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PETROCHINA CO LTD
Form 6-K
August 29, 2008

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934

For the month of August 2008

PETROCHINA COMPANY LIMITED

16 ANDELU, DONGCHENG DISTRICT
BEIJING, THE PEOPLE'S REPUBLIC OF CHINA, 100011
(Address of Principal Executive Offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F Form 40-F

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes No

(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-_____)

PetroChina Company Limited (the "Registrant") is furnishing under the cover of Form 6-K the Registrant's announcement of the interim results for the six months ended June 30, 2008.

This announcement contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- the Registrant's plan to increase exploration efforts, optimize the structure of its refining operations, expand the pipeline network, and develop larger operations internationally; and
- the Registrant's other future plans and prospects.

These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in these forward-looking statements as a result of a number of factors, including, without limitation:

- fluctuations in crude oil and natural gas prices;

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- failure to achieve continued exploration success;
- failure or delay in achieving production from development projects;
- failure to complete the proposed acquisition of certain overseas assets as planned;
- change in demand for competing fuels in the target market;
- continued availability of capital and financing;
- general economic, market and business conditions;
- changes in policies, laws or regulations of the PRC and other jurisdictions in which the Registrant and its subsidiaries conduct business; and
- other factors beyond the Registrant's control.

We do not intend to update or otherwise revise the forward-looking statements in this announcement, whether as a result of new information, future events or otherwise. Because of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this announcement might not occur in the way we expect, or at all.

You should not place undue reliance on any of these forward-looking statements.

(LOGO)

(Chinese Characters)
PETROCHINA COMPANY LIMITED

(Chinese Characters)
PETROCHINA COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(HONG KONG STOCK EXCHANGE STOCK CODE: 857

SHANGHAI STOCK EXCHANGE STOCK CODE: 601857)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2008
(SUMMARY OF THE 2008 INTERIM REPORT)

1 IMPORTANT NOTICE

1.1 The Board of Directors ("Board") of PetroChina Company Limited (the "Company"), the Supervisory Committee and the Directors, Supervisors and Senior Management of the Company warrant that there are no material omissions from, or misrepresentation or misleading statements contained in this announcement, and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this announcement.

This announcement is a summary of the 2008 Interim Report. A full version of the 2008 Interim Report can be downloaded from the websites of the Shanghai Stock Exchange (website: <http://www.sse.com.cn>), The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (website: <http://www.hkex.com.hk>) and the Company (website: <http://www.petrochina.com.cn>). Investors should read the

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2008 Interim Report carefully for more details.

1.2 The 2008 Interim Report has been approved unanimously at the Second Meeting of the Fourth Session of the Board. No Director of the Company has any doubt as to, or the inability to warrant, the truthfulness, accuracy and completeness of the 2008 Interim Report.

1.3 Mr Liao Yongyuan, executive Director of the Company, and each of Mr Chee-Chen Tung and Mr Franco Bernabe, both independent non-executive Directors of the Company, were absent from the Second Meeting of the Fourth Session of the Board. Mr Liao Yongyuan, Mr Chee-Chen Tung and Mr Franco Bernabe respectively authorised Mr Wang Fucheng, non-executive Director of the Company, Mr Liu Hongru and Mr Cui Junhui, both independent non-executive Directors of the Company, to attend the meeting of the Board by proxy and to exercise their voting rights in respect of the resolutions put forward at the meeting on their behalf.

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1.4 The financial statements of the Company and its subsidiaries (the "Group") for the six months ended June 30, 2008 and the consolidated interim condensed financial statements of the Group for the six months ended June 30, 2008 have been prepared in accordance with China Accounting Standards ("CAS") and the International Financial Reporting Standards ("IFRS"), respectively. The financial statements of the Group for the six months ended June 30, 2008, prepared in accordance with CAS, has been audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company and an unqualified opinion on these financial statements has been issued.

1.5 There is no occupancy of non-operating funds by the substantial shareholders of the Company.

1.6 Mr Jiang Jiemin, Chairman of the Board, Mr Zhou Jiping, Vice-Chairman of the Board and President of the Company, and Mr Zhou Mingchun, Chief Financial Officer and Head of the Finance Department of the Company, warrant the truthfulness and completeness of the financial statements included in the 2008 Interim Report.

2 BASIC INFORMATION OF THE COMPANY

2.1 BASIC INFORMATION OF THE COMPANY

STOCK NAME	PetroChina	PetroChina	(Chinese Characters)
STOCK CODE	857	PTR	601857
PLACES OF LISTING	Hong Kong Stock Exchange	The New York Stock Exchange, Inc	Shanghai Stock Exchange
LEGAL REPRESENTATIVE OF THE COMPANY	Jiang Jiemin		
REGISTERED ADDRESS AND OFFICE ADDRESS	World Tower, 16 Andelu, Dongcheng District, Beijing, People's Republic		
POSTAL CODE	100011		
WEBSITE	http://www.petrochina.com.cn		
EMAIL ADDRESS	xwzou@petrochina.com.cn		
NEWSPAPER FOR INFORMATION DISCLOSURE	Please refer to China Securities Journal, Shanghai Securities News and Securities Times for A shares.		
COPIES OF THE INTERIM REPORT IS AVAILABLE FOR INSPECTION AT	World Tower, 16 Andelu, Dongcheng District, Beijing, People's Republic		

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2.2 CONTACT PERSONS OF THE COMPANY AND MEANS OF COMMUNICATION

	SECRETARY TO THE BOARD OF DIRECTORS	REPRESENTATIVE ON SECURITIES MATTERS	REPRESENTATIVE OF THE HONG KONG REPRESENTATIVE OFFICE
	-----	-----	-----
NAME	Li Huaiqi	Liang Gang	Mao Zefeng
ADDRESS	World Tower, 16 Andelu, Dongcheng District, Beijing, People's Republic of China		Suite 3606, Tower 2, Lippo Centre, 89 Queensway, Hong Kong
POSTAL CODE	100011		
TELEPHONE	86 (10)8488 6270	86 (10)8488 6959	(852) 2899 2010
FACSIMILE	86 (10)8488 6260	86 (10)8488 6260	(852) 2899 2390
EMAIL ADDRESS	xwzou@petrochina.com.cn	liangg@petrochina.com.cn	hko@petrochina.com.hk

2.3 SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

2.3.1 Key Accounting Data and Financial Indicators Prepared under IFRS

Unit: RMB Million

ITEMS	AS AT THE END OF THE REPORTING PERIOD	AS AT THE END OF THE PRECEDING YEAR	CHANGES FROM THE END OF THE PRECEDING YEAR (%)
-----	-----	-----	-----
Total assets	1,123,820	1,060,131	6.0
Equity attributable to equity holders of the Company	757,243	733,405	3.3
Net assets per share attributable to equity holders of the Company (RMB)	4.14	4.01	3.2

ITEMS	THE REPORTING PERIOD	SAME PERIOD OF THE PRECEDING YEAR	CHANGES OVER THE SAME PERIOD OF THE PRECEDING YEAR (%)
-----	-----	-----	-----
Profit attributable to equity holders of the Company	53,615	81,830	(34.5)
Net cash flows from operating activities	81,159	109,838	(26.1)
Basic and diluted earnings per share (RMB)	0.29	0.46	(37.0)
Net cash flows from operating activities per share (RMB)	0.44	0.61	(27.9)

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2.3.2 Key Accounting Data and Financial Indicators Prepared under CAS

Unit: RMB Million

ITEMS	AS AT THE END OF THE REPORTING PERIOD	AS AT THE END OF THE PRECEDING YEAR	CHANGES FROM THE END OF THE PRECEDING YEAR (%)
Total assets	1,059,396	994,092	6.6
Equity attributable to equity holders of the Company	696,149	677,367	2.8
Net assets per share attributable to equity holders of the Company (RMB)	3.80	3.70	2.7

ITEMS	THE REPORTING PERIOD	SAME PERIOD OF THE PRECEDING YEAR	CHANGES OVER THE SAME PERIOD OF THE PRECEDING YEAR (%)
Operating profit	70,725	105,934	(33.2)
Profit before taxation	73,206	106,294	(31.1)
Profit attributable to equity holders of the Company	48,355	75,882	(36.3)
Profit after deducting non-recurring profit/loss items attributable to equity holders of the Company	46,489	75,843	(38.7)
Basic earnings per share (RMB)	0.26	0.42	(38.1)
Diluted earnings per share (RMB)	0.26	0.42	(38.1)
Fully diluted return on net assets (%)	6.95	12.87	(5.92 percentage points)
Net cash flows from operating activities	84,006	112,177	(25.1)
Net cash flows per share from operating activities (RMB)	0.46	0.63	(27.0)

2.3.3 Non-recurring profit/loss items

[X] Applicable [] Not applicable

Unit: RMB Million

FOR THE SIX MONTHS ENDED

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NON-RECURRING PROFIT/LOSS ITEMS*

JUNE 30, 2008 (PROFIT)/LOSS

Loss on disposal of non-current assets	315
Other net non-operating expenses	2,450
Government grants	(4,651)
Tax effect of non-recurring profit/loss items	649
Total	(1,237)

* Including minority interest in non-recurring profit/loss items

2.3.4 Differences Between CAS and IFRS

Applicable Not applicable

Unit: RMB Million

	CAS	IFRS
	-----	-----
Net profit (including minority interest)	55,297	60,854
Equity (including minority interest)	742,745	809,051
Analysis of differences	See Section 7.2.3 for details	

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3 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

3.1 CHANGES IN SHAREHOLDINGS

Applicable Not applicable

Unit: Shares

	PRE-MOVEMENT		INCREASE/DECREASE (+, -)				SUB-TOTAL
	NUMBER OF SHARES	PERCENTAGE (%)	NEW ISSUE	BONUS ISSUE	CONVERSION FROM RESERVES	OTHERS*	
	-----	-----	-----	-----	-----	-----	-----
I Shares with selling restrictions	158,922,077,818	86.83	--	--	--	-1,000,000,000	-1,000,000,000
1. State-owned shares	157,922,077,818	86.29	--	--	--	--	--
2. Shares held by state-owned companies	--	--	--	--	--	--	--
3. Shares held by other domestic investors	--	--	--	--	--	--	--

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of which:							
Shares held by companies other than state-owned companies	1,000,000,000	0.54	--	--	--	-1,000,000,000	-1,000,000,000
Shares held by domestic natural persons	--	--	--	--	--	--	--
4. Shares held by foreign investors	--	--	--	--	--	--	--
II. Shares without selling restrictions	24,098,900,000	13.17	--	--	--	+1,000,000,000	+1,000,000,000
1. RMB-denominated ordinary shares	3,000,000,000	1.64	--	--	--	+1,000,000,000	+1,000,000,000
2. Shares traded in non-RMB currencies and listed domestically	--	--	--	--	--	--	--
3. Shares listed overseas	21,098,900,000	11.53	--	--	--	--	--
4. Others	--	--	--	--	--	--	--
III. Total Shares	183,020,977,818	100	--	--	--	--	--

* In October 2007, when the Company offered its RMB-denominated ordinary shares (A shares) to the public for the first time, shares have been placed with target places off-line, which have started circulation on the exchange since 5 February 2008.

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3.2 SHAREHOLDINGS OF MAJOR SHAREHOLDERS

The number of shareholders of the Company as at June 30, 2008 was 1,997,949, including 1,992,211 holders of A shares and 5,738 holders of H shares (including 312 holders of the American Depositary Shares).

(1) SHAREHOLDINGS OF THE TOP TEN SHAREHOLDERS

Unit: Shares

NAME OF SHAREHOLDERS	NATURE OF SHAREHOLDERS	NUMBER OF SHARES	PERCENTAGE OF SHAREHOLDING (%)	INCREASE /DECREASE DURING THE REPORTING PERIOD (+,-)	NUMBER OF SHARES SOLD RESTRI
-----	-----	-----	-----	-----	-----

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China National Petroleum Corporation ("CNPC") (1)	State-owned shares	157,922,077,818	86.29	0	157,922,
HKSCC Nominees Limited (2)	H Shares	20,920,665,230	11.43	-17,088,922	
Industrial and Commercial Bank of China-Shanghai 50 Index ETF Securities Investment Fund	A Shares	36,457,925	0.0199	+31,694,279	
China Life Insurance (Group) Company-Traditional-Ordinary Insurance Products	A Shares	26,000,000	0.0142	-30,797,000	
China Construction Bank-Huabao Xingye Industry Selected Equity Securities Investment Fund	A Shares	23,436,313	0.0128	+23,436,313	
Bank of China-Shanghai and Shenzhen 300 Index Jiashi Securities Investment Fund	A Shares	22,537,221	0.0123	+8,501,795	
Bank of Communications-Yi Fang Da 50 Index Securities Investment Fund	A Shares	21,831,200	0.0119	+21,831,200	
China Life Insurance Company Limited-Dividends -Personal Dividends-005L-FH002 Shanghai	A Shares	20,519,708	0.0112	-9,718,862	
International Finance-Standard Chartered-CITIGROUP GLOBAL MARKETS LIMITED	A Shares	19,675,640	0.0108	+15,102,155	
China Life Insurance Company Limited-Traditional-Ordinary Insurance Product-005L-CT001 Shanghai	A Shares	18,771,597	0.0103	-6,297,403	

Notes:

- (1.) CNPC is a substantial shareholder within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "Securities and Futures Ordinance") whose interest is recorded in the register of interests in shares and short positions kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance.
- (2.) HKSCC Nominees Limited is a subsidiary of the Hong Kong Stock Exchange and its principal business is to act as nominee on behalf of institutional shareholders or individual shareholders.

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NUMBER	NAME OF SHAREHOLDERS	NUMBER OF SHARES HELD	TYPES OF SHARES
1	HKSCC Nominees Limited	20,920,665,230	H Shares
2	Industrial and Commercial Bank of China-Shanghai 50 Index ETF Securities Investment Fund	36,457,925	A Shares
3	China Life Insurance (Group) Company- Traditional- Ordinary Insurance Products	26,000,000	A Shares
4	China Construction Bank-Huabao Xingye Industry Selected Equity Securities Investment Fund	23,436,313	A Shares
5	Bank of China-Shanghai and Shenzhen 300 Index Jiashi Securities Investment Fund	22,537,221	A Shares
6	Bank of Communications-Yi Fang Da 50 Index Securities Investment Fund	21,831,200	A Shares
7	China Life Insurance Company Limited-Dividends- Personal Dividends-005L-FH002 Shanghai	20,519,708	A Shares
8	International Finance-Standard Chartered-CITIGROUP GLOBAL MARKETS LIMITED	19,675,640	A Shares
9	China Life Insurance Company Limited-Traditional- Ordinary Insurance Product-005L-CT001 Shanghai	18,771,597	A Shares
10	China Life Insurance Company Limited-Dividends-Group Dividends-005L-FH001 Shanghai	17,000,000	A Shares

Statement on the connection or activities acting in concert among the above-mentioned shareholders: Except for China Life Insurance (Group) Company-Traditional-Ordinary Insurance Products, China Life Insurance Company Limited-Dividends-Personal Dividends-005L-FH002 Shanghai, China Life Insurance Company Limited-Traditional-Ordinary Insurance Products-005L-CT001 Shanghai and China Life Insurance Company Limited-Dividends-Group Dividends-005L-FH001 Shanghai, all of which are under the management of China Life Insurance Asset Management Co., Ltd, the Company is not aware of any connection among or between the top ten shareholders and top ten shareholders of shares without selling restrictions or that they are persons acting in concert as provided for in the Measures for the Administration of Acquisitions by Listed Companies.

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(3) SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS OF H SHARES

As at June 30, 2008, according to the register of interests in shares and short positions kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance, the persons in the following table and notes have an interest or short position in the H shares of the Company:

PERCENTAGE OF SUCH

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NAME OF SHAREHOLDER	NUMBER OF SHARES	CAPACITY	SHARES IN THE SAME CLASS OF THE ISSUED SHARE CAPITAL (%)
JPMorgan Chase & Co. (Note 1)	1,065,335,981 (L)	Beneficial Owner/ Investment Manager	5.05
	317,095,578 (S)	Beneficial Owner	1.50
	408,813,117 (P)	Approved Lending Agent	1.94
Deutsche Bank Aktiengesellschaft (Note 2)	1,303,488,060 (L)	Beneficial Owner/ Investment Manager/ Persons having a security interest in shares	6.18
	731,451,830 (S)	Beneficial Owner/ Investment Manager/ Persons having a security interest in shares	3.47

(L) Long position

(S) Short position

(P) Lending pool

Note 1: JP Morgan Chase & Co., through various subsidiaries, has an interest in 1,065,335,981 H shares of the Company.

Note 2: Deutsche Bank Aktiengesellschaft, through various subsidiaries, has an interest in 1,303,488,060 H shares of the Company.

As at June 30, 2008, save as disclosed above, no person (other than a Director, Supervisor or Senior Management of the Company) has an interest or short position in the H shares of the Company according to the register of interests in shares and short positions kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance.

3.3 INFORMATION ON CHANGES OF CONTROLLING SHAREHOLDER AND THE ULTIMATE CONTROLLER

Applicable Not applicable

4 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

4.1 INFORMATION ON THE CHANGES IN THE SHAREHOLDING IN THE COMPANY HELD BY THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Applicable Not applicable

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NAME	POSITION	NATURE OF SHARES	NUMBER OF SHARES IN THE COMPANY HELD AS AT THE BEGINNING OF THE REPORTING PERIOD	INCREASE IN THE NUMBER OF SHARES HELD IN THE COMPANY	DECREASE IN THE NUMBER OF SHARES HELD IN THE COMPANY	NUMBER OF SHARES IN THE COMPANY HELD AS AT THE END OF THE REPORTING PERIOD
Yu Yibo*	Supervisor	A share	56,500	--	--	56,500
Wang Shali*	Supervisor	A share	7,000	--	--	7,000
		H share	18,000	--	--	18,000

* Mr Yu Yibo and Ms Wang Shali were appointed as supervisors of the Company on May 15, 2008.

5 DIRECTORS' REPORT

5.1 DISCUSSION AND ANALYSIS OF THE OVERALL OPERATIONS DURING THE REPORTING PERIOD

5.1.1 Review of Results of Operations

In the first half of 2008, despite being faced with changes in the operating environment in the domestic and international markets, and hit by historically rare natural disasters such as cold weather, rain and snow storms, frost and a severe earthquake, the Company planned in a scientific manner and responded actively, and realised a continuous development in the principal operations of the Group, stable production and operations, a steady increase in the output of major products and further enhancement of the sustainability of the Group. Excluding the impacts resulting from policy factors such as the special levy on domestic crude oil sales and the macroeconomic controls over the prices of refined products, the efficacy of the Company's operations remains at a robust level.

1. Market Review

(1) Crude Oil Market Review

In the first half of 2008, international crude oil prices remained high and maintained its upward trend. Crude oil prices continued to soar to historically high levels, increasing by more than 50% from US\$90 per barrel at the beginning of the year to US\$140 per barrel. Factors such as strong demand for crude oil, weakening of the US dollars, speculative activities, decline in crude oil inventories, shortage of proved undeveloped reserves and market concerns over an interruption in supply caused by geopolitical tensions were the main reasons for crude oil prices reaching new highs in the first half of the year. In the first half of 2008, the average prices for WTI and Brent crude oil were US\$111.0 and US\$108.8 per barrel respectively, representing an increase of 80% and 72% over the average prices for the same period of last year.

According to the relevant information, crude oil imports continued to increase in the first half of 2008 by 11.6% to a net total of 88.97 million tons compared with the same period of last

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year. Domestic crude oil output and the amount of crude oil processed reached 94.35 million tons and 159 million tons, respectively.

(2) Refined Products Market Review

Domestic demand for refined products was strong in the first half of 2008. According to the relevant information, the apparent consumption of domestic refined products increased by 15.1% to 103 million tons in the first half of 2008. Impacted by the skyrocketing international crude oil prices, domestic refineries incurred heavy losses in processing. Production progressively ceased at several local refineries and supply in the refined products market became very tight. On June 20, 2008, the PRC Government adjusted the prices of refined products in the domestic market, raising the ex-factory prices of gasoline and diesel by RMB1,000 per ton and the ex-factory prices of aviation fuel by RMB1,500 per ton. However, under the macroeconomic controls of the PRC Government, domestic refined product prices were still lower than the prices in the international market. In the first half of 2008, the average ex-factory prices of gasoline and diesel in the domestic market were RMB5,536 per ton and RMB5,126 per ton respectively, being RMB2,612 per ton and RMB3,779 per ton lower than the Cost, Insurance and Freight (CIF) per ton price as quoted on the Singapore market, respectively.

(3) Chemical Products Market Review

In the first half of 2008, affected by the continual high crude oil prices, the prices of most basic chemical raw materials surged to the highest level in the past 20 years. As a result, the cost of production of chemical products increased markedly, resulting in the prices of chemical products being maintained at a high level. At the same time, in order to guarantee constant supply in the domestic refined products market, petrochemical production enterprises lowered the load of polyethylene degradation, as a result of which output of basic chemical raw materials decreased and supply in the chemical product market became inadequate. Demand in the chemical product market, however, remained steady. Based on the above, in the first half of 2008, the chemical product market was characterised by steady demand, reduction in supply and soaring prices.

(4) Natural Gas Market Review

In the first half of 2008, the domestic natural gas market continued to develop at a rapid pace with strong growth in demand for natural gas. The external sales of natural gas reached 24.9 billion cubic metres, representing an increase of 20% compared to the same period of last year. The average sales price of the Company's natural gas was RMB821.47 per thousand cubic metres, representing an increase of 21.4% compared to the same period of last year.

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2. Business Review

(1) Exploration and Production

In the first half of 2008, the Group continued to place emphasis on oil and gas exploration and stepped up efforts for key projects and in key regions. The Company achieved major breakthroughs through further research, planning, assessment and exploration and emphasis on the use of new technologies, all in a comprehensive manner. In particular, significant progress was achieved in the oil and gas exploration in Longgang in the Sichuan Basin, Baibao and Sulige in

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the Erdos Basin and other basins. The Company has built up a solid foundation for the growth of reserves for 2008. In the development of oil and gas fields, organisation and co-ordination efforts were enhanced to overcome threats of cold weather, rain and snow storms, frost, earthquake and other natural disasters. New ways in the exploration of oil and gas fields were actively adopted. The Company has initiated works on the secondary recovery of mature oilfields. The Company has improved overall maintenance of mature oilfields through controlling the water level and taking measures to slow down the reduction in the productivity of mature oilfields. The Company has also built up the production capacity in new fields through active application of technologies such as horizontal drilling and the application of technologies to thick oil, tertiary recovery of oil, low infiltration oilfields and oil reserves with particularly high water content. As a result, the Company has achieved a steady growth in crude oil output and rapid growth in natural gas output. In the first half of 2008, the lifting cost for oil and gas operations was US\$8.75 per barrel, representing an increase of 23.2% from US\$7.10 per barrel in the first half of 2007. Excluding the effect of exchange rate changes, the lifting cost increased by 12.8% compared to that of the same period of last year.

Summary of Operations of the Exploration and Production Segment

	UNIT	FIRST HALF OF 2008	FIRST HALF OF 2007	CHANGE (%)
	-----	-----	-----	-----
Crude oil output	Million barrels	434.5	419.7	3.5
Marketable natural gas output	Billion cubic feet	923.0	798.0	15.7
Oil and natural gas equivalent output	Million barrels	588.4	552.7	6.5

(2) Refining and Marketing

In the first half of 2008, the Group organised refining processing meticulously, modified refining arrangements scientifically, pushed forward with overall optimisation and emphasis on safety and environmental protection in respect of production. As a result, safe and steady production was achieved. Faced with ever growing demand in the market, the Group has continued to enhance the level of retail sales management and the quality of services. Efforts were made to ensure steady market supply. Development and optimisation of refined products sales network were promoted actively. Markets offering high return were explored, and service stations generating a low return or no return were shut down. These measures further improved the operating efficiency of the Group.

In the first half of this year, the Group's refineries processed 425 million barrels of crude oil, and the Exploration and Production segment contributed approximately 78.1% of crude oil

processed. The Group produced approximately 36.79 million tons of gasoline, diesel and kerosene and sold approximately 44.41 million tons of these products. The refining processing costs of the Group's refineries was RMB145 per ton, which represents a 6.6% increase compared to RMB136 per ton for the same period of last year.

Summary of Operations of the Refining and Marketing Segment

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	UNIT	FIRST HALF OF 2008	FIRST HALF OF 2007	CHANGE
	-----	-----	-----	-----
Processed crude oil	Million barrels	425.2	407.7	
Gasoline, kerosene and diesel output	'000 ton	36,787	35,545	
of which: Gasoline	'000 ton	11,861	10,670	
Kerosene	'000 ton	1,127	986	
Diesel	'000 ton	23,799	23,889	
Refining yield	%	92.7	93.2	(0.5 percenta

(3) Chemicals and Marketing

In the first half of 2008, the Group further kept the production in the Chemical and Marketing segment under control and achieved large scale, efficient, safe and steady operation. Key technological and economic indicators improved continuously. Allocation of resources and production mix were further optimised. The production of chemical products reached 8.16 million tons, including 1.32 million tons of ethylene.

Summary of Operations of the Chemicals and Marketing Segment

OUTPUT OF KEY CHEMICAL PRODUCTS	UNIT	FIRST HALF OF 2008	FIRST HALF OF 2007	CHANGE (%)
-----	-----	-----	-----	-----
Ethylene	'000 ton	1,319	1,305	1.1
Synthetic resin	'000 ton	2,036	1,997	2.0
Synthetic fibre raw materials and polymer	'000 ton	878	701	25.2
Synthetic rubber	'000 ton	157	158	(0.6)
Urea	'000 ton	2,046	1,897	7.9

(4) Natural Gas and Pipeline

The Group continued with the construction of oil and gas pipelines in an orderly manner. Construction of the Second West-East Gas Pipeline and the Yongqing-Tangshan-Qinhuangdao Gas Transmission Pipeline commenced. The Daqing-Qiqihar Gas Transmission Pipeline was completed and commission is scheduled to take place in August 2008. Acquisition of the Changqing-Ningxia Yinchuan Gas Transmission Pipeline was completed. Construction of the LNG projects in Dalian and Jiangsu Province commenced. Construction of the Lanzhou-Zhengzhou-Changsha Oil Pipeline progressed smoothly, and the main part will be completed at the end of this year. Despatch priority of natural gas was centralised to ensure safety in the gas transmission. Natural gas sales business has leveraged on the advantage of the nationwide gas pipeline network and achieved an overall balanced development in the production, transportation, marketing and storage. While the Group has emphasised on the importance of

safe and steady supply of natural gas in key cities and the public utilities sector and to key customers, the Group has also concurrently made its best endeavours to ensure safe and steady supply of natural gas during the Beijing

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Olympic Games and to the areas that suffered from cold weather and rain and snow storms in the Southern part of the PRC. The Lanzhou-Chengdu-Chongqing Refined Oil Pipeline of the Company was regarded as the lifeline during the rescue operations of the earthquake occurred in Wenchuan, Sichuan Province on May 12, 2008. The Company has made every effort to ensure normal operation of such pipeline to support the rescue operations in the earthquake with a view to guarantee the supply of refined products in Sichuan Province and Chongqing region.

5.1.2 Management Discussion and Analysis

1. THE FINANCIAL DATA SETS OUT BELOW IS EXTRACTED FROM THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED JUNE 30, 2008 PREPARED UNDER IFRS

(1) Consolidated Operating Results

Turnover increased 39.9% from RMB392,726 million for the six months ended June 30, 2007 to RMB549,522 million for the six months ended June 30, 2008. This was primarily due to the increases in the selling prices and the sales volume of major products including crude oil, natural gas, gasoline and diesel oil, and the efforts made by the Group in expanding resources and developing markets by making use of the opportunities presented by persistently high prices in crude oil and petrochemical products in the international market. In addition, the increase in the trading of oil and gas products during the first half of the year also increased the turnover of the Group. The table below sets out the external sales volume and average realised prices for major products sold by the Group for the first half of 2007 and 2008 and the percentages of change in the sales volume and average realised prices during these periods:

	SALES VOLUME ('000 TON)			AVERAGE REALISED PRICE (RMB/T)		
	FIRST HALF OF 2008	FIRST HALF OF 2007	PERCENTAGE OF CHANGE (%)	FIRST HALF OF 2008	FIRST HALF OF 2007	PERCENTAGE OF CHANGE
Crude oil*	8,988	9,642	(6.8)	5,086	3,207	58.6
Natural gas ('000 million cubic metre, RMB/'000 cubic metre)	248.98	207.54	20.0	821	677	21.4
Gasoline	14,506	13,396	8.3	5,698	5,031	13.3
Diesel	28,599	26,358	8.5	5,299	4,563	16.1
Kerosene	2,614	1,805	44.8	6,134	4,622	32.7
Heavy oil	4,138	4,464	(7.3)	3,529	2,332	51.3
Polyethylene	1,079	1,023	5.5	11,811	10,264	15.1
Lubricant	1,208	1,119	8.0	7,154	6,464	10.7

* The external sales volume of crude oil listed above is crude oil produced by the Company.

Operating Expenses Operating expenses increased 66.3% from RMB283,596 million for the six months ended June 30, 2007 to RMB471,758 million for the six months ended June 30, 2008, which consisted of the following:

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Purchases, Services and Other Expenses Purchases, services and other expenses increased 76.4% from RMB166,995 million for the six months ended June 30, 2007 to RMB294,522 million for the six months ended June 30, 2008. This was primarily due to an increase in the purchase prices and purchase volume of crude oil, feedstock oil and refined products from external suppliers that resulted in the increase in the purchase costs. In addition, the increase in the purchase expenses also resulted from an increase in the level of trading of oil and gas products in the first half of 2008.

Employee Compensation Costs The salaries and wages paid by the Group for the first half of 2008 was RMB15,726 million, which rose by 16.7% or increased by RMB2,254 million. Other employees' costs were increased by RMB5,731 million. The increase in the employee compensation costs was primarily due to (1) an increase in the level of salaries as a result of the increase in commodity prices (according to the relevant information, the Consumer Products Index (CPI) for the first half of 2008 rose by 7.9%); (2) an increase in the employees' compensation costs that resulted from the expansion of the scale of operations and the retail network of the Group; and (3) in accordance with the relevant policies of the PRC Government, the Group has established a corporate pension scheme, thus leading to an increase in the employee benefit expenses resulting from pension contributions.

Exploration Expenses Exploration expenses increased 21.1% from RMB10,607 million for the six months ended June 30, 2007 to RMB12,848 million for the six months ended June 30, 2008. To further boost crude oil and natural gas resources, the Group continued to pool resources to conduct more exploration activities for crude oil and natural gas.

Depreciation, Depletion and Amortisation Depreciation, depletion and amortisation increased 36.9% from RMB31,228 million for the six months ended June 30, 2007 to RMB42,754 million for the six months ended June 30, 2008. This was primarily due to (1) an increase in depreciation, depletion and amortisation that resulted from an increase in the average amount of property, plant and equipment and the average net value of oil and gas properties (2) impairment losses recorded during the first half of 2008.

Selling, General and Administrative Expenses Selling, general and administrative expenses increased 17.1% from RMB23,901 million for the six months ended June 30, 2007 to RMB27,993 million for the six months ended June 30, 2008. This was primarily due to an increase in transportation, technological development and other related costs that resulted from the increased scale of operations of the Group.

Taxes other than Income Taxes Taxes other than income taxes increased 128.7% from RMB28,784 million for the six months ended June 30, 2007 to RMB65,831 million for the six months ended June 30, 2008. The increase was primarily due to a sharp increase of special levy on the sale of domestic crude oil by the Group due to the high international crude oil prices

throughout the first half of 2008. The special levy borne by the Group increased from RMB14,942 million for the first half of 2007 to RMB47,816 million for the first half of 2008.

Other Income, net Other income, net, increased RMB2,256 million from RMB345 million for the six months ended June 30, 2007 to RMB2,601 million for the six months ended June 30, 2008. The increase was primarily due to the recognition of

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subsidies for imported crude oil and refined products by the PRC Government in the amount of RMB4,573 million.

Profit from Operations As a result of an increase in the amount of special levy and macroeconomic controls over the prices of domestic refined products, profit from operations decreased 28.7% from RMB109,130 million for the six months ended June 30, 2007 to RMB77,764 million for the six months ended June 30, 2008.

Net Exchange Loss Net exchange loss increased from RMB342 million for the six months ended June 30, 2007 to RMB1,028 million for the six months ended June 30, 2008. The increase in the net exchange loss was mainly due to the combined effect of the appreciation of Renminbi against the US dollars and other currencies.

Net Interest Expenses Net interest expenses decreased 81.2% from RMB1,231 million for the six months ended June 30, 2007 to RMB231 million for the six months ended June 30, 2008. The decrease in the net interest expense was mainly due to the combined effect of a decrease in the interest expenses on current borrowings and an increase in interest income from an increase in the average outstanding balance of deposits.

Profit Before Taxation As a result of the factors discussed above, profit before taxation decreased 26.9% from RMB110,342 million for the six months ended June 30, 2007 to RMB80,712 million for the six months ended June 30, 2008.

Taxation Taxation decreased 17.3% from RMB24,026 million for the six months ended June 30, 2007 to RMB19,858 million for the six months ended June 30, 2008. The decrease was primarily due to a reduction in the taxable income of the Group for the first half of 2008.

Profit for the period As a result of the factors discussed above, profit of the Group for the period decreased 29.5% from RMB86,316 million for the six months ended June 30, 2007 to RMB60,854 million for the six months ended June 30, 2008.

Profit attributable to minority interest of the Company As the international crude oil prices remained high during the first half of 2008, subsidiaries of the Company including CNPC Exploration and Development Company Limited recorded increase in the profit before taxation for the first half of 2008 to a great extent. This has resulted in an increase in the minority interest in the results of the Company. The amount of the minority interest in the Company increased from RMB4,486 million for the six months ended June 30, 2007 to RMB7,239 million for the six months ended June 30, 2008.

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Profit attributable to equity holders of the Company As a result of the factors discussed above, profit attributable to equity holders of the Company decreased 34.5% from RMB81,830 million for the six months ended June 30, 2007 to RMB53,615 million for the six months ended June 30, 2008.

(2) Segment Information

EXPLORATION AND PRODUCTION

Turnover Turnover increased 54.3% from RMB205,390 million for the six months ended June 30, 2007 to RMB316,876 million for the six months ended June 30, 2008. The increase was primarily due to an increase in the prices and sales

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volume of crude oil and natural gas. The average realised crude oil price of the Group in the first half of 2008 was US\$93.45 per barrel, representing an increase of 62.0% from US\$57.69 per barrel compared with the same period of last year.

Operating Expenses Operating expenses increased 71.3% from RMB108,954 million for the six months ended June 30, 2007 to RMB186,645 million for the six months ended June 30, 2008. The increase was primarily due to an increase in purchase costs of imported crude oil and a sharp increase of special levy on the sale of domestic crude oil by the Group as international crude oil prices remained high throughout the first half of 2008.

Profit from Operations As a result of the factors discussed above, profit from operations increased by 35.0% from RMB96,436 million for the six months ended June 30, 2007 to RMB130,231 million for the six months ended June 30, 2008. The Exploration and Production segment remains the most important contributor of profit for the Group.

REFINING AND MARKETING

Turnover Turnover rose 43.5% from RMB314,863 million for the six months ended June 30, 2007 to RMB451,737 million for the six months ended June 30, 2008. The increase was due to an increase in the prices and sales volume of key refined products and growth in the trading of oil and gas products. The Refining and Marketing segment is the main contributor of external sales revenue for the Group.

Operating Expenses Operating expenses increased 64.3% from RMB310,938 million for the six months ended June 30, 2007 to RMB510,752 million for the six months ended June 30, 2008. The increase was primarily due to the persistently high international crude oil prices and an increase in the purchase costs of crude oil, feedstock oil and refined products from external suppliers. In addition, the increase in operating expenses also resulted from an increase in the level of trading of oil and gas products in the first half of 2008.

Profit/Loss from Operations The loss from the Refining and Marketing segment amounted to RMB59,015 million for the six months ended June 30, 2008. The profit from the Refining and Marketing segment amounted to RMB3,925 million for the six months ended June

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30, 2007. The loss from the Refining and Marketing segment was primarily due to the macroeconomic controls of the prices of refined products in the domestic market by the PRC Government. Despite persistently high crude oil prices, prices of refined products in the domestic market were not in line with the high crude oil prices and were lower than those of the international market.

CHEMICALS AND MARKETING

Turnover Turnover rose 21.3% from RMB49,860 million for the six months ended June 30, 2007 to RMB60,463 million for the six months ended June 30, 2008. The growth in turnover was primarily due to an increase in the selling prices and sales volume of certain chemical products.

Operating Expenses Operating expenses increased 20.9% from RMB44,462 million for the six months ended June 30, 2007 to RMB53,749 million for the six months ended June 30, 2008. The increase was primarily due to an increase in the prices of key chemical raw materials.

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Profit from Operations As a result of the factors discussed above, profit from operations of the Marketing and Chemicals segment increased by 24.4% from RMB5,398 million for the six months ended June 30, 2007 to RMB6,714 million for the six months ended June 30, 2008. Benefiting from the advantages created by the better integration of production and marketing of chemical products, the production volumes of high value-added and special products were greatly increased, and operating efficiency and profitability continued to improve in the Chemicals and Marketing segment.

NATURAL GAS AND PIPELINE

Turnover Turnover increased 33.1% from RMB23,216 million for the six months ended June 30, 2007 to RMB30,902 million for the six months ended June 30, 2008. The increase was primarily due to an increase in the selling prices of natural gas, and an increase in the sales volume and volume of natural gas from pipeline transmission.

Operating Expenses Operating expenses increased 31.7% from RMB17,088 million for the six months ended June 30, 2007 to RMB22,506 million for the six months ended June 30, 2008. The increase was primarily due to an increase in the purchase costs of natural gas.

Profit from Operations As a result of the factors discussed above, profit from operations of the Natural Gas and Pipeline segment increased by 37.0% from RMB6,128 million for the six months ended June 30, 2007 to RMB8,396 million for the six months ended June 30, 2008. The natural gas and pipeline business grew rapidly and its contribution to the profit of the Group continued to increase.

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(3) Cash Flows

As at June 30, 2008, the primary sources of funds of the Group are cash generated from operating activities and short-term and long-term borrowings. The funds of the Group are mainly used for operating activities, capital expenditures, repayment of short-term and long-term borrowings and distribution of dividends to equity holders of the Company.

The table below sets forth the cash flows of the Group for the six months ended June 30, 2008 and June 30, 2007 respectively and the amount of cash and cash equivalents as at the end of each period:

	SIX MONTHS ENDED JUNE 30,	
	2008	2007
	RMB MILLION	RMB MILLION
	-----	-----
Net cash flows generated from operating activities	81,159	109,838
Net cash flows used for investing activities	(67,339)	(56,836)
Net cash flows used for financing activities	(20,523)	(30,192)
Currency translation differences	49	402
Cash and cash equivalents as at the end of year	58,840	71,771

NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES

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The net cash flows of the Group generated from operating activities for the six months ended June 30, 2008 were RMB81,159 million, representing a decrease of 26.1% compared with RMB109,838 million generated for the six months ended June 30, 2007. The decrease was mainly due to a reduction in the net profit in the first half of the year. As at June 30, 2008, the Group had cash and cash equivalents of RMB58,840 million. The cash and cash equivalents were mainly denominated in Renminbi (approximately 88.5% were denominated in Renminbi, approximately 11.0% were denominated in United States Dollars and approximately 0.5% were denominated in other currencies).

NET CASH FLOWS USED FOR INVESTING ACTIVITIES

The net cash flows of the Group used for investing activities for the six months ended June 30, 2008 were RMB67,339 million, representing an increase of 18.5% compared with RMB56,836 million used for the six months ended June 30, 2007. The increase in cash flows used for investing activities was primarily due to an increase in capital expenditures during the first half of the year.

NET CASH FLOWS USED FOR FINANCING ACTIVITIES

The net cash flows of the Group used for financing activities for the six months ended June 30, 2008 were RMB20,523 million, representing a decrease of 32.0% compared with RMB30,192 million used for the six months ended June 30, 2007. The decrease was primarily

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due to an increase in the amount of net borrowings and capital contributions by minority shareholders during the first half of the year.

The net borrowings of the Group as at June 30, 2008 and December 31, 2007, respectively, are as follows:

	AS AT JUNE 30, 2008 RMB MILLION	AS AT DECEMBER 31, 2007 RMB MILLION
	-----	-----
Short-term borrowings (including current portion of long-term borrowings)	39,257	30,934
Long-term borrowings	35,287	39,688
	-----	-----
Total borrowings	74,544	70,622
	=====	=====
Less: Cash and cash equivalents	(58,840)	(65,494)
	-----	-----
Net borrowings	15,704	5,128
	=====	=====

Maturities of long-term borrowings (including borrowings maturing within one year) of the Group are as follows:

	AS AT JUNE 30, 2008 RMB MILLION	AS AT DECEMBER 31, 2007 RMB MILLION
--	------------------------------------	--

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To be repaid within one year	13,440	12,200
To be repaid within one to two years	13,419	5,754
To be repaid within two to five years	7,912	19,898
To be repaid after five years	13,956	14,036
	-----	-----
	48,727	51,888
	=====	=====

Of the total borrowings of the Group as at June 30, 2008, approximately 15.3% were fixed-rate loans and approximately 84.7% were floating-rate loans. Of the borrowings as at June 30, 2008, approximately 63.4% were denominated in Renminbi, approximately 33.7% were denominated in United States Dollars, approximately 2.5% were denominated in Hong Kong dollars, approximately 0.3% were denominated in Euro and approximately 0.1% were denominated in Japanese Yen.

As at June 30, 2008, the gearing ratio of the Group (gearing ratio = interest-bearing debts/(interest-bearing debts + total equity)) was 8.4% (As at December 31, 2007: 8.3%).

(4) Capital Expenditures

The following table sets out the capital expenditures for the various segments of the Group for the six months ended June 30, 2008 and for the six months ended June 30, 2007 and the estimated capital expenditures for the various segments of the Group for the whole year of 2008. For the first half of 2008, capital expenditures of the Group increased 40.5% from RMB51,021 million for the six months ended June 30, 2007 to RMB71,693 million for the six months ended June 30, 2008. The increase in capital expenditures was primarily due to an increase in

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expenditures relating to crude oil and natural gas exploration and development, and construction of natural gas pipelines by the Group. In addition, increase in commodity prices also contributed to an increase in capital investment.

	FOR THE FIRST HALF OF 2008		FOR THE FIRST HALF OF 2007		ESTIMATES FOR 2008	
	RMB MILLION	(%)	RMB MILLION	(%)	RMB MILLION	(%)
	-----	-----	-----	-----	-----	-----
Exploration and Production	47,053*	65.6	42,196*	82.7	132,300*	63.6
Refining and Marketing	6,527	9.1	4,841	9.5	23,000	11.1
Chemicals and Marketing	4,307	6.0	1,163	2.3	13,200	6.4
Natural Gas and Pipeline	12,845	17.9	2,471	4.8	37,700	18.1
Other	961	1.4	350	0.7	1,700	0.8
	-----	-----	-----	-----	-----	-----
Total	71,693	100.0	51,021	100.0	207,900	100.0
	=====	=====	=====	=====	=====	=====

* If investments related to geological and geophysical exploration costs were included, the capital expenditures and investments for the Exploration and

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Production segment for the first half of 2007 and the first half of 2008, and the estimates for the same in 2008 would be RMB46,680 million, RMB53,267 million and RMB143,200 million, respectively.

EXPLORATION AND PRODUCTION

The majority of the Group's capital expenditures were related to the Exploration and Production segment. For the six months ended June 30, 2008, capital expenditures in relation to the Exploration and Production segment amounted to RMB47,053 million, including RMB7,684 million for oil and gas exploration activities and RMB36,355 million for oil and gas development activities. The capital expenditure for the six months ended June 30, 2008 was mainly used in large oil and gas exploration projects such as in the large oil and gas fields located in Changqing, Daqing and Southwestern oil and gas fields and in the construction of key production facilities at those key oil and gas exploration projects.

The Group anticipates that capital expenditures for the Exploration and Production segment for the twelve months ending December 31, 2008 will amount to RMB132,300 million. Approximately RMB24,200 million will be used for oil and gas exploration, and RMB90,500 million will be used for oil and gas development. Exploration will mainly emphasise the overall development of regions in Longgang in the Sichuan Basin, the west of Sulige in the Erdos Basin and the Dagang Qikou depression in the Bohai Basin and other regions. Development activities will be emphasised on the construction of new proved oil and gas fields, while secondary recovery of and steady production of mature oilfields will also be emphasised.

REFINING AND MARKETING

Capital expenditures for the Group's Refining and Marketing segment for the six months ended June 30, 2008 amounted to RMB6,527 million, including RMB5,210 million for the reconstruction of refining facilities. The capital expenditure for the six months ended June 30, 2008 was mainly used in the construction of large scale refining facilities with capacity over ten million tons such as the Dushanzi Petrochemical and Guangxi Petrochemical projects.

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The Group anticipates that capital expenditures for the Refining and Marketing segment for the twelve months ending December 31, 2008 will amount to RMB23,000 million, of which approximately RMB16,100 million will be used for the construction and expansion of refining facilities, and approximately RMB6,900 million will be used for investments in the establishment of the sales network and storage infrastructure facilities for oil products.

CHEMICALS AND MARKETING

Capital expenditures for the Chemicals and Marketing segment for the six months ended June 30, 2008 amounted to RMB4,307 million, which were used mainly for the construction of petrochemical facilities for large scale ethylene projects with capacity over million tons such as the Dushanzi Petrochemical and the Fushun Petrochemical projects and the expansion of key construction projects such as the redevelopment and expansion of ethylene in the Daqing Petrochemical project.

The Group anticipates that capital expenditures for the Chemicals and Marketing segment for the twelve months ending December 31, 2008 will amount to RMB13,200 million, which are expected to be used primarily for the construction and expansion of petrochemical facilities including large scale ethylene

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projects such as the Dushanzi Petrochemical, the Daqing Petrochemical, the Fushun Petrochemical and the Sichuan Petrochemical projects.

NATURAL GAS AND PIPELINE

Capital expenditures for the Natural Gas and Pipeline segment for the six months ended June 30, 2008 amounted to RMB12,845 million. The Group incurred RMB11,726 million of these expenditures on the construction of long distance pipelines. The capital expenditure for the six months ended June 30, 2008 was mainly used in the construction of the Second West-East Gas Pipeline project, the Lanzhou-Zhengzhou-Changsha Oil Pipeline and other gas pipeline projects.

The Group anticipates that capital expenditures for the Natural Gas and Pipeline segment for the twelve months ending December 31, 2008 will amount to RMB37,700 million, which are expected to be used primarily for the construction of key oil and gas transmission pipelines such as the Lanzhou-Zhengzhou-Changsha Oil Pipeline and the Second West-East Gas Pipeline and associated storage facilities and LNG projects.

OTHERS

Capital expenditures for Other segment for the six months ended June 30, 2008 were RMB961 million.

The Group anticipates that capital expenditures for Other segment for the twelve months ending December 31, 2008 will amount to approximately RMB1,700 million, which are expected to be used primarily for scientific research and development activities and the establishment of information systems.

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2. THE FINANCIAL DATA SET OUT BELOW IS EXTRACTED FROM AND COMPUTED BASED ON THE AUDITED FINANCIAL STATEMENTS OF THE GROUP PREPARED UNDER CAS

(1) Principal operations by segment under CAS

	INCOME FROM PRINCIPAL OPERATIONS FOR THE FIRST HALF OF 2008 RMB MILLION	COST OF PRINCIPAL OPERATIONS FOR THE FIRST HALF OF 2008 RMB MILLION	GROSS MARGIN* (%)	CHANGE IN INCOME FROM PRINCIPAL OPERATIONS COMPARED WITH THE SAME PERIOD OF THE PRECEDING YEAR (%)	CHANGE IN COST OF PRINCIPAL OPERATIONS COMPARED WITH THE SAME PERIOD OF THE PRECEDING YEAR (%)
	-----	-----	-----	-----	-----
Exploration and production	308,180	116,385	45.1	52.5	42.2
Refining and marketing	446,994	471,905	(7.4)	43.5	69.6
Chemicals and marketing	59,118	48,148	18.3	21.3	20.9
Natural gas and pipeline	30,580	21,449	28.4	33.2	31.9
Other	345	65	--	--	--
Inter-segment elimination	(311,190)	(310,600)	--	--	--
Total	534,027	347,352	23.5	38.9	61.1

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* Gross margin=Profit from principal operations /Income from principal operations

During the reporting period, the total amount of connected transactions between the Group and CNPC and its subsidiaries in respect of sales of products and provision of services amounted to RMB20,946 million.

(2) Principal operations by region under CAS

OPERATING INCOME	FIRST HALF OF 2008 RMB MILLION	FIRST HALF OF 2007 RMB MILLION	CHANGE COMPARED WITH THE SAME PERIOD OF THE PRECEDING YEAR (%)
PRC	519,845	380,444	36.6
Other	29,677	12,282	141.6
Total	549,522	392,726	39.9

5.2 EXPLANATION ABOUT THE REASONS FOR CHANGES IN PRINCIPAL OPERATIONS AND THEIR STRUCTURE

Applicable Not applicable

5.3 EXPLANATION ABOUT MATERIAL CHANGES IN PROFITABILITY (GROSS MARGIN) OF PRINCIPAL OPERATIONS COMPARED TO THE SAME PERIOD OF THE PRECEDING YEAR

Applicable Not applicable

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5.4 ANALYSIS OF THE REASONS FOR MATERIAL CHANGES IN THE PROFIT COMPOSITION COMPARED TO THE SAME PERIOD OF THE PRECEDING YEAR

Applicable Not applicable

5.5 USE OF PROCEEDS FROM FUND RAISING

5.5.1 Utilisation of proceeds from fund raising

Applicable Not applicable

TOTAL AMOUNT OF PROCEEDS	In October 2007, the Company issued 4 billion A shares. The total proceeds and net proceeds from such issuance were RMB66,800 million and RMB66,243 million respectively.	TOTAL AMOUNT OF PROCEEDS USED DURING THE REPORTING PERIOD	RMB4,742 million
		ACCUMULATED AMOUNT OF PROCEEDS USED	RMB47,159 million

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COMMITTED PROJECT	PROPOSED INVESTMENT (RMB MILLION)	MODIFICATION OF THE PROJECT	ACTUAL INVESTMENT (RMB MILLION)	REALISED RETURN ON INVESTMENT	PROGRESS PLANNED
Project to increase the crude oil production capacity of Changqing Oilfield	6,840	No	4,342	To be confirmed only upon commissioning	Yes
Project to increase the crude oil production capacity of Daqing Oilfield	5,930	No	2,235	To be confirmed only upon commissioning	Yes
Project to increase the crude oil production capacity of Jidong Oilfield	1,500	No	495	To be confirmed only upon commissioning	Yes
Dushanzi Petrochemical's projects - processing and refining sulphur-bearing crude oil imported from Kazakhstan and ethylene technology development projects	17,500	No	11,416	To be confirmed only upon commissioning	Yes
Daqing Petrochemical 1.2 million tons/year ethylene redevelopment and expansion project	6,000	No	197	To be confirmed only upon commissioning	Yes
Total	37,770		18,685		--
Projects not progressing as planned and not achieving estimated return	--				
Projects modified and modification procedures	--				
Application and status of unused proceeds	The unutilised portion of the net proceeds from the A share issuance has been deposited into the designated bank accounts maintained by the Company.				

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5.5.2 Modification of projects

[] Applicable [X] Not applicable

5.6 BUSINESS PROSPECT IN THE SECOND HALF OF 2008

During the second half of 2008, the Group will continue to adhere to the policy of "stability, balance, efficiency, control and co-ordination" in the conduct of its operations. The Group will organise production and operation in a

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scientific manner, enhance technological improvements actively, continually strengthen corporate management and promote sustained, effective and rapid development of the Company.

In respect of exploration and production, the Group will continue to place top priority on resources exploration and maintain a leading position in its upstream business in China. The Group will stress the parallel development of oil and gas exploration and implement projects to meet the demands during the period of peak growth of reserves. The Group will endeavour to discover sizeable and high quality reserves. The Group will ensure steady output in mature oilfields on the one hand, and push forward with recovery of mature oilfields at a steady pace and overall development of new oilfields effectively on the other hand. The Group will aim to maintain steady growth in domestic crude oil output at 100 million tons. The Group will view natural gas construction as strategic and growth-oriented operation. The Group will place great emphasis on key gas regions, increase production capacity at a quicker pace in order to meet the rapid growth of natural gas output.

In respect of refining and petrochemicals, the Group will speed up the modification of the strategic structure of its refinery and petrochemical business to expedite and facilitate the construction of world-class scale refinery and petrochemical bases and develop the refining and petrochemicals business efficiently. The Group will strive to improve the product quality and modify the structure of refined products with a view to continually increase its competitiveness.

In respect of the sale of refined products, the Group will place greater emphasis in building up a modernised sales and distribution system to further improve the refined products sales and distribution network. Efforts will be made to explore profitable markets. The Group will speed up the construction of the storage facilities for retail use and commercial use, thereby creating a regional hub for storage for retail use and a sales and distribution network at provincial, regional and municipal levels. Increasing efforts will be made to achieve overall balance in resources allocation, optimisation and utilisation of resources in order to ensure supply of refined products in the domestic market and realise maximum returns on the refined products.

In respect of natural gas and pipeline, sales of natural gas are expected to maintain its rapid growth. The Group will continue to speed up the domestic trunk pipeline network and improve storage and transportation facilities. A nationwide pipeline network and supply system characterised by flexible despatch priority and stable supply will be established. Upon completion of the construction of a number of key pipelines, the capability of the Company to

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ensure oil and gas supply will be enhanced, and the foundation for the business development of the Company will become more solid.

In respect of international operations, the Group will continue to speed up development and endeavour to enlarge business scale. The Group will continue to leverage on the existing resources with a view to ensure steady production in the developed oilfields, and at the same time, expedite the development of new projects in an attempt to increase reserves and production from new oil fields. The Group aims to boost its international operations, increase its international trading and improve the standard of its operations so as to meet the international standards.

5.7 MODIFICATION TO THE OPERATING PLAN APPROVED BY THE BOARD DURING THE SECOND HALF OF THIS YEAR

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Applicable Not applicable

5.8 WARNING AND EXPLANATION CONCERNING THE EXPECTATION THAT THE ACCRUED NET PROFIT FROM THE BEGINNING OF THIS YEAR TO THE END OF THE NEXT REPORTING PERIOD WILL BE NEGATIVE, OR WILL CHANGE DRAMATICALLY FROM THAT OF THE SAME PERIOD OF THE PRECEDING YEAR

Applicable Not applicable

5.9 EXPLANATION OF THE BOARD ABOUT THE ACCOUNTING FIRM'S "OTHER THAN STANDARD UNQUALIFIED OPINION" IN RESPECT OF THE INTERIM REPORT

Applicable Not applicable

5.10 EXPLANATION OF THE BOARD ABOUT THE CHANGES IN ISSUES RELATING TO THE ACCOUNTING FIRM'S "OTHER THAN STANDARD UNQUALIFIED OPINION" FOR THE PRECEDING YEAR AND HOW THESE ISSUES ARE RESOLVED

Applicable Not applicable

5.11 FINAL DIVIDENDS FOR THE YEAR ENDED DECEMBER 31, 2007

Final dividends attributable to equity holders of the Company in respect of 2007 of RMB0.156859 per share (inclusive of tax) amounting to a total of RMB28,708 million were approved by the shareholders at the annual general meeting on May 15, 2008 and accounted for in equity as an appropriation of retained earnings in the six months ended June 30, 2008, and were paid on June 13, 2008.

5.12 INTERIM DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The Board was authorised by the shareholders to approve the distribution of an interim dividend for 2008 at the shareholders meeting held on May 15, 2008. The Board has resolved to pay an interim dividend of RMB0.131827 per share (inclusive of tax) for the six months ended

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June 30, 2008 on the basis of 45% of the profit attributable to the equity holders of the Company for the period. The interim dividend will be paid to equity holders whose names appear on the register of members of the Company at the close of business on September 18, 2008. The register of members of H shares will be closed from September 11, 2008 to September 18, 2008 (both days inclusive) during which period no transfer of H shares will be registered. In order to qualify for the interim dividends, holders of H shares must lodge all transfer documents together with the relevant share certificates at Hong Kong Registrars Limited no later than 4:30 p.m. on September 10, 2008. Equity holders of A shares whose names appear on the register of members of the Company maintained at China Securities Depository and Clearing Corporation Limited Shanghai Branch Company at the close of trading on the Shanghai Stock Exchange in the afternoon of September 18, 2008 will be eligible for the interim dividends.

In accordance with the relevant provisions of the Company's Articles of Association, dividends payable to the Company's equity holders shall be declared in Renminbi. Dividends payable to the holders of A shares shall be paid in Renminbi while dividends payable to the holders of H shares shall be paid in Hong Kong Dollars. The amount of Hong Kong Dollars payable shall be calculated

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at the rate of HK\$1.00 equals to RMB0.87685 which was the average of the closing exchange rate for Renminbi to Hong Kong Dollar as announced by the People's Bank of China for the week prior to the declaration of the dividends by the Board of Directors on August 27, 2008. Accordingly, the dividends payable for each H share of the Company will be HK\$0.150342 (inclusive of tax).

6 SIGNIFICANT EVENTS

6.1 ACQUISITION, SALE OF ASSETS AND RESTRUCTURING OF ASSETS

6.1.1 Acquisition of Assets

Applicable Not applicable

COUNTERPARTY AND ASSETS ACQUIRED	DATE OF ACQUISITION	ACQUISITION PRICE	NET PROFIT CONTRIBUTED TO THE GROUP SINCE THE DATE OF THE ACQUISITION TO THE END OF THE REPORTING PERIOD	NET PROFIT CONTRIBUTED TO THE GROUP FROM THE BEGINNING OF THE YEAR TO THE END OF THE REPORTING PERIOD	WHETHER CONSTITUTE CONNECTED TRANSACTION	W OWNE THE ASS BEE TRA
Acquisition from CNPC of the assets and operations of the refined products marketing operations and assets	June 10, 2008	RMB1,004 million	Not applicable	Not applicable	Yes, based on valuation	

The above transaction did not have any impact on the continuity of the Group's operation and management and is advantageous to the future financial position and operating results of the Group.

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6.1.2 Sale of Assets

Applicable Not applicable

6.1.3 The progress of the transaction and the impact on the operating results and financial conditions of the Group during the reporting period since the publication of the report on the restructuring of assets or sale and purchase of assets

Applicable Not applicable

6.2 MATERIAL GUARANTEE

Applicable Not applicable

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At June 30, 2008, the Group had contingent liabilities in respect of guarantees made to China Petroleum Finance Company Limited ("CP Finance", a subsidiary of CNPC):

Unit: RMB Million

EXTERNAL GUARANTEES PROVIDED BY THE COMPANY (EXCLUDING GUARANTEES PROVIDED TO SUBSIDIARIES)

GUARANTEE PROVIDED TO	DATE OF OCCURRENCE (DATE OF EXECUTION OF AGREEMENT)	GUARANTEE AMOUNT	TYPE OF GUARANTEE	PERIOD OF GUARANTEE	WHETHER GUARANTEE EXPIRED	WHETHER CONSTRUCTION GUARANTEE TYPE CONNECTION PART (YES OR NO)
Huahai Petroleum Transportation and Marketing Company Limited*	July 12, 2000	14	Joint and several liabilities	10 years	No	N
Huahai Petroleum Transportation and Marketing Company Limited*	September 24, 2001	37	Joint and several liabilities	11 years	No	N
Jinzhou Jinglian Lubricant Addicatives Company Limited*	October 21, 2003	18	Joint and several liabilities	5 years	No	N
Total amount of guarantees incurred during the reporting period				0		
Total amount of guarantees as at the end of the reporting period				69		
TOTAL AMOUNT OF GUARANTEES BY THE COMPANY (INCLUDING GUARANTEE PROVIDED FOR SUBSIDIARIES)						
Total amount of guarantees				69		
Ratio of total amount of guarantees to the net assets of the Company				0.009%		
of which:						
Amount of guarantee provided for shareholders, ultimate controller and their respective related parties				--		
Amount of guarantee provided directly or indirectly for entities with liabilities to assets ratio exceeding 70%				--		
Amount of guarantee exceeding 50% of the total net assets				--		
Aggregate amount of the above three types of guarantees				--		

* for identification only

6.3 NON-OPERATING CONNECTED OBLIGATORY RIGHTS AND DEBTS

[] Applicable [X] Not applicable

6.4 MATERIAL LITIGATION AND ARBITRATION

Applicable Not applicable

6.5 OTHER SIGNIFICANT EVENTS

Applicable Not applicable

6.5.1 In April 2008, the Company was notified by the Ministry of Finance of the PRC that in order to ensure supply of crude oil and refined products in the market, financial support measures would be provided to the Company. During the reporting period, the Company recognised governmental grants in the amount of RMB4,573 million.

6.5.2 On May 12, 2008, an earthquake with a magnitude of 8.0 on the Richter scale struck Wenchuan area of Sichuan Province of the PRC. As a result of the Company's well-established production facilities and effective contingency plans, the earthquake did not have material adverse effect on the production and operations of the Company.

6.5.3 On June 20, 2008, the PRC Government adjusted the prices of refined products in the domestic market, raising the ex-factory prices of gasoline and diesel by RMB1,000 per ton and the ex-factory prices of aviation fuel by RMB1,500 per ton, representing an increase of the ex-factory prices of gasoline, diesel and aviation fuel by 18.2%, 19.7% and 25.2% respectively.

6.5.4 The Company has adopted a share-based compensation scheme which is a share appreciation right arrangement payable in cash to the recipients upon exercise of the rights which became effective upon the listing of the H shares of the Company on April 7, 2000. Directors, Supervisors and senior executives of the Company are eligible for the scheme and the rights granted thereunder can be exercised from April 8, 2003 to April 7, 2008. The exercise price is the price of the H share as at the initial public offering, being HK\$1.28 per share. As at April 7, 2008 (being the expiry date of the exercise of the share appreciation rights), none of the holders of the share appreciation rights exercised their rights. The Company therefore derecognised the liability previously accrued of RMB1,400 million in the financial statements of the Group for the six months ended June 30, 2008.

6.5.5 In order to satisfy the operations needs of the Company, on June 10, 2008, the Board resolved to issue domestic corporate bonds with an aggregate principal amount of not more than RMB60 billion in one or more tranches. The proposal was approved at the extraordinary general meeting of the Company held on July 31, 2008.

7 FINANCIAL STATEMENTS

7.1 AUDITORS' OPINION

Financial Statements Unaudited Audited
 Auditors' opinion Standard unqualified opinion Other than standard unqualified opi

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7.2 THE GROUP'S BALANCE SHEETS, PROFIT AND LOSS ACCOUNTS/ INCOME STATEMENTS, CASH FLOW STATEMENTS AND CHANGES IN EQUITY, THE COMPANY'S BALANCE SHEET, WITH COMPARATIVES

7.2.1 Financial statements prepared in accordance with IFRS

(1) Consolidated Profit and Loss Account

	NOTES	SIX MONTHS ENDED JUNE 30	
		2008 RMB MILLION	2007 RMB MILLION
TURNOVER	(i)	549,522	392,726
OPERATING EXPENSES			
Purchases, services and other		(294,522)	(166,995)
Employee compensation costs		(30,411)	(22,426)
Exploration expenses, including exploratory dry holes		(12,848)	(10,607)
Depreciation, depletion and amortisation		(42,754)	(31,228)
Selling, general and administrative expenses		(27,993)	(23,901)
Taxes other than income taxes		(65,831)	(28,784)
Other income, net		2,601	345
TOTAL OPERATING EXPENSES		(471,758)	(283,596)
PROFIT FROM OPERATIONS		77,764	109,130
FINANCE COSTS			
Exchange gain		1,304	581
Exchange loss		(2,332)	(923)
Interest income		1,404	819
Interest expense		(1,635)	(2,050)
TOTAL NET FINANCE COSTS		(1,259)	(1,573)
SHARE OF PROFIT OF ASSOCIATES AND JOINTLY CONTROLLED ENTITIES		4,207	2,785
PROFIT BEFORE TAXATION	(ii)	80,712	110,342
TAXATION	(iii)	(19,858)	(24,026)
PROFIT FOR THE PERIOD		60,854	86,316
ATTRIBUTABLE TO:			
Equity holders of the Company		53,615	81,830
Minority interest		7,239	4,486
		60,854	86,316
BASIC AND DILUTED EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO EQUITY HOLDERS			

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OF THE COMPANY (RMB YUAN)	(iv)	0.29	0.46
		=====	=====
DIVIDENDS ATTRIBUTABLE TO EQUITY HOLDERS			
OF THE COMPANY DURING THE PERIOD			
Interim dividends declared after the			
balance sheet date	(v)	24,127	36,823
		=====	=====

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(2) Consolidated Balance Sheet

	JUNE 30, 2008	DECEMBER 31,
	RMB MILLION	RMB MILLI
	-----	-----
NON CURRENT ASSETS		
Property, plant and equipment	783,087	762,882
Investments in associates and jointly controlled entities	30,382	26,535
Available-for-sale financial assets	2,193	2,581
Advance operating lease payments	24,637	23,417
Intangible and other assets	8,707	8,488
Time deposits with maturities over one year	4,605	5,053
	-----	-----
TOTAL NON CURRENT ASSETS	853,611	828,956
	-----	-----
CURRENT ASSETS		
Inventories	98,560	88,467
Accounts receivable	27,726	18,419
Prepaid expenses and other current assets	68,319	36,018
Notes receivable	5,832	4,735
Time deposits with maturities over three months but within		
one year	10,932	18,042
Cash and cash equivalents	58,840	65,494
	-----	-----
TOTAL CURRENT ASSETS	270,209	231,175
	-----	-----
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	172,832	144,353
Income tax payable	2,096	11,709
Other taxes payable	20,166	11,099
Short-term borrowings	39,257	30,934
	-----	-----
TOTAL CURRENT LIABILITIES	234,351	198,095
	-----	-----
NET CURRENT ASSETS	35,858	33,080
	-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES	889,469	862,036
	=====	=====
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	183,021	183,021
Retained earnings	357,339	332,432
Reserves	216,883	217,952
	-----	-----
	757,243	733,405
Minority interest	51,808	42,942

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TOTAL EQUITY	809,051	776,347
NON CURRENT LIABILITIES		
Long-term borrowings	35,287	39,688
Asset retirement obligations	25,966	24,761
Deferred taxation	18,159	20,205
Other long-term obligations	1,006	1,035
TOTAL NON CURRENT LIABILITIES	80,418	85,689
TOTAL EQUITY AND NON CURRENT LIABILITIES	889,469	862,036

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(3) Consolidated Cash Flow Statement

	SIX MONTHS ENDED JUNE	
	2008 RMB MILLION	2007 RMB MILLION
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	60,854	86,316
Adjustments for:		
Taxation	19,858	24,026
Depreciation, depletion and amortisation	42,754	31,228
Capitalised exploratory costs charged to expense	6,634	6,123
Share of profit of associates and jointly controlled entities	(4,207)	(2,785)
Reversal of provision for impairment of receivables, net	(48)	(2,254)
Write down / (Reversal of write down) in inventories, net	1,422	(68)
Impairment of available-for-sale financial assets, net	10	--
Impairment of investments in associates and jointly controlled entities, net	19	5
Loss on disposal of property, plant and equipment	498	407
Loss/(Gain) on disposal of investments in associates and jointly controlled entities	3	(371)
Gain on disposal of available-for-sale financial assets	(4)	(105)
Dividend income	(100)	(75)
Interest income	(1,404)	(819)
Interest expense	1,635	2,050
Advance payments on long-term operating leases	(2,143)	(1,350)
Changes in working capital:		
Accounts receivable and prepaid expenses and other current assets	(32,808)	(20,616)
Inventories	(11,515)	(8,221)
Accounts payable and accrued liabilities	31,533	30,365
CASH GENERATED FROM OPERATIONS	112,991	143,856
Interest received	1,271	835
Interest paid	(1,975)	(2,039)
Income taxes paid	(31,128)	(32,814)
NET CASH PROVIDED BY OPERATING ACTIVITIES	81,159	109,838

(3) Consolidated Cash Flow Statement (Continued)

	SIX MONTHS ENDED JUNE	
	2008 RMB MILLION	2007 RMB MILLI
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(75,660)	(58,304)
Acquisition of investments in associates and jointly controlled entities	(203)	(1,018)
Acquisition of available-for-sale financial assets	(10)	(300)
Acquisition of intangible assets	(587)	(265)
Acquisition of other non-current assets	(327)	(501)
Purchase of minority interest in listed subsidiaries	--	(86)
Purchase of minority interest in subsidiaries	(132)	--
Repayment of capital by associates and jointly controlled entities	--	1,552
Proceeds from disposal of property, plant and equipment	98	512
Proceeds from disposal of investments in associates and jointly controlled entities	2	1,015
Proceeds from disposal of available-for-sale financial assets	25	164
Dividends received	2,227	365
Decrease in time deposits with maturities over three months	7,228	30
NET CASH USED FOR INVESTING ACTIVITIES	(67,339)	(56,836)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(29,969)	(15,405)
Repayments of long-term borrowings	(4,111)	(13,741)
Dividends paid to minority interest	(3,045)	(1,905)
Dividends paid to equity holders of the Company	(28,708)	(27,694)
Increase in short-term borrowings	37,450	16,139
Increase in long-term borrowings	822	12,269
Capital contribution from minority interest	8,232	266
Capital reduction	(1,165)	--
Decrease in other long-term obligations	(29)	(121)
NET CASH USED FOR FINANCING ACTIVITIES	(20,523)	(30,192)
TRANSLATION OF FOREIGN CURRENCY	49	402
(Decrease)/Increase in cash and cash equivalents	(6,654)	23,212
Cash and cash equivalents at beginning of the period	65,494	48,559
Cash and cash equivalents at end of the period	58,840	71,771

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(4) Selected notes from the financial statements prepared in accordance with IFRS

(i) Turnover

Turnover represents revenues from the sale of crude oil, natural gas, refined products and petrochemical products and from the transportation of crude oil and natural gas.

(ii) Profit before Taxation

	SIX MONTHS ENDED JUNE 30	
	2008	2007
	RMB MILLION	RMB MILLION
	-----	-----
Profit before taxation is arrived at after crediting and charging of the following items:		
Crediting		
Dividend income from available-for-sale financial assets	100	
Reversal of provision for impairment of receivables	70	2,000
Reversal of write down in inventories	--	
Charging		
Amortisation of intangible and other assets	732	
Cost of inventories (approximates cost of goods sold) recognised as expense	343,727	208,000
Depreciation of property, plant and equipment, including impairment provision		
- owned assets	41,161	29,000
- assets under finance leases	3	
Impairment of available-for-sale financial assets	10	
Impairment of investments in associates and jointly controlled entities	19	
Provision for impairment of receivables	22	
Interest expense (Note (i))	1,635	2,000
Loss on disposal of property, plant and equipment	498	
Operating lease expenses	3,071	3,000
Repair and maintenance	4,145	3,000
Research and development expenses	5,153	2,000
Write down in inventories	1,422	
Note (i): Interest expense		
Interest expense	2,754	2,000
Less: Amounts capitalised	(1,119)	(1,000)
	1,635	2,000

(iii) Taxation

SIX MONTHS ENDED JUNE 30

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	2008 RMB MILLION -----	2007 RMB MILLION -----
Income tax	21,515	25,415
Deferred tax	(1,657)	(1,389)
	-----	-----
	19,858	24,026
	=====	=====

In accordance with the relevant PRC income tax rules and regulations, the PRC corporate income tax rate applicable to the Group is principally 25% (2007: 33%). Operations of the Group in certain regions in China have qualified for certain tax incentives in the form of a reduced income tax rate of 15% through the year 2010 and accelerated depreciation of certain property, plant and equipment.

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the corporate income tax rate in the PRC applicable to the Group as follows:

	SIX MONTHS ENDED JU	
	2008 RMB MILLION -----	20 RMB MI -----
Profit before taxation	80,712	110,
	-----	-----
Tax calculated at a tax rate of 25% (2007: 33%)	20,178	36,
Prior year tax return adjustment	25	
Effect of income taxes from international operations in excess of taxes at the PRC statutory tax rate	4,716	
Effect of preferential tax rate	(5,735)	(8,
Effect of change in PRC corporate income tax rate on deferred taxes	--	(4,
Tax effect of income not subject to tax	(1,215)	(1,
Tax effect of expenses not deductible for tax purposes	1,889	
	-----	-----
Taxation	19,858	24,
	=====	=====

(iv) Basic and Diluted Earnings Per Share

Basic and diluted earnings per share for the six months ended June 30, 2008 have been computed by dividing the profit attributable to equity holders of the Company by 183,021 million shares issued and outstanding during the period.

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Basic and diluted earnings per share for the six months ended June 30, 2007 have been computed by dividing the profit attributable to equity holders of the Company by 179,021 million shares issued and outstanding during the period.

There are no potential dilutive ordinary shares.

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(v) Dividends Attributable to Equity Holders of the Company

	SIX MONTHS ENDED JU	
	2008	20
	RMB MILLION	RMB MI
	-----	-----
Final dividends attributable to equity holders of the Company for 2006 (note a)	--	27,
Final dividends attributable to equity holders of the Company for 2007 (note b)	28,708	-----
	28,708	27,
	=====	=====

- (a) Final dividends attributable to equity holders of the Company in respect of 2006 of RMB0.154699 yuan per share amounting to a total of RMB27,694 million were approved by the shareholders in the Annual General Meeting on May 16, 2007 and accounted for in equity as an appropriation of retained earnings in the six months ended June 30, 2007, and were paid on June 1, 2007.
- (b) Final dividends attributable to equity holders of the Company in respect of 2007 of RMB0.156859 yuan per share amounting to a total of RMB28,708 million were approved by the shareholders in the Annual General Meeting on May 15, 2008 and accounted for in equity as an appropriation of retained earnings in the six months ended June 30, 2008, and were paid on June 13, 2008.
- (c) As authorised by shareholders in the Annual General Meeting on May 15, 2008, the Board of Directors, in a meeting held on August 27, 2008, resolved to distribute interim dividends attributable to equity holders of the Company in respect of 2008 of RMB0.131827 yuan per share amounting to a total of RMB24,127 million. These unaudited consolidated interim condensed financial statements do not reflect this dividend payable, as it was not declared until after the balance sheet date.

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7.2.2 Financial statements prepared in accordance with CAS

(1) Consolidated and Company Balance Sheets

	JUNE 30, 2008	DECEMBER 31, 2007	JUNE 30, 2008	DECEMBER
	THE GROUP	THE GROUP	THE COMPANY	THE
ASSETS	RMB MILLION	RMB MILLION	RMB MILLION	RMB
	-----	-----	-----	-----
CURRENT ASSETS				
Cash at bank and on hand	74,377	88,589	58,730	
Notes receivable	5,832	4,735	5,628	
Accounts receivable	27,726	18,419	3,365	
Advances to suppliers	51,042	20,386	40,262	

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Interest receivable	242	109	242
Dividends receivable	25	18	85
Other receivables	16,964	15,444	23,757
Inventories	98,560	88,467	80,689
Current portion of non-current assets	37	59	35
Other current assets	9	2	9
	-----	-----	-----
TOTAL CURRENT ASSETS	274,814	236,228	212,802
	-----	-----	-----
NON-CURRENT ASSETS			
Available-for-sale financial assets	2,147	2,530	1,098
Long-term equity investments	26,855	22,686	120,707
Fixed assets	239,884	247,803	193,382
Oil and gas properties	319,957	326,328	228,086
Construction in progress	134,260	105,634	108,816
Construction materials	8,681	6,927	6,159
Fixed assets pending disposal	481	287	481
Intangible assets	20,943	20,022	16,944
Goodwill	148	--	--
Long-term prepaid expenses	12,402	12,028	10,365
Deferred tax assets	18,288	12,871	12,989
Other non-current assets	536	748	--
	-----	-----	-----
TOTAL NON-CURRENT ASSETS	784,582	757,864	699,027
	-----	-----	-----
TOTAL ASSETS	1,059,396	994,092	911,829
	=====	=====	=====

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(2) Consolidated and Company Balance Sheets (Continued)

	JUNE 30, 2008	DECEMBER 31, 2007	JUNE 30, 2008	DECEMBER 31, 2007
LIABILITIES AND SHAREHOLDERS' EQUITY	THE GROUP	THE GROUP	THE COMPANY	THE COMPANY
	RMB MILLION	RMB MILLION	RMB MILLION	RMB MILLION
	-----	-----	-----	-----
CURRENT LIABILITIES				
Short-term borrowings	25,817	18,734	31,224	17,811
Notes payable	1,059	1,143	--	--
Accounts payable	117,590	104,460	73,848	66,811
Advances from customers	15,177	12,433	12,309	10,411
Employee compensation payable	7,961	11,585	6,768	10,711
Taxes payable	22,262	22,808	5,668	13,711
Interest payable	178	173	86	--
Dividends payable	874	89	--	--
Other payables	35,912	17,849	69,696	46,511
Provisions	560	715	61	--
Current portion of non-current liabilities	13,440	11,652	11,777	9,011
Other current liabilities	12	13	--	--
	-----	-----	-----	-----
TOTAL CURRENT LIABILITIES	240,842	201,654	211,437	175,511
	-----	-----	-----	-----
NON-CURRENT LIABILITIES				

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Deferred income	79	76	61	
Long-term borrowings	31,044	35,305	23,543	29,000
Debentures payable	4,243	4,383	3,500	3,500
Long-term payables	57	57	56	
Grants payable	743	774	681	700
Provisions	25,966	24,761	16,081	15,300
Deferred tax liabilities	13,550	11,883	7,466	6,500
Other non-current liabilities	127	128	123	100
	-----	-----	-----	-----
TOTAL NON-CURRENT LIABILITIES	75,809	77,367	51,511	55,400
	-----	-----	-----	-----
TOTAL LIABILITIES	316,651	279,021	262,948	230,900
	-----	-----	-----	-----
SHAREHOLDERS' EQUITY				
Share capital	183,021	183,021	183,021	183,000
Capital surplus	122,019	122,192	125,683	125,800
Surplus reserves	102,696	102,696	91,596	91,500
Undistributed profits	290,191	270,544	248,581	228,000
Currency translation differences	(1,778)	(1,086)	--	
	-----	-----	-----	-----
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	696,149	677,367	648,881	628,400
	-----	-----	-----	-----
MINORITY INTEREST	46,596	37,704	--	
	-----	-----	-----	-----
TOTAL SHAREHOLDERS' EQUITY	742,745	715,071	648,881	628,400
	-----	-----	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,059,396	994,092	911,829	859,300
	=====	=====	=====	=====

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(2) Consolidated and Company Income Statements

ITEMS	FOR THE SIX MONTHS ENDED	FOR THE SIX MONTHS ENDED	FOR THE SIX MONTHS ENDED	FOR THE SIX MONTHS ENDED
	JUNE 30, 2008	JUNE 30, 2007	JUNE 30, 2008	JUNE 30, 2007
	THE GROUP	THE GROUP	THE COMPANY	THE COMPANY
	RMB MILLION	RMB MILLION	RMB MILLION	RMB MILLION
	-----	-----	-----	-----
1. OPERATING INCOME	549,522	392,726	393,015	290,391
Less: Cost of sales	(361,287)	(223,140)	(310,500)	(195,320)
Tax and levies on operations	(61,891)	(26,853)	(37,130)	(16,258)
Selling expenses	(21,576)	(19,075)	(17,078)	(15,049)
General and administrative expenses	(29,562)	(21,475)	(23,565)	(15,738)
Finance expenses	(1,448)	(1,656)	(205)	(944)
Asset impairment losses	(7,330)	2,317	(7,315)	1,842
Add: Investment income	4,297	3,090	44,104	30,404
	-----	-----	-----	-----
2. OPERATING PROFIT	70,725	105,934	41,326	79,328

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Add: Non-operating income	5,614	1,441	4,606	856
Less: Non-operating expenses	(3,133)	(1,081)	(1,766)	(948)
3. PROFIT BEFORE TAXATION	73,206	106,294	44,166	79,236
Less: Taxation	(17,909)	(25,997)	5,107	(5,788)
4. NET PROFIT	55,297	80,297	49,273	73,448
Net profit attributable to equity holders of the Company	48,355	75,882	49,273	73,448
Minority interest	6,942	4,415	--	--
5. EARNINGS PER SHARE (BASED ON NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY)				
Basic earnings per share (RMB, Yuan)	0.26	0.42	0.27	0.41
Diluted earnings per share (RMB, Yuan)	0.26	0.42	0.27	0.41

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(3) Consolidated and Company Cash Flow Statements

ITEMS	FOR THE SIX MONTHS ENDED JUNE 30, 2008	FOR THE SIX MONTHS ENDED JUNE 30, 2007	FOR THE SIX MONTHS ENDED JUNE 30, 2008
	THE GROUP RMB MILLION	THE GROUP RMB MILLION	THE COMPANY RMB MILLION
1. CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from sales of goods and rendering of services	634,074	444,524	457,759
Refund of taxes and levies	4,186	536	3,329
Cash received relating to other operating activities	1,674	363	5,274
SUB-TOTAL OF CASH INFLOWS	639,934	445,423	466,362
Cash paid for goods and services	(374,110)	(210,590)	(325,820)
Cash paid to and on behalf of employees	(34,035)	(21,200)	(27,280)
Payments of taxes and levies	(122,470)	(80,234)	(63,098)
Cash paid relating to other operating activities	(25,313)	(21,222)	(11,597)
SUB-TOTAL OF CASH OUTFLOWS	(555,928)	(333,246)	(427,795)

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NET CASH FLOWS FROM			
OPERATING ACTIVITIES	84,006	112,177	38,567
2. CASH FLOWS FROM			
INVESTING ACTIVITIES			
Cash received from			
disposal of investments	7,255	2,731	8,026
Cash received from			
returns on investments	3,498	1,200	44,492
Net cash received from			
disposal of fixed			
assets, oil and gas			
properties, intangible			
assets and other			
long-term assets	98	512	77
SUB-TOTAL OF CASH INFLOWS	10,851	4,443	52,595
Cash paid to acquire			
fixed assets, oil and			
gas properties,			
intangible assets and			
other long-term assets	(78,717)	(60,420)	(68,431)
Cash paid to acquire			
investments	(345)	(1,374)	(15,761)
Including: Cash paid to			
purchase shares of			
listed subsidiaries	--	(86)	--
SUB-TOTAL OF CASH OUTFLOWS	(79,062)	(61,794)	(84,192)
NET CASH FLOWS FROM			
INVESTING ACTIVITIES	(68,211)	(57,351)	(31,597)

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ITEMS	FOR THE SIX MONTHS ENDED JUNE 30, 2008 THE GROUP RMB MILLION	FOR THE SIX MONTHS ENDED JUNE 30, 2007 THE GROUP RMB MILLION	FOR THE SIX MONTHS ENDED JUNE 30, 2008 THE COMPANY RMB MILLION	SIX M JUN TH RM
3. CASH FLOWS FROM FINANCING				
ACTIVITIES				
Cash received from				
capital contributions	8,232	266	--	
Including: Cash received				
from minority				
shareholders' capital				
contributions to				
subsidiaries	8,232	266	--	
Cash received from				
borrowings	38,272	28,408	27,872	
Cash received relating				

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to other financing activities	24	64	21
SUB-TOTAL OF CASH INFLOWS	46,528	28,738	27,893
Cash repayments of borrowings	(34,080)	(28,931)	(16,594)
Cash payments for interest expenses and distribution of dividends or profits	(33,728)	(31,638)	(29,821)
Including: Subsidiaries' cash payments for distribution of dividends or profits to minority shareholders	(3,045)	(1,895)	--
Capital reduction	(1,165)	--	--
Cash payments relating to other financing activities	(53)	(185)	(50)
SUB-TOTAL OF CASH OUTFLOWS	(69,026)	(60,754)	(46,465)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(22,498)	(32,016)	(18,572)
4. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	49	402	--
5. NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(6,654)	23,212	(11,602)
Add: Cash and cash equivalents at beginning of the period	65,494	48,559	60,332
6. CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	58,840	71,771	48,730

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(4) Consolidated Statement of Changes in Equity

ITEMS	SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE COMPANY				
	SHARE CAPITAL RMB MILLION	CAPITAL SURPLUS RMB MILLION	SURPLUS RESERVES RMB MILLION	UNDISTRIBUTED PROFITS RMB MILLION	CURRENCY TRANSLATION DIFFERENCES RMB MILLION
BALANCE AT JANUARY 1, 2007	179,021	59,797	89,928	213,255	(534)

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CHANGES IN THE SIX MONTHS ENDED					
JUNE 30, 2007					
	--	(64)	--	48,188	(132)
Net profit	--	--	--	75,882	--
Losses recognised directly in equity	--	(64)	--	--	(132)
Currency translation differences	--	--	--	--	(132)
Purchase of minority interest in subsidiaries	--	(64)	--	--	--
Other	--	--	--	--	--
SUB-TOTAL	--	(64)	--	75,882	(132)
Shareholders' contribution and withdrawal	--	--	--	--	--
Capital contribution by shareholders	--	--	--	--	--
Profit distribution	--	--	--	(27,694)	--
Distribution to shareholders	--	--	--	(27,694)	--
BALANCE AT JUNE 30, 2007	179,021	59,733	89,928	261,443	(666)
BALANCE AT JANUARY 1, 2008	183,021	122,192	102,696	270,544	(1,086)

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(4) Consolidated Statement of Changes in Equity (continued)

ITEMS	SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE COMPANY				
	SHARE CAPITAL RMB MILLION	CAPITAL SURPLUS RMB MILLION	SURPLUS RESERVES RMB MILLION	UNDISTRIBUTED PROFITS RMB MILLION	CURRENCY TRANSLATION DIFFERENCES RMB MILLION
CHANGES IN THE SIX MONTHS ENDED					
JUNE 30, 2008					
	--	(173)	--	19,647	(692)
Net profit	--	--	--	48,355	--
Losses recognised directly in equity	--	(173)	--	--	(692)
Currency translation differences	--	--	--	--	(692)
Purchase of minority					

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interest in subsidiaries	--	(15)	--	--	--
Fair value changes of available-for-sale financial assets	--	(158)	--	--	--
Other	--	--	--	--	--
SUB-TOTAL	--	(173)	--	48,355	(692)
Shareholders' contribution and withdrawal	--	--	--	--	--
Capital contribution by shareholders	--	--	--	--	--
Capital reduction	--	--	--	--	--
Profit distribution	--	--	--	(28,708)	--
Distribution to shareholders	--	--	--	(28,708)	--
BALANCE AT JUNE 30, 2008	183,021	122,019	102,696	290,191	(1,778)

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7.2.3 Significant differences between IFRS and CAS

The financial statements of the Group prepared in accordance with CAS differ in certain material aspects from those in accordance with IFRS. A statement of reconciliation of such differences is set out below:

CONSOLIDATED NET PROFIT	NOTES	FOR THE SIX MONTHS ENDED JUNE 30, 2008 RMB MILLION	FOR THE SIX MONTHS ENDED JUNE 30, 2007 RMB MILLION
Consolidated profit for the period under IFRS		60,854	86,316
Adjustments:			
Depletion of oil and gas properties	(1)	(4,453)	(3,899)
Amortisation of revaluation for assets other than fixed assets and oil and gas properties in 1999	(2)	(140)	(39)
Depreciation and depletion of revaluation for fixed assets and oil and gas properties in 2003	(3)	(129)	(80)
Reversal of reversed impairment for non-current assets	(4)	(18)	--
Adjustment of safety fund	(5)	(2,932)	--
Other		166	(30)
Deferred taxation	(6)	1,949	(1,971)
Consolidated profit for the period under CAS		55,297	80,297

CONSOLIDATED SHAREHOLDERS' EQUITY	NOTES	JUNE 30, 2008 RMB MILLION	DECEMBER 31, 2007 RMB MILLION
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Consolidated shareholders' equity under IFRS		809,051	776,347
Adjustments:			
Depletion of oil and gas properties	(1)	(84,115)	(79,662)
Revaluation, amortisation of disposal of assets other than fixed assets and oil and gas properties in 1999	(2)	269	409
Revaluation, and depreciation and depletion of fixed assets and oil and gas properties revalued in 2003	(3)	208	337
Reversal of reversed impairment for non-current assets and related difference on disposal of such non-current assets	(4)	(110)	(92)
Adjustment of safety fund	(5)	(6,491)	(3,559)
Currency translation differences		137	(390)
Other		691	525
Deferred taxation	(6)	23,105	21,156
		-----	-----
Consolidated shareholders' equity under CAS		742,745	715,071
		=====	=====

- (1) Depletion of oil and gas properties is provided using the unit of production method under IFRS, while the straight-line method is used under CAS.
- (2) During the restructuring of CNPC and establishment of the Company in 1999 a valuation was carried out on June 30, 1999 for the assets and liabilities CNPC invested in the Company. The valuation results from China Enterprise Appraisals are all recognised in the financial statements under CAS. However, in the financial statements under IFRS, revaluation

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model is used in subsequent measurement by the Group only for fixed assets and oil and gas properties. Consequently, valuation results other than for fixed assets and oil and gas properties are not recognised in the financial statements under IFRS.

- (3) As the revaluation model is used in subsequent measurement for fixed assets and oil and gas properties by the Group under IFRS, revaluations were carried out by independent appraisers with sufficient regularity. In order to meet the requirements of IFRS, on September 30, 2003, a revaluation of the Group's refining and chemical production equipment was undertaken by a firm of independent valuers, China United Assets Appraiser Co., Ltd., in the PRC on a depreciated replacement cost basis. The results of the revaluation were recognised in the financial statements under IFRS. However, fixed assets and oil and gas properties are recognised using the historical cost model under CAS. Consequently, these revaluation results were not recognised in the financial statements under CAS.
- (4) Under CAS, once recognised, any impairment losses for long-term assets, such as fixed assets, oil and gas properties, intangible assets and long-term equity investments, cannot be reversed in subsequent accounting periods. However, under IFRS, if there are changes to the factors which resulted in the original impairment of the long-term asset which result in the recoverable amount being higher than the carrying amount the impairment loss previously recognised shall be reversed.

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- (5) In accordance with the "Temporary regulation for safety expense financial management of high risk industry" from Ministry of Finance and State Administration of Work Safety of PRC, a safety fund has been accrued for the Group's oil and gas exploration, refinery and chemical production activities within the PRC from January 1, 2007. This safety fund has been recognised into the Group's income statement. As the Group did not have specific utilisation plan for this accrued safety fund as at June 30, 2008, it was reversed under IFRS.
- (6) The consequences of (1)-(5) and other differences between IFRS and CAS on deferred taxation.

7.3 NOTES TO FINANCIAL STATEMENTS

7.3.1 Explanation for any Changes in Accounting Policies, Accounting Estimates or Correction of Accounting Error, Reason and the Impact

Applicable Not applicable

7.3.2 Explanation for any Material Changes in the Scope of Consolidation, Reason and the Impact

Applicable Not applicable

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7.3.3 Explanation if qualified audited report is issued and the relevant notes thereon

Applicable Not applicable

8 REPURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company and its subsidiaries did not sell any securities of the Company, nor did it repurchase or redeem any of the securities of the Company during the six months ended June 30, 2008.

9 DISCLOSURE OF OTHER INFORMATION

Save as disclosed above, there have been no material changes from the information disclosed in the annual report of the Group for the year ended December 31, 2007 in respect of matters required to be disclosed under paragraph 46(3) of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules").

10 COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions for Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code") in respect of dealing of the Company's shares by its directors. Each Director and Supervisor has confirmed to the Company that each of them has complied with the requirements set out in the Model Code.

11 COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions under the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules

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applicable during the six months ended June 30, 2008, except that from May 20, 2007 to May 16, 2008, the roles of the Chairman and the President of the Company were concurrently held by Mr Jiang Jiemin. On May 16, 2008, the First Meeting of the Fourth Session of the Board was convened at which Mr Jiang Jiemin resigned as the President of the Company and Mr Zhou Jiping was appointed as the President of the Company with immediate effect. Thereafter, the roles of the Chairman and the President of the Company are held by separate individuals and thereby the Company complies with the relevant requirement under the Code on Corporate Governance Practices.

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12 AUDIT COMMITTEE

The audit committee of the Company formed pursuant to Appendix 14 of the Listing Rules comprises Mr Franco Bernabe, Mr Chee-Chen Tung, Mr Cui Junhui and Mr Wang Guoliang. The main responsibilities of the audit committee are the review and monitoring of the financial reporting and the internal control mechanism of the Group and giving advice to the Board of Directors.

The audit committee of the Company has reviewed and confirmed the interim results announcement and the interim report for the six months ended June 30, 2008.

By Order of the Board of Directors
PETROCHINA COMPANY LIMITED
JIANG JIEMIN
Chairman
Beijing, the PRC
August 27, 2008

As at the date of this announcement, the Board of Directors comprises Mr Jiang Jiemin as the Chairman; Mr Zhou Jiping (Vice Chairman) and Mr Liao Yongyuan as executive Directors; Mr Wang Yilin, Mr Zeng Yukang, Mr Wang Fucheng, Mr Li Xinhua, Mr Wang Guoliang and Mr Jiang Fan as non-executive Directors; and Mr Chee-Chen Tung, Mr Liu Hongru, Mr Franco Bernabe, Mr Li Yongwu and Mr Cui Junhui as independent non-executive Directors.

This announcement contains certain forward-looking statements with respect to the financial position, financial results and business of the Group. These forward-looking statements are, by their nature, subject to significant risk and uncertainties because they relate to events and depend on circumstances that may occur in the future and are beyond our control. The forward-looking statements reflect the Group's current views with respect of future events and are not a guarantee of future performance. Actual results may differ from information contained in the forward-looking statements.

This announcement is published in English and Chinese. In the event of any inconsistency between the two versions, the Chinese version shall prevail.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this announcement to be signed on its behalf by the undersigned, thereunto duly authorized.

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PetroChina Company Limited

Dated: August 29, 2008

By: /s/ Li Huaiqi

Name: Li Huaiqi

Title: Company Secretary