2007 to £72.7 million from £43.3 million in 2006 due to a substantial pickup in natural gas sales and trading activities.

The profit attributable to equity shareholders was £4.5 million (US\$9.0 million), an increase of 4 per cent over 2006 (£4.3 million, US\$7.9 million). As there was an exceptional item of £0.8 million (after tax and minority interests) for 2006, the underlying increase in the profit attributable to equity shareholders was 27 per cent. Earnings per share were 0.25 pence compared with 0.24 pence in 2006.

Administrative expenses increased by 16 per cent to £5.2 million in 2007. The increase over 2006 was principally due to higher staff numbers, social security costs, rental costs and professional advisory costs such as for the syndicated loan and an enhanced investor relations programme.

Capital expenditure and acquisitions totalled £13.1 million (2006: £8.1 million). This comprised £6.5 million in capex and £6.6 million in acquisitions. During the year, the Group acquired 50 per cent and 51 per cent respectively of the issued share capital of China United Shanxi CBM Company Limited and Henan Fortune Green Energy Development Company Limited. The Group had a net borrowing position of £5.9 million (US\$11.8 million) as at 31 December 2007, compared to a net borrowing position of £0.8 million (US\$1.5 million) in the previous year. The change was mainly due to acquisitions in 2007 being financed by a syndicated loan of US\$50.0 million (£25.2 million) drawn in 2007 with a 3 year maturity.

Net assets of the Group in 2007 increased to £63.6 million (US\$126 million) from £50.0 million (US\$98 million) in 2006 as a result of the increase in retained earnings, foreign currency translation differences on consolidation and the minority's share of acquisitions during the year, partially offset by dividend payments.

Financial Costs and Tax

Finance expenses for the Group were £1.2 million in 2007, compared to £0.5 million in 2006, again because of the syndicated loan drawdown. Loans to the Group at end 2007 totalled £33.2 million compared to outstanding loans of £9.0 million at the end of 2006. This included a £3.2 million loan outstanding to First Level Holdings Limited, the largest shareholder in the Company, the same loan size as at the end of 2006. The repayment to First Level Holdings was halted due to the issuance of the syndicated loan during the year. The net gearing ratio (after deduction of cash) was 9.3 per cent as at 31 December 2007 (2006: 1.6 per cent).

The Group's tax charge in 2007 was £0.6 million (2006: £0.6 million) representing an effective tax rate of 7 per cent, the same as in 2006.

From January 2008 the corporate tax rate has been unified for both domestic and foreign companies at 25 per cent, being previously 15 per cent for foreign enterprises and 33 per cent for domestic corporations. The overall impact should be neutral for Fortune Oil in the medium term as most of the existing tax privileges will be retained

for 5 years. Companies engaged in certain industries will enjoy preferential rates and tax concessions have already been announced for coal bed methane developments.

Foreign Exchange

The revenues and expenses of the Group are primarily denominated in China's renminbi (RMB). Some expenses are denominated in pound sterling (£) and in Hong Kong dollar (HK\$), which is pegged to the US dollar (US\$). On average from 2006 to 2007, the RMB appreciated against the US\$ again by 4.8 per cent but the pound sterling appreciated 8.7 per cent against the US\$, hence there was a net 3.5 per cent appreciation of the pound sterling against the RMB. This currency movement has had the effect of understating our performance improvements as measured in pound sterling.

The Company has not hedged currency risk and any further revaluation of the RMB or change in US\$/£ exchange rate in 2008 is likely to affect the Group's results as denominated in pound sterling. As the RMB is expected to strengthen further against the US\$ in 2008, it may also appreciate against the pound sterling.

The Group requires both RMB for operating expenses in China and foreign exchange for equity investments in new joint ventures. Prior to drawing of the syndicated loan the major element of the Group's foreign exchange needs came from dividend payments by the Maoming SPM and Bluesky joint ventures, which have usually paid out the full net profit as dividend.

Capital Structure

Most of the Group's investments and expenses take place in the PRC and are held through Fortune Oil PRC Holdings Limited, a 100 per cent-owned subsidiary of the Company in Hong Kong. To facilitate inter-company restructuring most of the investments in China are held through subsidiary Hong Kong registered companies. The Company's UK operations consist only of local representation as a direct expense to the Company.

Dividend Policy

As the Group has entered a stage of high growth with a good flow of acquisition opportunities, the policy of reinvesting profits rather than declaring dividends has remained in place.

FORTUNE OIL PLC

Announcement of Preliminary Results for Year Ended 31 December 2007

Group Income Statement for the Year Ended 31 December 2007 Unaudited

Amount in £'000	Note	2007	2006
Revenue including share of jointly controlled entities	2	219,887	175,771
Share of revenue of jointly controlled entities	2	(147,199)	(132,500)
Group revenue		72,688	43,271
Cost of sales		(61,831)	(33,912)
Gross profit		10,857	9,359
Exceptional gains	3	-	2,551
Exceptional charges	3	-	(834)
Administrative expenses		(5,169)	(4,444)
Share of results of jointly controlled entities		4,012	2,942
Profit from operations	2	9,700	9,574
Finance costs		(1,243)	(471)
Investment income		364	168
Profit before taxation		8,821	9,271
Taxation	4	(619)	(617)
Profit for the year		8,202	8,654
Attributable to			
Equity shareholders		4,487	4,307
Minority interests		3,715	4,347
		8,202	8,654
Earnings per share	6		
Basic		0.25p	0.24p
Diluted		0.25p	0.24p

FORTUNE OIL PLC

Announcement of Preliminary Results for Year Ended 31 December 2007

**Group Balance Sheet as at 31 December 2007
Unaudited**

Amount in £'000	Note	2007	2006
Assets			
Non-current assets			
Property, plant and equipment	7	43,283	24,539
Investment properties		1,561	1,577
Goodwill		2,100	943
Other intangible assets		3,810	223
Prepaid lease payment		3,263	716
Investments in jointly controlled entities		22,593	21,083
Available for sale investments		470	-
Club debentures		131	101
		77,211	49,182
Current assets			
Inventories		1,064	1,070
Trade and other receivables		8,759	6,302
Cash and cash equivalents		27,263	8,202
		37,086	15,574
Total assets		114,297	64,756
Liabilities			
Current liabilities			
Borrowings		5,212	3,427
Trade and other payables		15,410	5,362
Current tax liabilities		549	170
		21,171	8,959
Non-current liabilities			
Borrowings		27,976	5,567
Deferred tax liabilities		1,527	264
		29,503	5,831
Total liabilities		50,674	14,790
Net assets		63,623	49,966
Shareholders' equity			
Ordinary shares		18,363	18,363
Treasury shares		(594)	(795)
Share premium account		22	22
Translation reserves		(932)	(2,717)
Retained earnings		28,291	23,805
Total shareholders' equity		45,150	38,678
Minority interests		18,473	11,288
Total equity		63,623	49,966

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Announcement of Preliminary Results for Year Ended 31 December 2007

Group Statement of Change in Equity for the Year Ended 31 December 2007 Unaudited

Amount in £'000	Ordinary Shares	Treasury shares	Share premium account	Translation reserve	Retained earnings	Total Shareholders' equity	Minority interests	Total equity
Balance at 1 January 2006	18,351	(760)	37,344	2,062	(17,985)	39,012	11,726	50,738
Issue of share capital	12	-	22	-	-	34	-	34
Movement in treasury shares	-	(35)	-	-	-	(35)	-	(35)
Currency translation differences	-	-	-	(4,779)	-	(4,779)	(1,520)	(6,299)
Capitalization of share premium account	-	-	(37,344)	-	37,344	-	-	-
Profit for the year	-	-	-	-	4,307	4,307	4,347	8,654
Share-based payments	-	-	-	-	139	139	-	139
Dividend paid	-	-	-	-	-	-	(3,265)	(3,265)
Balance at 31 December 2006	18,363	(795)	22	(2,717)	23,805	38,678	11,288	49,966
Movement in treasury shares	-	201	-	-	(201)	-	-	-
Currency translation differences Acquired on acquisition of subsidiaries	-	-	-	1,785	-	1,785	705	2,490
Capital contribution by minority shareholders of a subsidiary	-	-	-	-	-	-	1,333	1,333
Profit for the year	-	-	-	-	4,487	4,487	3,715	8,202
Share-based payments	-	-	-	-	200	200	-	200
Dividend paid	-	-	-	-	-	-	(3,178)	(3,178)
Balance at 31 December 2007	18,363	(594)	22	(932)	28,291	45,150	18,473	63,623

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Announcement of Preliminary Results for Year Ended 31 December 2007

Group Cash Flow Statement for the Year Ended 31 December 2007 Unaudited

Amount in £'000	2007	2006
Cash flows from operating activities		
Profit for the year	8,202	8,654
Adjustments for:		
Share of post-tax results of jointly controlled entities	(4,012)	(2,942)
Taxation	619	617
Amortisation and depreciation	3,229	2,508
Impairment	-	834
(Gain)/Loss on disposal of property, plant and equipment	(26)	35
Loss/(Gain) on disposal of subsidiary undertakings	17	(188)
Share based payment	200	139
Investment income	(364)	(168)
Finance costs	1,243	471
Decrease in inventory	386	842
Decrease/(Increase) in trade and other receivables	2,319	(706)
Increase/(Decrease) in trade and other payables	604	(3,428)
Cash generated from operations	12,417	6,668
Finance costs	(1,243)	(471)
Taxation paid	(227)	(665)
Net cash generated from operating activities	10,947	5,532

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Announcement of Preliminary Results for Year Ended 31 December 2007

Group Cash Flow Statement for the Year Ended 31 December 2007 (cont.) Unaudited

Amount in £'000	2007	2006
Cash flow from investing activities		
Investment income	364	168
Dividend received from a jointly controlled entities	2,868	2,463
Payments for property, plant and equipment	(6,534)	(4,708)
Payments for other intangible assets	(2,455)	(223)
Payments for prepaid lease payment	(2,395)	-
Receipt from disposal of subsidiary undertakings	166	305
Payment for acquisition of subsidiary undertakings (note 8)	(5,730)	-
Receipt from disposal of property, plant and equipment	110	66
Investment in jointly controlled entities	(73)	(3,072)
Purchase of club debenture	(31)	-
Loan to jointly controlled entities	(501)	(335)
Total cash flows used in investing activities	(14,211)	(5,336)
Cash flows from financing activities		
Proceeds from issue of share capital	-	34
Loan from minority shareholders	245	429
Repayment of loans to minority shareholders	-	(441)
Dividend paid to minority shareholders	(3,178)	(3,265)
Capital contribution from minority shareholders	1,333	-
Repayment of loans	-	(689)
Increase in bank loans	23,460	1,663
Total cash flows generated from/(used in) financing activities	21,860	(2,269)
Net increase/(decrease) in cash and cash equivalents	18,596	(2,073)
Cash and cash equivalents at beginning of the year	8,202	11,713
Effect of foreign exchange rate changes	465	(1,438)
Cash and cash equivalents at end of the year	27,263	8,202

FORTUNE OIL PLC

Notes to unaudited financial information in respect of year ended 31 December 2007

1. Basis of accounting

This preliminary announcement, which has been agreed with the auditors, was approved by the Board on 23 April 2008. The financial information set out in the announcement does not constitute the Company's statutory financial statements, as defined by Section 240 of the Companies Act 1985, for the years ended 31 December 2007 or 2006. The financial information for the year ended 31 December 2006 is derived from the statutory financial statements for that year which have been delivered to the Registrar of Companies. The auditors reported on those financial statements; their report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain a statement under s.237 (2) or (3) Companies Act 1985. The statutory financial statements for the year ended 31 December 2007 will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be delivered to the Registrar of Companies in due course. The statutory accounts for the year ended 31 December 2007 have not yet been approved, audited or filed.

Whilst the financial reporting included in this preliminary announcement has been computed in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The company expects to publish full financial statements that comply with IFRSs in due course.

The accounting policies applied are consistent with those adopted and disclosed in the Company's financial statements for the year ended 31 December 2006, with the exception of adopting IFRS 7 – Financial Instruments: Disclosures. This did not have any impact on the financial position of the Company.

2. Segmental analysis

a) Business segments

Amount in £'000	Single point mooring facility		Aviation		Natural gas		Oil trading & storage*	
	2007	2006	2007	2006	2007	2006	2007	2006
Revenue including share of jointly controlled entities	10,666	12,136	138,821	126,049	26,096	13,194	39,554	19,631
Share of revenue of jointly controlled entities	-	-	(138,821)	(126,049)	(2,156)	(724)	(1,472)	(966)
Group revenue	10,666	12,136	-	-	23,940	12,470	38,082	18,665
Exceptional gains	-	1,943	-	-	-	-	-	608
Exceptional charges	-	(424)	-	-	-	-	-	(410)
Profit from operations (including share of results of jointly controlled entities)	4,738	7,077	3,178	2,243	2,746	1,235	(283)	(331)
Finance costs								
Investment income								
Profit before taxation								
Taxation								
Profit for the year								
Attributable to								
Equity shareholders								
Minority interests								
Capital additions	1,332	2,488	30	-	5,158	2,144	13	76
Depreciation	1,653	1,443	4	-	1,304	772	117	238
Impairment	-	424	-	-	-	-	-	410
Net assets: by class of business								
Assets								
Segment assets	15,152	15,318	17,054	14,273	55,372	20,840	24,806	12,461
Unallocated assets								
Consolidated total assets								
Liabilities								
Segment liabilities	(487)	(860)	(356)	(13)	(13,700)	(4,827)	(6,653)	(5,110)
Unallocated liabilities								
Consolidated total liabilities								

Amount in £'000	Others* *		Central Administration		Group	
	2007	2006	2007	2006	2007	2006
Revenue including share of jointly controlled entities	4,750	4,761	-	-	219,887	175,771
Share of revenue of jointly controlled entities	(4,750)	(4,761)	-	-	(147,199)	(132,500)
Group revenue	-	-	-	-	72,688	43,271
Exceptional gains	-	-	-	-	-	2,551
Exceptional charges	-	-	-	-	-	(834)
Profit from operations (including share of results of jointly controlled entities)	140	93	(819)	(743)	9,700	9,574
Finance costs					(1,243)	(471)
Investment income					364	168
Profit before taxation					8,821	9,271
Taxation					(619)	(617)
Profit for the year					8,202	8,654
Attributable to						
Equity shareholders					4,487	4,307
Minority interests					3,715	4,347
Capital additions	-	-	1	-	6,534	4,708
Depreciation	-	1	1	1	3,079	2,455
Impairment	-	-	-	-	-	834
Net assets: by class of business						
Assets						
Segment assets	133	148	219	139	112,736	63,179
Unallocated assets					1,561	1,577
Consolidated total assets					114,297	64,756
Liabilities						
Segment liabilities	(4)	(2)	(98)	(117)	(21,298)	(10,929)
Unallocated assets					(29,376)	(3,861)
Consolidated liabilities					(50,674)	(14,790)
					63,623	49,966

b) Geographical operations

With the exception of operating loss of £732,000 (2006: £700,000) 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.

* Includes overheads in Hong Kong/PRC offices.

** Others include distribution unit.

c) Analysis of group revenue

Amount in £'000	2007	2006
Sales of goods	68,561	40,076
Income from construction contracts	2,526	2,210
Rental income	770	758
Others	831	227
	72,688	43,271

3. Exceptional gains and charges

Exceptional gains

Amount in £'000	2007	2006
Write back of accrual for staff welfare	-	1,943
Waiver of borrowings	-	410
Gain on disposal of subsidiaries	-	198
Total exceptional gains	-	2,551

Exceptional charges

Amount in £'000	2007	2006
Impairment of fixed assets	-	834
Total exceptional charges	-	834

4. Taxation

The taxation charge for the year is analysed below:

Amount in £'000	2007	2006
Current tax		
Group current tax		
UK tax	-	-
Foreign tax	601	651
Total current tax	601	651
Deferred tax		
Group deferred tax	18	(34)
Total deferred tax	18	(34)
Tax on profit on ordinary activities	619	617

The tax charge for the year differs from the standard rate of corporation tax and is explained below.

Amount in £'000	2007	2006
Profit on ordinary activities before taxation	8,821	9,271
Theoretical tax at PRC corporation tax rate 33%	2,911	3,059
Effects of:		
- Share of results of joint controlled entities	(1,334)	(970)
- nil or lower tax in PRC	(1,980)	(1,768)
- tax losses not recognized	330	536
- utilization of tax losses credit not previously recognized	(19)	(204)
- other expenditure that is not tax deductible	733	164
- income not taxable	(22)	(200)
Total tax	619	617

The above reconciliation uses a 33% standard rate of tax, being the standard rate of tax payable for 2006 and 2007 in the PRC, where the majority of the Group's activities take place.

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

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

6. Earnings per share

Earnings per share have been calculated on the earnings activities after taxation and minority interest of £4,487,000. (2006: £4,307,000)

	2007 No. '000	2007 pence	2006 No. '000	2006 pence
Basic	1,777,015	0.25	1,775,985	0.24
Share option adjustment	4,538	-	6,281	-
Diluted	1,781,553	0.25	1,782,266	0.24

7. Property, plant and equipment

Amount in £'000	Assets in the course of construction	Motor vehicles, fixtures & fittings	Single point mooring buoy	Short Leasehold property & improvements	LPG tanks & facilities	Pipelines	Total
Cost							
At 1 January 2006	1,285	4,063	18,448	2,765	3,050	11,678	41,289
Exchange differences	(141)	(400)	(2,257)	(265)	(269)	(1,081)	(4,413)
Additions	436	595	2,367	11	6	1,293	4,708
Disposal of subsidiaries	-	(25)	-	-	(420)	(775)	(1,220)
Disposals	(30)	(36)	(62)	(78)	(85)	-	(291)
Reclassification	(1,103)	175	637	116	-	175	-
At 31 December 2006	447	4,372	19,133	2,549	2,282	11,290	40,073
Exchange differences	80	313	937	333	113	912	2,688
Acquisition of business assets	926	708	-	2,183	-	9,622	13,439
Additions	3,396	1,215	1,284	451	4	184	6,534
Disposal of subsidiaries	-	(19)	-	(141)	(122)	-	(282)
Other disposals	-	(330)	-	-	-	(89)	(419)
Reclassification	(3,920)	2	-	150	-	3,768	-
At 31 December 2007	929	6,261	21,354	5,525	2,277	25,687	62,033
Depreciation							
At 31 December 2006	-	1,658	9,102	806	2,247	729	14,542
Exchange differences	-	(176)	(1,223)	(80)	(208)	(86)	(1,773)
Charge for the year	-	321	1,386	146	105	497	2,455
Disposal of subsidiaries	-	(16)	-	(41)	(172)	(105)	(334)
Other disposals	-	(27)	-	(10)	(153)	-	(190)
Impairment	-	60	424	-	350	-	834
At 31 December 2006	-	1,820	9,689	821	2,169	1,035	15,534
Exchange differences	-	91	208	60	107	93	559
Charge for the year	-	432	1,588	238	13	808	3,079
Disposal of subsidiaries	-	(12)	-	(30)	(43)	-	(85)
Other disposals	-	(306)	-	-	-	(31)	(337)
At 31 December 2007	-	2,025	11,485	1,089	2,246	1,905	18,750
Net book value							
At 31 December 2007	929	4,236	9,869	4,436	31	23,782	43,283
At 31 December 2006	447	2,552	9,444	1,728	113	10,255	24,539

8. Acquisition of subsidiaries

	China United Shanxi CBM Company Limited			Fortune Green Energy (Henan) Company Limited			
	Acquiree's carrying amount before combination	Fair value adjustment	Fair value	Acquiree's carrying amount before combination	Fair value adjustment	Fair value	Total Fair value
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net assets acquired:							
Bank and cash balances	12	-	12	921	-	921	933
Trade and other receivables	2,538	-	2,538	1,933	-	1,933	4,471
Inventories	4	-	4	332	-	332	336
Prepaid lease payment	-	-	-	238	-	238	238
Plant and equipment	120	-	120	7,629	4,729	12,358	12,478
Construction in progress	218	-	218	770	(7)	763	981
Intangible assets	-	-	-	-	1,221	1,221	1,221
Investments	-	-	-	736	160	896	896
Trade and other payables	(268)	-	(268)	(9,260)	-	(9,260)	(9,528)
Deferred tax	-	-	-	-	(1,247)	(1,247)	(1,247)
Tax liabilities	(1)	-	(1)	12	-	12	11
	2,623	-	2,623	3,311	4,856	8,167	10,790
Equity holding		50%	1,311		51%	4,165	5,476
Goodwill							1,139
Consideration							6,615
Total consideration satisfied by:							
Cash	1,690			4,925			6,615
Net cash outflow arising on acquisition							
Cash consideration paid							(6,615)
Bank balance and cash acquired							933
							(5,682)

China United Shanxi CBM Company Limited and Fortune Green Energy (Henan) Company Limited contributed -£4,000 and £580,000 to the Group's profit for the period between the date of acquisition and the balance sheet date respectively.

If the acquisitions had been completed on 1 January 2007, the total Group revenue for the year would have been £75.2 million, and Group profit for the year would have been £8.3 million. The proforma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 January 2007, nor is it intended to be a projection of future results.

During the year, the Group also acquired 7% of an existing subsidiary for consideration of £48,000.

9. Post balance sheet event

Acquisition of Xinyang City Gas

On 31 March 2008 the Group agreed to pay the Xinyang city government RMB 26 million (£1.8 million) for 100 per cent of the shares in the city gas company and its distribution rights for 30 years in all the residential zones and most industrial zones, together with outstanding bank debt of RMB 204 million (£14.1 million). The Group expects to repay a major part of these bank loans in 2008 in order to optimise the gearing ratio, using funds from existing cash balances.

The gas company will be renamed as Xinyang Fortune Gas Company Limited and will be 100 per cent owned by Fortune Gas Investment Company Limited, a 100 per cent subsidiary of the Company. The acquisition will be effective following registration with the local government bureaus. The details of the transaction were set out in an announcement by the Company dated 31 March 2008.

- 10.** Copies of this report are available from the Group's Registered Office at 6/F, Belgrave House, 76 Buckingham Palace Road, London SW1W 9TQ.