

Edgar Filing: PETROCHINA CO LTD - Form 6-K

PETROCHINA CO LTD
Form 6-K
September 16, 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 September 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 with respect to the 2008 Interim Report.

2008 INTERIM REPORT
PETROCHINA COMPANY LIMITED

(photo)

CONTENTS

002	CORPORATE PROFILE
005	SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS
007	CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS
011	DIRECTORS' REPORT
030	SIGNIFICANT EVENTS
041	DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT
044	FINANCIAL STATEMENTS
145	DOCUMENTS AVAILABLE FOR INSPECTION
146	CONFIRMATION FROM THE DIRECTORS AND SENIOR MANAGEMENT

Edgar Filing: PETROCHINA CO LTD - Form 6-K

2008 INTERIM REPORT

1

IMPORTANT NOTICE

The Board of Directors (the "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 Interim Report, and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this Interim Report. There is no occupancy of non-operating funds by the substantial shareholders of the Company. This Interim Report has been approved during the Second Meeting of the Fourth Session of the Board (the "Meeting"). 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. 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 this Interim Report.

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.

CORPORATE PROFILE

The Company was established as a joint stock company with limited liability under the Company Law of the People's Republic of China (the "PRC" or "China") on November 5, 1999 as part of the restructuring of the China National Petroleum Corporation ("CNPC").

The Company and its subsidiaries (the "Group") are the largest oil and gas producer and seller occupying a leading position in the oil and gas industry in the PRC and one of the largest companies in the PRC in terms of revenue and one of the largest oil companies in the world. The Group engages in a broad range of petroleum and gas related activities including: the exploration, development, production and sales of crude oil and natural gas; the refining, transportation, storage and marketing of crude oil and petroleum products; the production and sales of basic petrochemical products, derivative chemical products and other chemical products; and the transmission of natural gas, crude oil and refined products, and the sales of natural gas.

The American Depositary Shares (the "ADSs"), H shares and A shares of the Company were listed on the New York Stock Exchange, Inc., The Stock Exchange of Hong Kong Limited ("HKSE" or "Hong Kong Stock Exchange") and Shanghai Stock Exchange on April 6, 2000, April 7, 2000 and November 5, 2007 respectively.

2008 INTERIM REPORT

2

Edgar Filing: PETROCHINA CO LTD - Form 6-K

Registered Chinese Name of the Company: (CHINESE CHARACTERS)
English Name of the Company: PetroChina Company Limited
Legal Representative of the Company: Jiang Jiemin
Secretary to the Board: Li Huaiqi
Address: World Tower
16 Andelu
Dongcheng District
Beijing, the People's Republic
of China
Telephone: 86(10) 8488 6270
Facsimile: 86(10) 8488 6260
Email Address: xwzou@petrochina.com.cn

Representative on Securities Matters
Address: Liang Gang
World Tower
16 Andelu
Dongcheng District
Beijing, the People's Republic
of China
Telephone: 86(10) 8488 6959
Facsimile: 86(10) 8488 6260
Email address: liangg@petrochina.com.cn

Representative of the Hong Kong
Address: Mao Zefeng
Suite 3606, Tower 2, Lippo
Centre
89 Queensway, Hong Kong
Telephone: (852) 2899 2010
Facsimile: (852) 2899 2390
Email Address: hko@petrochina.com.hk

Legal Address of the Company: World Tower
16 Andelu, Dongcheng District,
Beijing
The People's Republic of China
100011
Postal Code: 100011
Internet Website: <http://www.petrochina.com.cn>
Company's Email: xwzou@petrochina.com.cn

Newspapers for Information Disclosure:
A shares: China Securities Journal, Shanghai Securities News and Securities
Times

Internet Website Publishing this Interim Report designated by the China
Securities Regulatory Commission: <http://www.sse.com.cn>

Copies of this Interim Report is available at: World Tower, 16 Andelu,
Dongcheng District, Beijing,
the People's Republic of China

Edgar Filing: PETROCHINA CO LTD - Form 6-K

Places of Listing:
A shares: Shanghai Stock Exchange
Stock Name: PetroChina
Stock Code: 601857
H shares: The Stock Exchange of Hong Kong Limited
Stock Code: 857
ADS: The New York Stock Exchange, Inc.
Symbol: PTR

Other relevant information

Names and addresses of Auditors of the Company:

Domestic Auditors:

Name: PricewaterhouseCoopers Zhong Tian CPAs Company Limited
Address: 11th Floor PricewaterhouseCoopers Centre, 202 Hu Bin Road,
Shanghai, PRC

Overseas Auditors:

Name: PricewaterhouseCoopers
Address: 22nd Floor, Prince's Building, Central, Hong Kong

2008 INTERIM REPORT

4

SUMMARY OF ACCOUNTING DATA AND
FINANCIAL INDICATORS

1. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS PREPARED UNDER IFRS

ITEMS	AS AT THE END OF THE REPORTING PERIOD	AS AT THE END OF THE PRECEDING YEAR
Total assets	1,123,820	1,060,13
Equity attributable to equity holders of the Company	757,243	733,40
Net assets per share attributable to equity holders of the Company (RMB)	4.14	4.0

ITEMS	THE REPORTING PERIOD	SAME PERIOD OF THE PRECEDING YEAR
Profit attributable to equity holders of the Company	53,615	81,83
Net cash flows from operating activities	81,159	109,83
Basic and diluted earnings per share (RMB)	0.29	0.4
Net cash flows from operating activities per share (RMB)	0.44	0.6

2008 INTERIM REPORT

5

Edgar Filing: PETROCHINA CO LTD - Form 6-K

2. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS PREPARED UNDER CAS

ITEMS	AS AT THE END OF THE REPORTING PERIOD	AS AT THE END OF PRECEDING PERIOD
Total assets	1,059,396	99
Equity attributable to equity holders of the Company	696,149	67
Net assets per share attributable to equity holders of the Company (RMB)	3.80	

ITEMS	THE REPORTING PERIOD	SAME PERIOD OF PRECEDING PERIOD
Operating profit	70,725	10
Profit before taxation	73,206	10
Profit attributable to equity holders of the Company	48,355	7
Profit after deducting non-recurring profit/loss items attributable to equity holders of the Company	46,489	7
Basic earnings per share (RMB)	0.26	
Diluted earnings per share (RMB)	0.26	
Fully diluted return on net assets (%)	6.95	
Net cash flows from operating activities	84,006	11
Net cash flows per share from operating activities (RMB)	0.46	

3. NON-RECURRING PROFIT/LOSS ITEMS

NON-RECURRING PROFIT/LOSS ITEMS*	FOR THE SIX MONTHS
Loss on disposal of non-current assets	
Other net non-operating expenses	
Government grants	
Tax effect of non-recurring profit/loss items	
Total	

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

4. DIFFERENCES BETWEEN CAS AND IFRS

Net profit (including minority interest)
Equity (including minority interest)

Please refer to the supplemental information in
the financial statements of the Group
report for details.

Analysis of differences

2008 INTERIM REPORT

6

CHANGES IN SHARE CAPITAL AND
INFORMATION ON SHAREHOLDERS

1. CHANGES IN SHAREHOLDINGS

	PRE-MOVEMENT					CONVERSION FROM RESERVES	INCREASE FROM OTHERS
	NUMBER OF SHARES	PERCENTAGE (%)	NEW ISSUE	BONUS ISSUE			
I Shares with selling restrictions	158,922,077,818	86.83	-	-	-	-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	-	-	-	-	-		
of which:							
Shares held by companies other than state-owned companies	1,000,000,000	0.54	-	-	-	-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. RMB-denominated ordinary shares	3,000,000,000	1.64	-	-	-	+1,000,000,000	
2. Shares traded in							

Edgar Filing: PETROCHINA CO LTD - Form 6-K

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 - - -

POST-MOVEMENT

NUMBER OF SHARES PERCENTAGE
(%)

I Shares with selling
restrictions 157,922,077,818 86.29

1. State-owned shares 157,922,077,818 86.29

2. Shares held by
state-owned companies - -

3. Shares held by
other domestic
investors - -

of which:

Shares held by
companies other
than state-owned
companies 0 0

Shares held by
domestic
natural persons - -

4. Shares held
by foreign investors - -

II. Shares without
selling restrictions 25,098,900,000 13.71

1. RMB-denominated
ordinary shares 4,000,000,000 2.18

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

Edgar Filing: PETROCHINA CO LTD - Form 6-K

* 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 placees off-line, which have started circulation on the exchange since 5 February 2008.

2008 INTERIM REPORT

7

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

NAME OF SHAREHOLDERS	NATURE OF SHAREHOLDERS	NUMBER OF SHARES	PERCENTAGE OF SHAREHOLDING (%)	INCREASE /DECREASE DURING THE REPORTING PERIOD (+, -)	NUMBER OF SHARES
China National Petroleum Corporation ("CNPC") (1)	State-owned shares	157,922,077,818	86.29	0	157,922,077,818
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					

Edgar Filing: PETROCHINA CO LTD - Form 6-K

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.

2008 INTERIM REPORT

8

(2) SHAREHOLDINGS OF TOP TEN SHAREHOLDERS OF SHARES WITHOUT SELLING RESTRICTIONS

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

Edgar Filing: PETROCHINA CO LTD - Form 6-K

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.

2008 INTERIM REPORT

9

(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:

NAME OF SHAREHOLDER	NUMBER OF SHARES	CAPACITY	PERCENTAGE OF SUCH 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.

Edgar Filing: PETROCHINA CO LTD - Form 6-K

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. INFORMATION ON CHANGES OF CONTROLLING SHAREHOLDER AND THE ULTIMATE CONTROLLER

There was no change in the controlling shareholder or the ultimate controller during the reporting period.

2008 INTERIM REPORT

10

DIRECTORS' REPORT

The Board of the Company is pleased to present the Directors' report.

1. DISCUSSION AND ANALYSIS OF THE OVERALL OPERATIONS DURING THE REPORTING PERIOD

(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

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

Edgar Filing: PETROCHINA CO LTD - Form 6-K

o 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.

2008 INTERIM REPORT

11

o 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.

o 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.

2) Business Review

o 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 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.

Edgar Filing: PETROCHINA CO LTD - Form 6-K

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.

2008 INTERIM REPORT 12

(photo)

2008 INTERIM REPORT 13

Summary of Operations of the Exploration and Production Segment

	UNIT	FIRST HALF OF 2008
Crude oil output	Million barrels	434.
Marketable natural gas output	Billion cubic feet	923.
Oil and natural gas equivalent output	Million barrels	588.

o 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%

Edgar Filing: PETROCHINA CO LTD - Form 6-K

increase compared to RMB136 per ton for the same period of last year.

Summary of Operations of the Refining and Marketing Segment

	UNIT	FIRST HALF OF 2008	FIRST HALF
Processed crude oil	Million barrels	425.2	
Gasoline, kerosene and diesel output	'000 ton	36,787	
of which: Gasoline	'000 ton	11,861	
Kerosene	'000 ton	1,127	
Diesel	'000 ton	23,799	
Refining yield	%	92.7	

2008 INTERIM REPORT

14

o 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
Ethylene	'000 ton	1,319	1
Synthetic resin	'000 ton	2,036	1
Synthetic fibre raw materials and polymer	'000 ton	878	
Synthetic rubber	'000 ton	157	
Urea	'000 ton	2,046	1

(photo)

2008 INTERIM REPORT

15

Edgar Filing: PETROCHINA CO LTD - Form 6-K

o 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 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.

(photo)

2008 INTERIM REPORT

16

(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

o Consolidated Operating Results

Turnover 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	
FIRST HALF	FIRST HALF	PERCENTAGE OF	FIRST HALF	FIRST H

Edgar Filing: PETROCHINA CO LTD - Form 6-K

	OF 2008	OF 2007	CHANGE (%)	OF 2008	OF 2007
Crude oil*	8,988	9,642	(6.8)	5,086	3,086
Natural gas ('000 million cubic metre, RMB/'000 cubic metre)	248.98	207.54	20.0	821	421
Gasoline	14,506	13,396	8.3	5,698	5,698
Diesel	28,599	26,358	8.5	5,299	4,299
Kerosene	2,614	1,805	44.8	6,134	4,134
Heavy oil	4,138	4,464	(7.3)	3,529	2,529
Polyethylene	1,079	1,023	5.5	11,811	10,811
Lubricant	1,208	1,119	8.0	7,154	6,154

* 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:

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.

2008 INTERIM REPORT

17

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.

Edgar Filing: PETROCHINA CO LTD - Form 6-K

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 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.

2008 INTERIM REPORT

18

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

Edgar Filing: PETROCHINA CO LTD - Form 6-K

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.

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.

o 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 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.

2008 INTERIM REPORT

19

(photo)

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

Edgar Filing: PETROCHINA CO LTD - Form 6-K

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 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.

2008 INTERIM REPORT

20

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.

o 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

Edgar Filing: PETROCHINA CO LTD - Form 6-K

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
	RMB MILLION
Net cash flows generated from operating activities	81,159
Net cash flows used for investing activities	(67,339)
Net cash flows used for financing activities	(20,523)
Currency translation differences	49
Cash and cash equivalents as at the end of year	58,840
 2008 INTERIM REPORT	21

Net Cash Flows Generated From Operating Activities

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 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:

Edgar Filing: PETROCHINA CO LTD - Form 6-K

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

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

	AS AT JUNE 30, 2008	AS AT DECEMBER 31, 2007
	RMB MILLION	
To be repaid within one year	13,440	
To be repaid within one to two years	13,419	
To be repaid within two to five years	7,912	
To be repaid after five years	13,956	
	48,727	

2008 INTERIM REPORT

22

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%).

- o Capital Expenditures

Edgar Filing: PETROCHINA CO LTD - Form 6-K

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 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		EST
	RMB MILLION	(%)	RMB MILLION	(%)	RMB MILL
Exploration and Production	47,053*	65.6	42,196*	82.7	132,30
Refining and Marketing	6,527	9.1	4,841	9.5	23,0
Chemicals and Marketing	4,307	6.0	1,163	2.3	13,2
Natural Gas and Pipeline	12,845	17.9	2,471	4.8	37,7
Other	961	1.4	350	0.7	1,7
Total	71,693	100.0	51,021	100.0	207,9

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

2008 INTERIM REPORT

23

(photo)

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

Edgar Filing: PETROCHINA CO LTD - Form 6-K

exploration, and RMB90,500 million will be used for oil and gas development. Exploration will mainly emphasise on 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.

2008 INTERIM REPORT

24

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 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

Edgar Filing: PETROCHINA CO LTD - Form 6-K

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.

2008 INTERIM REPORT

25

2) The financial data set out below is extracted from and computed based on the audited financial statements of the Group prepared under CAS

* Principal operations by segment under CAS

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

* 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.

* Principal operations by regions under CAS

Edgar Filing: PETROCHINA CO LTD - Form 6-K

	FIRST HALF OF 2008	FIRST HALF OF 2007	CHANGE COMPARED WITH THE OF THE PRE
OPERATING INCOME	RMB MILLION	RMB MILLION	
PRC	519,845	380,444	
Other	29,677	12,282	
Total	549,522	392,726	

2008 INTERIM REPORT

26

(3) 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 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

Edgar Filing: PETROCHINA CO LTD - Form 6-K

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 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.

2008 INTERIM REPORT

27

2. UTILISATION OF PROCEEDS FROM FUND RAISING

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
COMMITTED PROJECT	PROPOSED INVESTMENT (RMB MILLION)	MODIFICATION OF THE PROJECT	ACTUAL INVESTMENT (RMB MILLION)	REALISED RETURN ON INVESTMENT
Project to increase the crude oil production capacity of Changqing Oilfield	6,840	No	4,342	To be confirmed only upon commissioning
Project to increase the crude oil production capacity of Daqing Oilfield	5,930	No	2,235	To be confirmed only upon commissioning
Project to increase the crude oil production capacity of Jidong Oilfield	1,500	No	495	To be confirmed only upon commissioning
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

Edgar Filing: PETROCHINA CO LTD - Form 6-K

Daqing Petrochemical 1.2 million tons/year ethylene redevelopment and expansion project	6,000	No	197	To be confirmed only upon commissioning
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 designated bank accounts maintained by the Company.			

2008 INTERIM REPORT 28

PROJECTS NOT FUNDED BY PROCEEDS FROM FUND RAISING

Unit: RMB Million

NAME OF PROJECT	TOTAL PROJECT AMOUNT	PROGRESS OF PROJECT	PROJECT
Dalian Petrochemical technological development project - processing 20 million tons of imported sulphur-bearing crude oil per year	10,789	Commissioning commenced in early August 2008.	To be co upon com
Guangxi Petrochemical project refining 10 million tons of crude oil per year	15,166	Installation of preliminary parts has been completed and construction has commenced.	To be co upon com
Sichuan Petrochemical project with an ethylene output of 0.8 million tons per year	21,019	Preliminary work of the project has been completed and ordering of equipment has commenced.	To be co upon com
Fushun Petrochemical one million tons per year ethylene technology development project	12,524	Preliminary work of the project has been completed and ordering of equipment has commenced.	To be co upon com
Lanzhou-Zhengzhou-Changsha Refined Oil Pipeline	11,429	Installation of preliminary parts has been completed and construction has commenced.	To be co upon com
Total	70,927	-	

By order of the Board

PetroChina Company Limited
Jiang Jiemin
Chairman
Beijing, PRC
August 27, 2008

2008 INTERIM REPORT

29

SIGNIFICANT EVENTS

1. GOVERNANCE OF THE COMPANY

During the reporting period, the Company has been operating in accordance with domestic and overseas regulatory requirements and continuously enhanced the level of its corporate governance. The members of the fourth session of the Board and the Supervisory Committee were elected and members of the senior management have been appointed. The Company has further amended the Articles of Association of the Company (the "Articles of Association"); adopted the Rules and Procedures of the Shareholders' General Meeting of the Company, the Rules and Procedures of the Board of the Company and Regulations on the Information Disclosure of the Company; revised the Rules of Organisation and Procedures of the Supervisory Committee and related rules and regulations. Through the co-ordination and checks and balances between the Shareholders' General Meeting, the Board and the respective specialised committees, the Supervisory Committee and the management led by the President of the Company together with the effective operations of the internal control systems, the internal management operations of the Company have been standardised and the level of its corporate governance has been further enhanced.

2. COMPLIANCE WITH 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 Rules Government the Listing of Securities on the Hong Kong Stock Exchange (the "Hong Kong Listing Rules") 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.

3. AMENDMENT TO ARTICLES OF ASSOCIATION

On May 15, 2008, the Company convened the annual general meeting of the Company for 2007 approving the proposed amendments to the Articles of Association. Details of the amendments have been set out in the circular to the shareholders of H shares dated March 28, 2008 and the meeting materials in respect of the annual general meeting of the Company published on the website of the Shanghai Stock Exchange (www.sse.com.cn) on May 9, 2008.

2008 INTERIM REPORT

30

Edgar Filing: PETROCHINA CO LTD - Form 6-K

4. DECLARATION OF FINAL DIVIDENDS FOR THE YEAR ENDED DECEMBER 31, 2007 AND INTERIM DIVIDENDS FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND CLOSURE OF REGISTER OF MEMBERS

(1) DECLARATION OF 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 of the Company 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.

(2) INTERIM DIVIDENDS FOR THE SIX MONTHS ENDED JUNE 30, 2008 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 June 30, 2008 on the basis of 45% of the profit attributable to 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 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).

5. IMPLEMENTATION OF STOCK OPTION PLANS DURING THE REPORTING PERIOD

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.

Edgar Filing: PETROCHINA CO LTD - Form 6-K

2008 INTERIM REPORT

31

6. MATERIAL LITIGATION AND ARBITRATION EVENTS

The Company was not involved in any material litigation or arbitration during the reporting period.

7. EXTERNAL INVESTMENTS

(1) During the reporting period, no disclosure is required to be made in respect of the shareholding of the Company in other listed companies.

(2) During the reporting period, no disclosure is required to be made in respect of the shareholding of the Company in commercial banks, securities companies, insurance companies, trust companies, future companies and other financial corporations.

8. ACQUISITION, SALE OF ASSETS AND RESTRUCTURING OF ASSETS

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	WH CON CO 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 v
	WHETHER CONTRACTUAL RIGHTS AND OBLIGATIONS HAVE BEEN FULLY TRANSFERRED				
Acquisition from CNPC of the assets and operations of the refined products	No				

marketing
operations and
assets

2008 INTERIM REPORT

32

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. Details of the transaction were published on the websites of the Hong Kong Stock Exchange and the Shanghai Stock Exchange on June 10, 2008.

9. PROPOSAL TO ISSUE DOMESTIC CORPORATE BONDS

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.

10. MATERIAL CONNECTED TRANSACTIONS

(1) ONE-OFF CONNECTED TRANSACTIONS

1) Acquisition of the inspection and maintenance services in relation to the refining and chemical operations in Northeast China

On April 28, 2008, the Company entered into an acquisition agreement with CNPC pursuant to which the Company has agreed to acquire the assets relating to the inspection and maintenance services in relation to the refining and chemical operations of six entities in Northeast China. Upon completion of the acquisition agreement, the Company will pay consideration in the sum of RMB43,832,200 to CNPC, representing the value of the net assets of the Northeast China inspection and maintenance operations as at September 30, 2007. The parties will adjust the consideration by reference to the net assets generated by the Northeast China inspection and maintenance operations for the period from October 1, 2007 to April 30, 2008 as shown in the management accounts. CNPC is the controlling shareholder of the Company. Pursuant to the Hong Kong Listing Rules and the Listing Rules of the Shanghai Listing Rules (the "Shanghai Listing Rules"), CNPC is a connected person of the Company and the acquisition constitutes a connected transaction of the Company. Details of the transaction were published on the websites of the Hong Kong Stock Exchange and the Shanghai Stock Exchange on April 28, 2008.

2) Acquisition of the refined products sales assets and business

On June 10, 2008, the Company entered into an acquisition agreement with CNPC pursuant to which the Company has agreed to acquire the refined products sales assets and business from CNPC. Upon completion of the acquisition agreement, the Company will pay consideration in the sum of RMB1,004,530,000 to CNPC, representing the value of the net assets of the refined products sales assets and business as at the valuation date of those asset and business. The parties will adjust the consideration by reference to the net assets generated by the refined products sales assets and business for the period from the valuation date to the completion date as shown in the management accounts. CNPC is the controlling shareholder of the Company. Pursuant to the Hong Kong Listing

Rules and Shanghai Listing Rules, CNPC is a connected person of the Company and the acquisition constitutes a connected transaction of the Company. Details of the transaction were published on the websites of the Hong Kong Stock Exchange and the Shanghai Stock Exchange on June 10, 2008.

2008 INTERIM REPORT

33

(2) CONTINUING CONNECTED TRANSACTION

Pursuant to the provision of the Hong Kong Listing Rules and Shanghai Listing Rules, as at the end of the reporting period, CNPC is directly interested in approximately 86.29% of the total issued share capital of the Company, transactions between the Group and CNPC constitute connected transactions of the Company. The Group and CNPC continue to carry out certain existing continuing connected transactions. The Company sought independent shareholders' approval at the general meeting held on November 8, 2005 for a renewal of the existing continuing connected transactions and the new continuing connected transactions and proposed the new caps for existing continuing connected transactions and the new continuing connected transactions for January 1, 2006 to December 31, 2008. The Company further sought independent shareholders' approval at the general meeting held on November 1, 2006 for a renewal of the caps for the existing continuing connected transactions for January 1, 2006 to December 31, 2008 which were previously approved by shareholders at the general meeting held on November 8, 2005.

The Group and CNPC will continue to carry out the existing continuing connected transactions referred to in the following agreements:

- 1) Comprehensive Products and Services Agreement, First Supplemental Comprehensive Agreement and Second Supplemental Comprehensive Agreement
- 2) Land Use Rights Leasing Contract
- 3) Buildings Leasing Contract and Buildings Supplementary Leasing Agreement
- 4) Intellectual Property Licensing Contracts
- 5) Contract for the Transfer of Rights under Production Sharing Contracts
- 6) Guarantee of Debts Contract

Details of the above agreements were set out in the section headed "Connected Transactions" of the 2007 annual report of the Company published on March 20, 2008.

(3) PERFORMANCE OF THE CONTINUING CONNECTED TRANSACTION DURING THE REPORTING PERIOD

During the reporting period, in accordance with the CAS, the transaction amounts of the connected transactions incurred between the Group and its connected parties were RMB111,916 million, of which the transaction amounts resulting from the sales of goods and provision of services by the Group to its connected parties amounted to RMB25,472 million, representing 4.64% of the total revenue of the Group, and the transaction amounts resulting from the purchase of goods and provision of services from the connected parties to the Group amounted to RMB86,444 million, representing 18.62% of the operating costs of the Group. The amounts provided by the Group to connected parties (associate companies) amounted to RMB366 million and the balance of the amounts provided by the connected parties to the Group amounted to RMB25,131 million.

Edgar Filing: PETROCHINA CO LTD - Form 6-K

(4) DETAILS OF THE CONNECTED TRANSACTIONS DURING THE REPORTING PERIOD HAVE BEEN SET OUT IN NOTE 9 TO THE FINANCIAL STATEMENTS OF THE GROUP PREPARED UNDER CAS AND NOTE 21 TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS OF THE GROUP PREPARED UNDER IFRS.

11. MATERIAL CONTRACTS AND PERFORMANCE

(1) DURING THE REPORTING PERIOD, THERE IS NO ARRANGEMENT FOR ENTRUSTMENT, CONTRACTING OR HIRING OF OTHER COMPANIES' ASSETS THAT WOULD ACCOUNT FOR MORE THAN 10% (INCLUDING 10%) OF THE ANNUAL PROFIT OF THE COMPANY IN THE RESPECTIVE YEAR.

2008 INTERIM REPORT

34

(2) MATERIAL GUARANTEE

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) as follows:

GUARANTEE PROVIDED TO	DATE OF OCCURRENCE (DATE OF EXECUTION OF AGREEMENT)	GUARANTEE AMOUNT	TYPE OF GUARANTEE	PERIOD OF GUARANTEE	WHETHER GUARANTEE EXPIRED
----- EXTERNAL GUARANTEES PROVIDED BY THE COMPANY (EXCLUDING GUARANTEES PROVIDED TO SUBSIDIARIES) -----					
Huahai Petroleum Transportation and Marketing Company Limited*	July 12, 2000	14	Joint and several liabilities	10 years	No
Huahai Petroleum Transportation and Marketing Company Limited*	September 24, 2001	37	Joint and several liabilities	11 years	No
Jinzhou Jinglian Lubricant Addicatives Company Limited*	October 21, 2003	18	Joint and several liabilities	5 years	No
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:					

Edgar Filing: PETROCHINA CO LTD - Form 6-K

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 asset	-
Aggregate amount of the above three types of guarantees	-

* for identification only

2008 INTERIM REPORT

35

(3) THE COMPANY DID NOT ENTRUST ANY OTHER PERSON TO CARRY OUT MONEY MANAGEMENT DURING THE REPORTING PERIOD NOR WERE THERE ANY SUCH ENTRUSTMENT THAT WAS EXTENDED FROM PRIOR PERIOD TO THE REPORTING PERIOD.

(4) OTHER MATERIAL CONTRACTS

Save as disclosed in this interim report, during the reporting period, the Company did not enter into any material contract which requires disclosure.

12. PERFORMANCE OF COMMITMENTS

Specific undertakings made by CNPC, the controlling shareholder of the Company, as at the end of the reporting period includes:

(1) According to the Restructuring Agreement entered into between CNPC and the Company on March 10, 2000, CNPC has undertaken to indemnify the Company against any claims or damages arising or resulting from certain matters in the Restructuring Agreement.

(2) According to the Non-Competition Agreement entered into between CNPC and the Company on March 10, 2000, CNPC has undertaken to the Company that CNPC will not, and will procure its subsidiaries not to, develop, operate, assist in operating nor participate in any businesses by itself or jointly with another company within or outside the PRC that will compete with or lead to competition with the core businesses of the Group. According to the Agreement, CNPC has also granted to the Company pre-emptive rights to transaction with regards to part of its assets.

(3) That for a period of 36 months commencing from the date of listing of the A shares of the Company on the Shanghai Stock Exchange, it will not transfer or entrust others for the management of the A shares which it holds, or allow such shares to be repurchased by the Company. However, certain shares held by CNPC, which may be subsequently listed on overseas stock exchanges after obtaining necessary approvals in the PRC, are not subject to the restriction of the 36-month lock-up period.

The above undertakings have been performed in accordance with the manner as disclosed in the section headed "Performance of Commitments" of the 2007 annual report of the Company and the performance of the above undertakings have not been affected.

13. ENGAGEMENT AND DISENGAGEMENT OF FIRM OF ACCOUNTANTS

Edgar Filing: PETROCHINA CO LTD - Form 6-K

The Company has, at the annual general meeting of the Company held on May 15, 2008, approved the continuation of appointment of PricewaterhouseCoopers Zhong Tian CPAs Company Limited as the domestic auditors of the Company and PricewaterhouseCoopers as the international auditors of the Company and authorised the Board to fix their remuneration. The interim financial reports prepared under CAS have been audited by PricewaterhouseCoopers Zhong Tian CPAs Company Limited, the signing certified public accountants of PricewaterhouseCoopers Zhong Tian CPAs Company Limited are Feng Heping and Zhang Liwen.

2008 INTERIM REPORT

36

14. PENALTIES ON THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER AND REMEDIES THERETO

During the reporting period, none of the Directors, Supervisors, senior management, controlling shareholders or de facto controllers were subject to any investigation by the China Securities Regulatory Commission, nor was there any administrative penalty, denial of participation in the securities market or deemed unsuitable to act as directors thereby.

15. 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.

16. INTERESTS OF DIRECTORS AND SUPERVISORS IN THE SHARE CAPITAL OF THE COMPANY

As at June 30, 2008, save as disclosed herein, none of the Directors or Supervisors had any interest and short positions in any shares, underlying shares or debentures of the Company or any associated corporation within the meaning of Part XV of the SFO required to be recorded in the register mentioned under Section 352 of the SFO or as otherwise notifiable to the Company and the Hong Kong Stock Exchange by the Directors and Supervisors pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

17. 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 (the "Model Code") set out in Appendix 10 to the Hong Kong Listing Rules 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.

18. AUDIT COMMITTEE

The audit committee of the Company formed pursuant to Appendix 14 to the Hong Kong 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.

2008 INTERIM REPORT

37

19. QUALIFIED ACCOUNTANT

In an announcement dated October 18, 2004, the Company announced that it had not been able to find a suitable accountant with professional accounting qualifications recognised to assume the position of qualified accountant as required under Rule 3.24 of the Hong Kong Listing Rules by September 30, 2004. The Company is still in the process of identifying suitable candidates with professional accounting qualifications to assist the Chief Financial Officer to oversee the compliance by the Company of the financial reporting and other related accounting matters. However, despite numerous attempts to find such a candidate, given the importance of the role and the function of the qualified accountant, the Company has still not been able to find a suitable candidate that meets all the requirements in Rule 3.24 of the Hong Kong Listing Rules. The Company is trying its best to identify a candidate with the appropriate qualifications, experience and understanding of the oil and gas industry to act as the joint qualified accountant to assist the Chief Financial Officer of the Company to carry out his duties. The Company will make an application for a 3-year waiver to the Hong Kong Stock Exchange when it has identified the joint qualified accountant.

20. OTHER SIGNIFICANT EVENTS

(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.

(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.

(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.

21. 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 Hong Kong Listing Rules.

2008 INTERIM REPORT

38

22. INDEX OF INFORMATION DISCLOSURE

MATTER

WEBSITE/NAME OF NEWSPAPER

DATE OF PUBLI

Edgar Filing: PETROCHINA CO LTD - Form 6-K

RELEAS

Announcement on the Circulation of A Shares Placed Offline (Lock-up period of 3 months)	Website of the Hong Kong Stock Exchange	January 31
	China Securities Journal, Shanghai Securities News and Securities Times	February 1
Announcement on the Date of Board Meeting	Website of the Hong Kong Stock Exchange	March 6,
Announcement on the delay in publication of results announcement	Website of the Hong Kong Stock Exchange, China Securities Journal, Shanghai Securities News and Securities Times	March 19,
Results announcement for the year ended December 31, 2007	Website of the Hong Kong Stock Exchange	March 19,
Announcement of the Resolutions Passed at the Seventh Meeting of the Third Session of the Supervisory Committee	China Securities Journal, Shanghai Securities News and Securities Times	March 20,
Announcement of the Resolutions Passed at the Tenth Meeting of the Third Session of the Board	China Securities Journal, Shanghai Securities News and Securities Times	March 20,
Summary of Annual Report	China Securities Journal, Shanghai Securities News and Securities Times	March 20,
Circular to shareholders of H share on the proposed amendment to the Articles of Association, general mandate to issue shares, proposed adoption of procedural rules and proposed re-election and appointment of directors and supervisors, reply slip and proxy form	Website of the Hong Kong Stock Exchange	March 28,
Notice of 2007 Annual General Meeting	Website of the Hong Kong Stock Exchange, China Securities Journal, Shanghai Securities News and Securities Times	March 28,
Annual Report for 2007	Website of the Hong Kong Stock Exchange	April 15,
Announcement on the Date of Board Meeting	Website of the Hong Kong Stock Exchange	April 16,
Supplemental Notice of 2007 Annual General Meeting, Supplemental proxy form	Website of the Hong Kong Stock Exchange, China Securities Journal, Shanghai Securities News and Securities Times	April 17,
Announcement on Financial Support Measures by the State to Ensure Supply of Crude Oil and Refined Products	Website of the Hong Kong Stock Exchange	April 20,
	China Securities Journal, Shanghai Securities News and Securities Times	April 21,

Edgar Filing: PETROCHINA CO LTD - Form 6-K

Announcement on Connected Transaction	Website of the Hong Kong Stock Exchange	April 28,
-----	Website of the Hong Kong Stock Exchange	April 28,
First Quarterly Report for 2008	China Securities Journal, Shanghai Securities News and Securities Times	April 29,
-----	China Securities Journal, Shanghai Securities News and Securities Times	April 29,
Announcement on the Resolutions Passed at the Meeting of the Board	China Securities Journal, Shanghai Securities News and Securities Times	April 29,
-----	Website of the Hong Kong Stock Exchange	May 15,
Announcement on the demise of director/ Change of directors and supervisors	Website of the Hong Kong Stock Exchange	May 15,

2008 INTERIM REPORT

39

MATTER	WEBSITE/NAME OF NEWSPAPER	DATE OF PUBLI RELEAS
-----	Website of the Hong Kong Stock Exchange	May 15,
Announcement on the Poll Results of the 2007 Annual General Meeting and Payment of Dividends	China Securities Journal, Shanghai Securities News and Securities Times	May 16,
-----	Website of the Hong Kong Stock Exchange	May 16,
Announcement on the Appointment of Chairman, Vice-Chairman and Senior Management	Website of the Hong Kong Stock Exchange	May 16,
-----	China Securities Journal, Shanghai Securities News and Securities Times	May 16,
Announcement on the Election of the Employees Supervisors at the Fourth Session of the Supervisory Committee	China Securities Journal, Shanghai Securities News and Securities Times	May 16,
-----	China Securities Journal, Shanghai Securities News and Securities Times	May 17,
Announcement on the Resolutions Passed at the First Meeting of the Fourth Session of the Board	China Securities Journal, Shanghai Securities News and Securities Times	May 17,
-----	China Securities Journal, Shanghai Securities News and Securities Times	May 17,
Announcement on the Resolutions Passed at the First Meeting of the Fourth Session of the Supervisory Committee	China Securities Journal, Shanghai Securities News and Securities Times	May 17,
-----	Website of the Hong Kong Stock Exchange	May 20,
Announcement on the Impact of Earthquake in Sichuan Province on the Company	China Securities Journal, Shanghai Securities News and Securities Times	May 21,
-----	China Securities Journal, Shanghai Securities News and Securities Times	May 23,
Announcement on the Declaration of Final Dividends for 2007 to shareholders of A shares	China Securities Journal, Shanghai Securities News and Securities Times	May 23,
-----	Website of the Hong Kong Stock Exchange	June 11,
Announcement on Connected Transaction - Acquisition of Refined Products Sales Assets and Business	Website of the Hong Kong Stock Exchange	June 11,

Edgar Filing: PETROCHINA CO LTD - Form 6-K

Announcement on the Proposed Issue of Domestic Corporate Bonds in the PRC	Website of the Hong Kong Stock Exchange	June 11,
Announcement on the Resolutions Passed at the Meeting of the Board	China Securities Journal, Shanghai Securities News and Securities Times	June 11,
Circular to shareholders of H shares on the Proposed Issue of Domestic Corporate Bonds in the PRC, proxy form and reply slip	Website of the Hong Kong Stock Exchange	June 11,
Notice of Extraordinary General Meeting	Website of the Hong Kong Stock Exchange, China Securities Journal, Shanghai Securities News and Securities Times	June 12,
Announcement on the Poll Results of Extraordinary General Meeting	Website of the Hong Kong Stock Exchange China Securities Journal, Shanghai Securities News and Securities Times	July 31, August 1,
Announcement on the Resolutions Passed at the Meeting of the Board	China Securities Journal, Shanghai Securities News and Securities Times	August 26,

2008 INTERIM REPORT

40

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. ELECTION OF MEMBERS OF THE FOURTH SESSION OF BOARD OF DIRECTORS, MEMBERS OF THE FOURTH SESSION OF SUPERVISORY COMMITTEE AND APPOINTMENT OF SENIOR MANAGEMENT AND CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

In the first half of 2008, the term of the third session of Board of Directors and the third session of Supervisory Committee expired. On May 15, 2008, the Company held the annual general meeting for 2007 at which members of the fourth session of Board of Directors and shareholder representative Supervisors of the fourth session of Supervisory Committee were elected. At the same time, the employees of the Company elected Mr Wang Yawei, Mr Qin Gang and Ms Wang Shali as employee representative Supervisors of the fourth session of Supervisory Committee who formed the fourth session of Supervisory Committee with the shareholder representative Supervisors.

The new session of Board of Directors shall comprise 14 members. Amongst the members of the last session of Board of Directors, apart from Mr Zheng Hu and Mr Gong Huazhang who retired from their offices due to reaching retirement age and Mr Duan Wende who passed away due to illness, all other Directors of the Company were re-elected to be the members of the new session of Board of Directors. In addition, there shall be six more Directors in the new session of the Board of Directors (namely Mr Wang Fucheng, Mr Li Xinhua, Mr Liao Yongyuan, Mr Wang Guoliang, Mr Li Yongwu and Mr Cui Junhui), of whom Mr Li Yongwu and Mr Cui Junhui shall be appointed independent non-executive Directors of the Company.

The new session of Supervisory Committee shall comprise 9 members. Amongst the members of the last session of Supervisory Committee, apart from Mr Zhang Jinzhu who retired from his office due to reaching retirement age and Mr Wang Fucheng and Mr Li Yongwu who resigned from their office as Supervisors before their commencing their office as Directors of the Company, all other Supervisors

Edgar Filing: PETROCHINA CO LTD - Form 6-K

of the Company were re-elected to be the members of the new session of Supervisory Committee. In addition, there shall be five more members in the new session of Supervisor Committee (namely Mr Chen Ming, Mr Yu Yibo, Mr Wang Yawei, Ms Wang Shali and Mr Li Yuan), in which Mr Wang Yawei and Ms Wang Shali shall be the employee representative Supervisors and Mr Li Yuan shall be an independent supervisor of the Company.

2008 INTERIM REPORT

41

On May 16, 2008, the Company held the first meeting of the fourth session of Board of Directors, at which Mr Jiang Jiemin was elected to be the Chairman of the Board of Directors of the Company and Mr Zhou Jiping be the Vice Chairman of the Board of Directors of the Company. Mr Zhou Jiping was also appointed as the President of the Company. Mr Zhao Zhengzhang was appointed to be the Vice President of the Company. Mr Wang Daofu was appointed to be the Chief Geologist of the Company. Mr Huang Weihe was appointed to be the Chief Engineer of the Company.

In the afternoon of May 15, 2008, the Company held the first meeting of the fourth session of Supervisory Committee, at which Mr Chen Ming was elected to be the Chairman of the fourth session of Supervisory Committee of the Company.

2. BASIC PARTICULARS OF THE CURRENT DIRECTORS, SUPERVISORS AND OTHER SENIOR MANAGEMENT

Directors

NAME	GENDER	AGE	POSITION
Jiang Jiemin	Male	52	Chairman of the Board of Directors
Zhou Jiping	Male	56	Vice Chairman, President
Wang Yilin	Male	51	Non-executive Director
Zeng Yukang	Male	57	Non-executive Director
Wang Fucheng	Male	58	Non-executive Director
Li Xinhua	Male	55	Non-executive Director
Liao Yongyuan	Male	45	Executive Director, Vice President
Wang Guoliang	Male	55	Non-executive Director
Jiang Fan	Male	45	Non-executive Director
Chee-Chen Tung	Male	65	Independent Non-executive Director
Liu Hongru	Male	77	Independent Non-executive Director
Franco Bernabe	Male	59	Independent Non-executive Director
Li Yongwu	Male	64	Independent Non-executive Director

Edgar Filing: PETROCHINA CO LTD - Form 6-K

Cui Junhui	Male	62	Independent Non-executive Director
------------	------	----	------------------------------------

Supervisors

NAME	GENDER	AGE	POSITION
Chen Ming	Male	57	Chairman of the Supervisory Board
Wen Qingshan	Male	49	Supervisor
Sun Xianfeng	Male	55	Supervisor
Yu Yibo	Male	44	Supervisor
Wang Yawei	Male	53	Employee Supervisor
Qin Gang	Male	54	Employee Supervisor
Wang Shali	Female	53	Employee Supervisor
Wu Zhipan	Male	51	Independent Supervisor
Li Yuan	Male	61	Independent Supervisor

2008 INTERIM REPORT

42

Particulars of other Senior Management

NAME	GENDER	AGE	POSITION
Sun Longde	Male	46	Vice President
Shen Diancheng	Male	49	Vice President
Liu Hongbin	Male	45	Vice President
Zhou Mingchun	Male	41	Chief Financial Officer
Li Hualin	Male	45	Vice President
Zhao Zhengzhang	Male	51	Vice President
Lin Aiguo	Male	50	Chief Engineer
Wang Daofu	Male	52	Chief Geologist

Edgar Filing: PETROCHINA CO LTD - Form 6-K

Huang Weihe	Male	50	Chief Engineer
Li Huaiqi	Male	59	Secretary to the Board of Directors

Information on the Changes in the Shareholding in the Company Held by the Directors, Supervisors and Senior Management

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 shares	56,500	-	-	56,500
Wang Shali	Supervisor	A shares	7,000	-	-	7,000
		H shares	18,000	-	-	18,000

2008 INTERIM REPORT

43

(PRICEWATERHOUSECOOPERS LOGO)

PricewaterhouseCoopers Zhong Tian
CPAs Limited Company
11/F PricewaterhouseCoopers Centre
202 Hu Bin Road
Shanghai 200021
P.R.C
Tel:+86 (21) 2323 8888
Fax:+86 (21) 2323 8800

REPORT OF THE AUDITORS

PWC ZT SHEN ZI (2008) NO. 10056
(PAGE 1/2)

TO THE SHAREHOLDERS OF PETROCHINA COMPANY LIMITED:

We have audited the accompanying financial statements of PetroChina Company Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated and company balance sheets as at June 30, 2008, and the consolidated and company income statements, the consolidated and company cash flow statements and the consolidated and company statements of changes in equity for the six months ended June 30, 2008 and notes to these financial statements.

Edgar Filing: PETROCHINA CO LTD - Form 6-K

1. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of these financial statements in accordance with the Accounting Standards for Business Enterprises. This responsibility includes:

(i) Designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error;

(ii) Selecting and applying appropriate accounting policies; and

(iii) Making accounting estimates that are reasonable in the circumstances.

2. AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Auditing Standards for Certified Public Accountants of China. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

2008 INTERIM REPORT

44

PWC ZT SHEN ZI (2008) NO. 10056
(PAGE 2/2)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3. OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company and of the Group as at June 30, 2008, and their financial performance and cash flows for the six months ended June 30, 2008 in accordance with the Accounting Standards for Business Enterprises.

Edgar Filing: PETROCHINA CO LTD - Form 6-K

PricewaterhouseCoopers Zhong
Tian CPAs Limited Company

Certified Public
Accountant

Heping Feng

Shanghai, the People's Republic
of China, August 27, 2008

Certified Public
Accountant

Liwen Zhang

2008 INTERIM REPORT

45

PETROCHINA COMPANY LIMITED
CONSOLIDATED AND COMPANY BALANCE SHEETS AS AT
JUNE 30, 2008
(All amounts in RMB millions unless otherwise stated)

		JUNE 30, 2008	DECEMBER 31, 2007	JUNE 30, 2008	DECEMBER 31, 2007
ASSETS	NOTES	THE GROUP	THE GROUP	THE COMPANY	THE COMPANY
Current assets					
Cash at bank and on hand	7(1)	74,377	88,589	58,730	
Notes receivable	7(2)	5,832	4,735	5,628	
Accounts receivable	7(3a)	27,726	18,419	3,365	
Advances to suppliers	7(4)	51,042	20,386	40,262	
Interest receivable		242	109	242	
Dividends receivable		25	18	85	
Other receivables	7(3b)	16,964	15,444	23,757	
Inventories	7(5)	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	7(6)	2,147	2,530	1,098	
Long-term equity investments	7(7)	26,855	22,686	120,707	
Fixed assets	7(8)	239,884	247,803	193,382	
Oil and gas properties	7(9)	319,957	326,328	228,086	
Construction in progress	7(11)	134,260	105,634	108,816	
Construction materials	7(10)	8,681	6,927	6,159	
Fixed assets pending disposal		481	287	481	
Intangible assets	7(12)	20,943	20,022	16,944	
Goodwill		148	-	-	
Long-term prepaid expenses	7(13)	12,402	12,028	10,365	
Deferred tax assets	7(26a)	18,288	12,871	12,989	
Other non-current assets		536	748	-	
Total non-current assets		784,582	757,864	699,027	

Edgar Filing: PETROCHINA CO LTD - Form 6-K

TOTAL ASSETS	1,059,396	994,092	911,829
	=====	=====	=====

The accompanying notes form an integral part of these financial statements.

Chairman Jiang Jiemin	President Zhou Jiping	Chief Financial Officer Zhou Mingchun
2008 INTERIM REPORT		
46		

PETROCHINA COMPANY LIMITED
CONSOLIDATED AND COMPANY BALANCE SHEETS AS AT JUNE 30,
2008 (CONTINUED)
(All amounts in RMB millions unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	NOTES	JUNE 30, 2008 THE GROUP	DECEMBER 31, 2007 THE GROUP	JUNE 30, 2008 THE COMPANY	DECEMBER 31, 2007 THE COMPANY
Current liabilities					
Short-term borrowings	7(15)	25,817	18,734	31,224	
Notes payable	7(16)	1,059	1,143	-	
Accounts payable	7(17)	117,590	104,460	73,848	
Advances from customers	7(18)	15,177	12,433	12,309	
Employee compensation payable	7(19)	7,961	11,585	6,768	
Taxes payable	7(20)	22,262	22,808	5,668	
Interest payable		178	173	86	
Dividends payable		874	89	-	
Other payables	7(21)	35,912	17,849	69,696	
Provisions	7(22)	560	715	61	
Current portion of non-current liabilities	7(23)	13,440	11,652	11,777	
Other current liabilities		12	13	-	
Total current liabilities		240,842	201,654	211,437	
Non-current liabilities					
Deferred income		79	76	61	
Long-term borrowings	7(24)	31,044	35,305	23,543	
Debentures payable	7(25)	4,243	4,383	3,500	
Long-term payables		57	57	56	
Grants payable		743	774	681	
Provisions	7(22)	25,966	24,761	16,081	
Deferred tax liabilities	7(26b)	13,550	11,883	7,466	
Other non-current liabilities		127	128	123	

Edgar Filing: PETROCHINA CO LTD - Form 6-K

Total non-current liabilities		75,809	77,367	51,511
Total liabilities		316,651	279,021	262,948
Shareholders' equity				
Share capital	7(27)	183,021	183,021	183,021
Capital surplus	7(28)	122,019	122,192	125,683
Surplus reserves	7(29)	102,696	102,696	91,596
Undistributed profits	7(30)	290,191	270,544	248,581
Currency translation differences		(1,778)	(1,086)	-
Equity attributable to equity holders of the Company		696,149	677,367	648,881
Minority interest	7(31)	46,596	37,704	-
Total shareholders' equity		742,745	715,071	648,881
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,059,396	994,092	911,829

The accompanying notes form an integral part of these financial statements.

Chairman
Jiang Jiemin

President
Zhou Jiping

Chief Financial Officer
Zhou Mingchun

2008 INTERIM REPORT

47

PETROCHINA COMPANY LIMITED
CONSOLIDATED AND COMPANY INCOME STATEMENTS FOR THE SIX
MONTHS ENDED JUNE 30, 2008
(All amounts in RMB millions unless otherwise stated)

ITEMS	NOTES	FOR THE SIX MONTHS ENDED JUNE 30, 2008	FOR THE SIX MONTHS ENDED JUNE 30, 2007	FOR THE SIX MONTHS ENDED JUNE 30, 2008	FOR THE SIX MONTHS ENDED JUNE 30, 2007
		THE GROUP	THE GROUP	THE COMPANY	THE COMPANY
1. Operating income	7(32)	549,522	392,726	393,015	293,015
Less: Cost of sales	7(32)	(361,287)	(223,140)	(310,500)	(293,015)
Tax and levies on operations	7(33)	(61,891)	(26,853)	(37,130)	(37,130)
Selling expenses		(21,576)	(19,075)	(17,078)	(17,078)

Edgar Filing: PETROCHINA CO LTD - Form 6-K

General and administrative expenses		(29,562)	(21,475)	(23,565)
Finance expenses	7 (34)	(1,448)	(1,656)	(205)
Asset impairment losses	7 (35)	(7,330)	2,317	(7,315)
Add: Investment income	7 (36)	4,297	3,090	44,104
2. Operating profit		70,725	105,934	41,326
Add: Non-operating income	7 (37a)	5,614	1,441	4,606
Less: Non-operating expenses	7 (37b)	(3,133)	(1,081)	(1,766)
3. Profit before taxation		73,206	106,294	44,166
Less: Taxation	7 (38)	(17,909)	(25,997)	5,107
4. Net profit		55,297	80,297	49,273
Net profit attributable to equity holders of the Company		48,355	75,882	49,273
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)	7 (39)	0.26	0.42	0.27
Diluted earnings per share (RMB, Yuan)	7 (39)	0.26	0.42	0.27

The accompanying notes form an integral part of these financial statements.

Chairman
Jiang Jiemin

President
Zhou Jiping

Chief Financial Officer
Zhou Mingchun

2008 INTERIM REPORT

48

PETROCHINA COMPANY LIMITED
CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS FOR THE
SIX MONTHS ENDED JUNE 30, 2008
(All amounts in RMB millions unless otherwise stated)

ITEMS	NOTES	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	THE GROUP	THE COMPANY

1. CASH FLOWS FROM OPERATING ACTIVITIES

Edgar Filing: PETROCHINA CO LTD - Form 6-K

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)
NET CASH FLOWS FROM OPERATING ACTIVITIES	7 (40a) 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)
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 to other financing activities	24	64	21
SUB-TOTAL OF CASH INFLOWS	46,528	28,738	27,893

Edgar Filing: PETROCHINA CO LTD - Form 6-K

2008 INTERIM REPORT

49

PETROCHINA COMPANY LIMITED
 CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS FOR THE
 SIX MONTHS ENDED JUNE 30, 2008 (CONTINUED)
 (All amounts in RMB millions unless otherwise stated)

ITEMS	NOTES	FOR THE SIX MONTHS	FOR THE SIX MONTHS	FOR THE SIX MONTHS
		ENDED JUNE 30, 2008	ENDED JUNE 30, 2007	ENDED JUNE 30, 2008
		THE GROUP	THE GROUP	THE COMPANY
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	7 (40b)	65,494	48,559	60,332
6. CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	7 (40c)	58,840	71,771	48,730

The accompanying notes form an integral part of these financial statements.

Chairman
 Jiang Jiemin

President
 Zhou Jiping

Chief Financial
 Zhou Mingc

PETROCHINA COMPANY LIMITED
 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX
 MONTHS ENDED JUNE 30, 2008
 (All amounts in RMB millions unless otherwise stated)

ITEMS	SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE COMPANY			
	SHARE CAPITAL	CAPITAL SURPLUS	SURPLUS RESERVES	UNDISTRIBUTED PROFITS
Balance at January 1, 2007	179,021	59,797	89,928	213,255
Changes in the six months ended June 30, 2007	-	(64)	-	48,188
Net profit	-	-	-	75,882
Losses recognised directly in equity	-	(64)	-	-
Currency translation differences	-	-	-	-
Purchase of minority interest in subsidiaries	-	(64)	-	-
Other	-	-	-	-
Sub-total	-	(64)	-	75,882
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

PETROCHINA COMPANY LIMITED
 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX
 MONTHS ENDED JUNE 30, 2008 (CONTINUED)
 (All amounts in RMB millions unless otherwise stated)

ITEMS	SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE COMPANY				
	SHARE CAPITAL	CAPITAL SURPLUS	SURPLUS RESERVES	UNDISTRIBUTED PROFITS	CURRENCY TRANSLATION DIFFERENCES

Edgar Filing: PETROCHINA CO LTD - Form 6-K

Balance at January 1, 2008	183,021	122,192	102,696	270,544
Changes in the six months ended June 30, 2008	-	(173)	-	19,647
Net profit	-	-	-	48,355
Losses recognised directly in equity	-	(173)	-	-
Currency translation differences	-	-	-	-
Purchase of minority interest in subsidiaries	-	(15)	-	-
Fair value changes of available-for-sale financial assets	-	(158)	-	-
Other	-	-	-	-
Sub-total	-	(173)	-	48,355
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

The accompanying notes form an integral part of these financial statements.

Chairman
Jiang Jiemin

President
Zhou Jiping

Chief Financial
Zhou Mingbo

2008 INTERIM REPORT

52

PETROCHINA COMPANY LIMITED
COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE SIX
MONTHS ENDED JUNE 30, 2008
(All amounts in RMB millions unless otherwise stated)

ITEMS	SHARE CAPITAL	CAPITAL SURPLUS	SURPLUS RESERVES	UNDISTRIBUTED PROFITS
Balance at January 1, 2007	179,021	63,348	78,828	177,618

Edgar Filing: PETROCHINA CO LTD - Form 6-K

Changes in the six months ended June 30, 2007	-	(4)	-	45,754
Net profit	-	-	-	73,448
Losses recognised directly in equity	-	(4)	-	-
Currency translation differences related to investment in associates and jointly controlled entities	-	(4)	-	-
Sub-total	-	(4)	-	73,448
Profit distribution	-	-	-	(27,694)
Distribution to shareholders	-	-	-	(27,694)
Balance at June 30, 2007	179,021	63,344	78,828	223,372
Balance at January 1, 2008	183,021	125,848	91,596	228,016
Changes in the six months ended June 30, 2008	-	(165)	-	20,565
Net profit	-	-	-	49,273
Losses recognised directly in equity	-	(165)	-	-
Currency translation differences related to investment in associates and jointly controlled entities	-	(5)	-	-
Fair value changes of available-for-sale financial assets	-	(160)	-	-
Sub-total	-	(165)	-	49,273
Profit distribution	-	-	-	(28,708)
Distribution to shareholders	-	-	-	(28,708)
Balance at June 30, 2008	183,021	125,683	91,596	248,581

The accompanying notes form an integral part of these financial statements.

Chairman
Jiang Jiemin

President
Zhou Jiping

Chief Financial
Zhou Mingco

Edgar Filing: PETROCHINA CO LTD - Form 6-K

PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

1 COMPANY BACKGROUND

PetroChina Company Limited (the "Company") was established as a joint stock company with limited liability on November 5, 1999 by China National Petroleum Corporation ("CNPC") as the sole proprietor in accordance with the approval Guo Jing Mao Qi Gai [1999] No. 1024 "Reply on the approval of the establishment of PetroChina Company Limited" from the State Economic and Trade Commission of the People's Republic of China (the "China" or "PRC"). CNPC restructured ("the Restructuring") and injected its core business in exploration, development, production and sale of crude oil and natural gas, refining and marketing of petroleum products, production and sale of chemicals and research and development activities, and the related assets and liabilities into the Company. CNPC is a wholly state-owned company registered in China. The Company and its subsidiaries are collectively referred to as the "Group".

The Group is principally engaged in: the exploration, development, production and sale of crude oil and natural gas, the refining and marketing of the petroleum products, the production and sale of chemicals, etc.. The principal subsidiaries of the Group are listed in Note 6.

The financial statements were approved by the Board of Directors on August 27, 2008.

2 BASIS OF PREPARATION

The financial statements of the Group are prepared in accordance with the Basic Standard and 38 specific standards of Accounting Standards for Business Enterprises issued by the Ministry of Finance (the "MOF") on February 15, 2006, Application Guidance of Accounting Standard for Business Enterprises, Interpretation of Accounting Standards for Business Enterprises and other regulations issued thereafter (hereafter referred to as the "Accounting Standard for Business Enterprises", "China Accounting Standards" or "CAS").

3 STATEMENT OF COMPLIANCE WITH THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The consolidated and the company's financial statements for the six months ended June 30, 2008 truly and completely present the financial position of the Group and the Company as at June 30, 2008 and their financial performance and their cash flows for the six months ended June 30, 2008 in compliance with the Accounting Standards for Business Enterprises.

2008 INTERIM REPORT

54

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

4 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) ACCOUNTING PERIOD

The accounting period of the Group starts on January 1 and ends on December 31.

Edgar Filing: PETROCHINA CO LTD - Form 6-K

(2) RECORDING CURRENCY

The recording currency of the Company and most of its subsidiaries is Renminbi ("RMB"). The Group's consolidated financial statements are presented in RMB.

(3) FOREIGN CURRENCY TRANSLATION

(A) FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are translated into RMB at the exchange rates prevailing at the date of the transactions.

Monetary items denominated in foreign currencies at the balance sheet date are translated into RMB at the exchange rates prevailing at the balance sheet date. Exchange differences arising from these translations are recognised in the income statement. Non-monetary items denominated in foreign currencies measured at historical cost are translated into RMB at the historical exchange rates prevailing at the date of the transactions at the balance sheet date.

(B) TRANSLATION OF FINANCIAL STATEMENTS REPRESENTED IN FOREIGN CURRENCY

Assets and liabilities of each balance sheet of the foreign operations are translated into RMB at the closing rates at the balance sheet date, while the equity items are translated into RMB at the exchange rates at the date of the transactions, except for the retained earnings. Income and expenses for each income statement of the foreign operations are translated into RMB at the average exchange rates for the year. The currency translation differences resulted from the above-mentioned translations are recognised as a separate component of equity. The cash flows denominated in foreign currencies and cash flows of overseas subsidiaries are translated into RMB at the approximate exchange rates at the date of the transactions. The impact on the cash flow resulted from the foreign currency translation is presented in the cash flow statement separately.

2008 INTERIM REPORT

55

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(4) CASH AND CASH EQUIVALENTS

In the cash flow statement, cash refers to all cash on hand and deposit held at call with banks. Cash equivalents refer to short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(5) FINANCIAL ASSETS

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets and held-to-maturity investments. The classification depends on the Group's intention and the ability to hold the financial assets. The Group only holds loans and receivables and available-for-sale financial assets during the reporting period.

Edgar Filing: PETROCHINA CO LTD - Form 6-K

(A) LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, including accounts receivable, notes receivable, other receivables and cash at bank and on hand etc..

(B) AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are non-derivative that are either designated in this category at initial recognition or not classified in any of the other categories. They are included in other current assets on the balance sheet if they are intended to be sold within 12 months of the balance sheet date.

(C) RECOGNITION AND MEASUREMENT

Financial assets are recognised at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the instrument. Related transaction costs of loans and receivables and available-for-sale financial assets are recognised into the initial recognition costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or all substantial risks and rewards of ownership have been transferred to the transferee.

Available-for-sale financial assets are subsequently measured at fair value. The investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost. Loans and receivables are stated at amortised costs using the effective interest method.

2008 INTERIM REPORT

56

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

Changes in the fair values of available-for-sale financial assets are recorded into equity except for impairment losses and foreign exchange gains and losses arising from the transaction of monetary financial assets denominated in foreign currencies. When the financial asset is derecognised, the cumulative changes in fair value previously recognised in equity will be recognised in the income statement. The interest of the available-for-sale debt instruments calculated using the effective interest method is recognised as investment income. The cash dividend from the available-for-sale equity instruments is recognised as investment income when the dividend is declared.

(D) IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses the carrying amount of financial assets at each balance sheet date. If there is objective evidence that a financial asset is impaired, an impairment provision shall be made.

If a financial asset carried at amortised cost is impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow (excluding future credit losses that have not been incurred). If there is objective evidence that can prove the value of such financial asset has been recovered, and that it is related to events occurring subsequent to the recognition of impairment, the previously recognised impairment losses shall be reversed and the amount of the reversal will be recognised in the income statement.

Edgar Filing: PETROCHINA CO LTD - Form 6-K

When there is significant or nontemporary decline in the fair value of an available-for-sale financial asset, the cumulative losses that have been recognised in equity as a result of the decline in the fair value shall be removed from equity and recognised as impairment losses in the income statement. For an investment in debt instrument classified as available-for-sale on which impairment losses have been recognised, if in a subsequent period the fair value increases and the increase can be objectively related to an event occurring after the impairment losses were recognised, the previously recognised impairment losses shall be reversed, and recognised in the income statement. For an investment in an equity instrument classified as available-for-sale on which impairment losses have been recognised in a subsequent period, if its fair value increases and the increase can be objectively related to an event occurring after the impairment losses were recognised in the income statement, the impairment losses shall be reversed and directly recognised in equity. The impairment losses for an investment in an equity instrument that do not have quoted market prices in active markets and whose fair value cannot be reliably measured shall not be reversed even if the value of such instruments have been recovered in a subsequent period.

2008 INTERIM REPORT

57

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(6) INVENTORIES

Inventories include crude oil and other raw materials, work in progress, finished goods and turnover materials, and are presented at the lower of cost and net realisable value.

Cost of inventories is determined primarily using the weighted average method. The cost of finished goods and work in progress comprises cost of raw materials, direct labour and production overheads allocated based on normal operating capacity. Turnover materials include low cost consumables and packaging materials which are expensed off in full when utilised.

Provision for decline in the value of inventories is measured as the excess of the carrying value of the inventories over their net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost to completion and estimated selling expenses and related taxes.

The Group adopts perpetual inventory system.

(7) LONG-TERM EQUITY INVESTMENTS

Long-term equity investments comprise the Company's equity investments in subsidiaries, and the Group's equity investments in jointly controlled entities and associates.

(A) SUBSIDIARIES

Subsidiaries are those entities over which the Group is able to control, i.e. has the power to govern the financial and operating policies so as to obtain benefits from the operating activities of these investees. The potential voting rights, including currently convertible company bonds and exercisable

Edgar Filing: PETROCHINA CO LTD - Form 6-K

share warrants, are considered when assessing whether the Group has controls over the investees. Investments in subsidiaries are accounted for at cost in the financial statements of the Company and are consolidated after being adjusted by the equity method accounting in consolidated financial statements.

Long-term equity investments accounted for at cost are measured at the initial investment cost. The cash dividends or profit distributions declared by the investees are recognised as investment income in current period which are limited to the accumulated profits of the investee arising after the investment was made. The cash dividends or profit distributions received in excess of such amounts are recorded as a recovery of investment.

A listing of the Group's principal subsidiaries is set out in Note 6.

2008 INTERIM REPORT

58

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(B) JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

Jointly controlled entities are those over which the Group is able to exercise joint control together with other ventures. Associates are those in which the Group has significant influence over the financial and operating policies.

The investments in jointly controlled entities and associates are initially recognised at cost and are subsequently accounted for using the equity method accounting. The excess of the initial cost of the investment over the share of the fair value of the investee's net identifiable assets is included in the initial cost of the investment. While the excess of the share of the fair value of the investee's net identifiable assets over the cost of the investment is instead recognised in the income statement in the period in which the investment is acquired and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method accounting, the Group's share of its investees' post-acquisition profits or losses is recognised in the income statement. When the Group's share of losses of an investee equals or exceeds the carrying amount of the long-term equity investment and other long-term interests which substantively form the net investment in the investee, the Group does not recognise further losses, unless it has obligations to bear extra losses which meet the criteria of recognition for liabilities according to the related standards for contingencies. Movements in the investee's equity other than profit or loss should be proportionately recognised in the Group's capital surplus, provided that the share interest of the investee remained unchanged. The share of the investee's profit distribution or cash dividends declared is accounted for as a reduction of the carrying amount of the investment upon declaration. The profits or losses arising from the intra-group transactions between the Group and its investees are eliminated to the extent of the Group's interests in the investees, on the basis of which the investment income or losses are recognised. The loss on the intra-group transaction between the Group and its investees, of which nature is asset impairment, is recognised in full amount, and the relevant unrealised loss is not allowed to be eliminated.

A listing of the Group's principal jointly controlled entities and associates is set out in Note 7(7a).

(C) IMPAIRMENT OF LONG-TERM EQUITY INVESTMENT

Edgar Filing: PETROCHINA CO LTD - Form 6-K

The carrying amount of long-term equity investment is written down to its recoverable amount when the recoverable amount is lower than the carrying amount (Note 4(14)).

2008 INTERIM REPORT

59

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(8) FIXED ASSETS

Fixed assets comprise buildings, equipment and machinery, motor vehicles and other. Fixed assets purchased or constructed are initially recorded at cost. The fixed assets injected by the state-owned shareholder during the Restructuring were initially recorded at the valuated amount approved by the relevant authorities managing state-owned assets.

Subsequent expenditures for fixed assets are included in the cost of fixed assets only when it is probable that in future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably. The carrying amount of the replaced part is derecognised. All other subsequent expenditures are charged to the income statement during the financial period in which they are incurred.

Fixed assets are depreciated using the straight-line method based on their costs less estimated residual values over their estimated useful lives. For those fixed assets being provided for impairment loss, the related depreciation charge is determined based on the carrying amounts less impairment over their remaining useful lives.

The estimated useful lives, estimated residual value ratios and annual depreciation rates of the fixed assets are as follows:

	ESTIMATED USEFUL LIVES	ESTIMATED RESIDUAL VALUE RATIO %	ANNUAL DEPRECIATION RATE %
Buildings	8 to 40 years	5	2.4
Equipment and Machinery	4 to 30 years	3 to 5	3.2
Motor Vehicles	7 to 14 years	5	6.8
Other	5 to 12 years	5	7.9

The estimated useful lives, estimated residual values and depreciation method of the fixed assets are reviewed, and adjusted if appropriate, at year end.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount (Note 4(14)).

The carrying amounts of fixed assets are derecognised when the fixed assets are disposed or no future economic benefits are expected from their use or disposal. When fixed assets are sold, transferred, disposed or damaged, gains or

Edgar Filing: PETROCHINA CO LTD - Form 6-K

losses on disposal are determined by comparing the proceeds with the carrying amounts of the assets, adjusted by related taxes and expenses, and are recorded in the income statement in the disposal period.

2008 INTERIM REPORT

60

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(9) OIL AND GAS PROPERTIES

Oil and gas properties include the mineral interests in properties, wells and related facilities arising from oil and gas exploration and production activities.

The costs of obtaining the mineral interests in properties are capitalised when they are incurred and are initially recognised at acquisition costs. Exploration license fee, production license fee, rent and other costs for retaining the mineral interests in properties, subsequent to the acquisition of the mineral interests in properties, are charged to the income statement.

Oil and gas exploration costs include drilling exploration costs and the non-drilling exploration costs. The non-drilling exploration costs are recorded in the income statement when incurred.

Oil and gas development costs are capitalised as the respective costs of wells and related facilities for oil and gas development based on their intended use.

The Ministry of Land and Resources in China issues production licenses to applicants on the basis of the reserve reports approved by relevant authorities. Future oil and gas price increases may extend the productive lives of crude oil and natural gas reservoirs beyond the current terms of the relevant production licenses. Payments on such licenses are made annually and are expensed as incurred.

Oil and gas properties are depleted using the straight-line method based on their costs less estimated residual values over their estimated useful lives except for the mineral interests in unproved properties which are not subjected to depletion. For those oil and gas properties being provided for impairment loss, the related depletion charge is determined based on the carrying amounts less impairment over their remaining useful lives. The estimated useful lives, estimated residual value ratios and annual depletion rates are as follows:

	ESTIMATED USEFUL LIVES	ESTIMATED RESIDUAL VALUE RATIO%	ANNUAL DEP
Oil and gas properties	6 to 14 years	-	-

The carrying amount of oil and gas properties other than the mineral interests in unproved properties is reduced to the recoverable amount when their recoverable amount is lower than their carrying amount. The carrying amount of the mineral interests in unproved properties is reduced to the fair value when their fair value is lower than their carrying amount (Note 4(14)).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(10) CONSTRUCTION IN PROGRESS

Construction in progress is recognised at actual cost. The actual cost comprises construction costs, other necessary costs incurred and the borrowing costs eligible for capitalisation to prepare the asset for its intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month.

Oil and gas exploration costs include drilling exploration costs and the non-drilling exploration costs. The successful efforts method is used for the capitalisation of the drilling exploration costs. Drilling exploration costs included in the oil and gas exploration costs are capitalised as wells and related facilities when the wells are completed and economically proved reserves are found. Drilling exploration costs related to the wells without economically proved reserves less the net residual value are recorded in the income statement. The related drilling exploration costs for the sections of wells with economically proved reserves are capitalised as wells and related facilities, and the costs of other sections are recorded in the income statement. Drilling exploration costs are temporarily capitalised pending the determination of whether economically proved reserves can be found within one year of the completion of the wells. For wells that are still pending determination of whether economically proved reserves can be found after one year of completion, the related drilling exploration costs remain temporarily capitalised only if sufficient reserves are found in those wells and further exploration activities are required to determine whether they are economically proved reserves or not, and further exploration activities are under way or firmly planned and are about to be implemented. Otherwise the related costs are expensed as dry holes. If proved reserves are discovered in a well, for which the drilling exploration costs have been expensed previously, no adjustment should be made to the drilling exploration costs that were expensed, while the subsequent drilling exploration costs and costs for completion of the well are capitalised. The economically proved reserves are the estimated quantities of crude oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as at the date the estimate is made.

The carrying amount of construction in progress is reduced to its recoverable amount when its recoverable amount is lower than its carrying amount (Note 4(14)).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(11) INTANGIBLE ASSETS

Intangible assets include land use rights and patents etc., and are initially recorded at actual cost. The intangible assets injected by the

Edgar Filing: PETROCHINA CO LTD - Form 6-K

state-owned shareholder during the Restructuring were initially recorded at the valued amount approved by the relevant authorities managing the state-owned assets.

Land use rights obtained through payments of land use fee or acquired are initially recorded at actual cost. The land use rights obtained through the Restructuring in 1999 were initially recorded at the valued amount approved by the relevant authorities managing the state-owned assets. Land use rights are amortised using the straight-line method over 30 to 50 years. If it is impracticable to allocate the amount paid for the purchase of land use rights and buildings between the land use rights and the buildings on a reasonable basis, the entire amount is accounted for as fixed assets.

Patent and other intangible assets are initially recorded at actual cost, and amortised using the straight-line method less than 10 years generally.

The carrying amount of intangible assets is written down to its recoverable amount when the recoverable amount is lower than the carrying amount (Note 4(14)). The estimated useful lives and amortisation method of the intangible assets with finite useful life are reviewed, and adjusted if appropriate, at each financial year-end.

(12) RESEARCH AND DEVELOPMENT

Research expenditure incurred is recognised as an expense. Costs incurred on development projects are recognised as intangible assets to the extent that such expenditure is expected to generate future economic benefits.

(13) LONG-TERM PREPAID EXPENSES

Long-term prepaid expenses include advance lease payments and other prepaid expenses that should be borne by current and subsequent periods and should be amortised over more than one year. Long-term prepaid expenses are amortised using the straight-line method over the expected beneficial periods and are presented at cost less accumulated amortisation.

2008 INTERIM REPORT

63

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(14) IMPAIRMENT OF ASSETS

Fixed assets, oil and gas properties except for mineral interests in unproved properties, intangible assets and long-term equity investments are tested for impairment if there is any indication that an asset may be impaired at the balance sheet date. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount if the impairment test indicates that the recoverable amount is less than its carrying amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the estimated future cash flow expected to be derived from the asset. Impairment should be assessed and recognised for each individual asset. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash flow.

The mineral interests in unproved properties are tested annually for impairment. If the cost incurred to obtain a single property is significant, the

Edgar Filing: PETROCHINA CO LTD - Form 6-K

impairment test is performed and the impairment loss is determined on the basis of the single property. If the cost incurred to obtain a single property is not significant and the geological structure features or reserve layer conditions are identical or similar to those of other adjacent properties, impairment tests are performed on the basis of a group of properties that consist of several adjacent mining areas with identical or similar geological structure features or reserve layer conditions.

Once an impairment loss of these assets is recognised, it is not allowed to be reversed even if the value can be recovered in subsequent period.

(15) BORROWING COSTS

Borrowing costs incurred that are directly attributable to the acquisition and construction of fixed assets, which require a substantial period of time for acquisition and construction activities to get ready for their intended use, are capitalised as part of the cost of the assets when capital expenditures and borrowing costs have already incurred and the activities of acquisition and construction necessary to prepare the assets to be ready for their intended use have commenced. The capitalisation of borrowing costs ceases when the assets are ready for their intended use. Borrowing costs incurred thereafter are expensed. Capitalisation of borrowing costs should be suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally, and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

(16) BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently stated at amortised cost using the effective interest method. The borrowings are classified as short-term borrowings if they need to be repaid within 12 months (12 months included) of the balance sheet date, and the others are classified as long-term borrowings.

2008 INTERIM REPORT

64

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(17) EMPLOYEE COMPENSATION

Employee compensation includes wages, bonuses, allowances and subsidies, employee welfare, social security contributions, housing funds, labour union funds, employee education funds and other relevant compensation incurred in exchange for services rendered by employees.

Employee compensation is recognised as a liability during the period which employees render services, and it will be allocated into relevant costs and expenses to whichever the employee service is attributable.

Compensation under the share appreciation right is measured based on the fair value of the liability incurred and is expensed over the vesting period. The liability is remeasured at each balance sheet date to its fair value until settlement with all the changes in liabilities recorded in the income statement.

(18) PROVISIONS

Provisions for pending litigation, product guarantee, quality onerous

Edgar Filing: PETROCHINA CO LTD - Form 6-K

contracts etc. are recognised when the Group has present obligations, and it is probable that an outflow of economic benefits will be required to settle the obligations, and the amounts can be reliably estimated.

Provisions are measured at the best estimate of the expenditures expected to be required to settle the present obligation. Factors surrounding the contingencies such as the risks, uncertainties and the time value of money shall be taken into account as a whole in reaching the best estimate of provisions. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash flow. The increase in the discounted amount of the provision arising from the passage of time is recognised as interest expense.

Asset retirement obligations which meet the criteria of provisions are recognised as provisions and the amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements, while a corresponding addition to the related oil and gas properties of an amount equivalent to the provision is also created. This is subsequently depleted as part of the costs of the oil and gas properties. Interest expenses from the assets retirement obligations for each period are recognised with the effective interest method during the useful life of the related oil and gas properties.

If the conditions for the recognition of the provisions are not met, the expenditures for the decommissioning, removal and site cleaning will be expensed in the income statement when occurred.

2008 INTERIM REPORT

65

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(19) DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences (temporary differences) arising between the tax bases of assets and liabilities and their carrying amounts. The deductible losses, which can be utilised against the future taxable profit in accordance with tax law, are regarded as temporary differences and a deferred tax asset is recognised accordingly. The deferred tax assets and deferred tax liabilities are not accounted for the temporary differences resulting from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit (or deductible loss). Deferred tax assets and deferred tax liabilities are determined using tax rates that are expected to apply to the period when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets of the Group are recognised for deductible temporary differences and deductible losses and tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax assets and liabilities are recognised for temporary differences arising from investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Edgar Filing: PETROCHINA CO LTD - Form 6-K

(20) REVENUE RECOGNITION

The amount of revenue is determined in accordance with the fair value of the contractual consideration received or receivable for the sales of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, rebates, discounts and returns.

Revenue is recognised when specific criteria have been met for each of the Group's activities as described below:

(A) SALES OF GOODS

Revenue from sales of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, and retains neither continuing managerial involvement nor effective control over the goods sold, and it is probable that the economic benefits associated with the transaction will flow to the Group and related revenue and cost can be measured reliably.

(B) RENDERING OF SERVICES

The Group recognises its revenue from rendering of services under the percentage-of-completion (the "POC") method. Under the POC method, revenue is recognised based on the costs incurred to date as a percentage of the total estimated costs to be incurred.

2008 INTERIM REPORT

66

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(C) TRANSFER OF THE ASSETS USE RIGHTS

Interest income is recognised on a time-proportion basis using the effective interest method.

Revenue from operating lease is recognised using the straight-line method over the period of the lease.

(21) LEASES

Leases that transfer substantially all the risks and rewards incidental to ownership of assets are classified as finance lease, and the Group had no significant finance lease. Other leases are classified as operating leases.

Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(22) DIVIDEND DISTRIBUTION

Dividend distribution is recognised as a liability in the period in which it is approved by the shareholders.

(23) BUSINESS COMBINATION

(A) BUSINESS COMBINATION UNDER COMMON CONTROL

Edgar Filing: PETROCHINA CO LTD - Form 6-K

The consideration paid and the net assets obtained by the acquirer are measured at their carrying value. The difference between the carrying value of the net assets obtained and the carrying value of the consideration is adjusted against the capital surplus. If the capital surplus is not sufficient to be offset, the remaining balance is adjusted against retained earnings.

Costs incurred directly attributable to the business combination are recorded in the income statement when incurred.

(B) BUSINESS COMBINATION NOT UNDER COMMON CONTROL

The acquisition costs paid and the identifiable net assets acquired by the acquirer are measured at their fair value at the acquisition date. Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised directly in the income statement.

Costs which are directly attributable to the business combination are included in the cost of the combination.

2008 INTERIM REPORT

67

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(24) BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The scope of consolidated financial statements includes the Company and its subsidiaries.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. All material intercompany balances, transactions and unrealised gains within the Group are eliminated upon consolidation. The portion of the shareholders' equity of the subsidiaries that is not attributable to the parent is treated as minority interest and presented separately within shareholders' equity in the consolidated balance sheet.

When the accounting policies and accounting periods of subsidiaries are not consistent with those of the Company, the Company will make necessary adjustments to the financial statements of the subsidiaries in accordance with the Company's accounting policies and accounting periods.

The financial statements of the subsidiaries acquired from the business combination not under common control are adjusted on the basis of the fair value of the identifiable net assets at the acquisition date when preparing the consolidated financial statements. The assets, liabilities, operating result and cash flow of the subsidiaries acquired from the business combination under common control are included in the consolidated financial statements from the beginning of the earliest period of the reporting period, as if the business combination occurred at that point.

(25) SEGMENT REPORTING

A business segment is a distinguishable component of the Group that is engaged in providing an individual product or service or a group of related

Edgar Filing: PETROCHINA CO LTD - Form 6-K

products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

The Group uses the business segment as the primary reporting format and the geographical segment as the secondary reporting format. The prices for inter-segment transfers or transactions are determined according to the market prices. Expenses related to the usage of the assets that are jointly used by all segments are allocated to segments basing on the proportion of the revenues of each segment.

2008 INTERIM REPORT

68

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(26) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

(A) ESTIMATION OF OIL AND NATURAL GAS RESERVES

Oil and natural gas reserves are key factors in the Group's investment decision-making process. They are also an important element in testing for impairment. Proved reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms, evolution of technology or development plans.

(B) ESTIMATED IMPAIRMENT OF FIXED ASSETS AND OIL AND GAS PROPERTIES

Fixed assets and oil and gas properties are reviewed for possible impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination as to whether and how much an asset is impaired involves management estimates and judgements such as future prices of crude oil, refined products and chemical products and production profile. However, the impairment reviews and calculations are based on assumptions that are consistent with the Group's business plans. Favourable changes to some assumptions may allow the Group to avoid the need to impair any assets in these years, whereas unfavourable changes may cause the assets to become impaired.

(C) ESTIMATION OF ASSETS RETIREMENT OBLIGATIONS

Provision is recognised for the future decommissioning and restoration of oil and gas properties. The amounts of the provision recognised are the present values of the estimated future expenditures. The estimation of the future expenditures is based on current local conditions and requirements, including legal requirements, technology, price level, etc. In addition to these factors, the present values of these estimated future expenditures are also impacted by

Edgar Filing: PETROCHINA CO LTD - Form 6-K

the estimation of the economic lives of oil and gas properties. Changes in any of these estimates will impact the operating results and the financial position of the Group over the remaining economic lives of the oil and gas properties.

2008 INTERIM REPORT

69

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

5 TAXATION

The principal taxes and related tax rates of the Group are presented as below:

TYPES OF TAXES	TAX RATE	TAX BASIS
Value Added Tax (the "VAT")	13% or 17%	Based on taxable value added amount. Tax calculated using the taxable sales amount by the applicable tax rate less current deductible VAT input.
Resource Tax	Based on quantities	From July 1, 2005, the rate for crude oil from RMB 8-30 yuan per ton to RMB 14 -30 ton, the rate for natural gas increased from 7 yuan per thousand of cubic meter to RMB 7 per thousand of cubic meter.
Business Tax	3%	Based on income generated from transportation of crude oil and natural gas.
Consumption Tax	Based on quantities	RMB 0.2 yuan per litre for unleaded gasoline, RMB 0.4 yuan per litre for leaded gasoline, RMB 0.2 yuan per litre for diesel. From April 1, 2006, this tax is imposed on naphtha, solvent oil and lubricating oil at RMB 0.2 yuan per litre and fuel oil at RMB 0.2 yuan per litre, and temporarily 30% of the tax is deductible.
Corporate Income Tax	25%	Based on taxable income.
Mineral Resources Compensation Fee	1%	Based on the revenue from sales of crude oil and natural gas.
Crude Oil Special Levy	20% to 40%	Based on the sales of domestic crude oil at a level higher than a specific level.
City Maintenance and Construction Tax	1%, 5% or 7%	Based on the actually paid business tax, consumption tax.

On March 16, 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "new CIT Law"), which is effective from January

Edgar Filing: PETROCHINA CO LTD - Form 6-K

1, 2008. Under the new CIT Law, the corporate income tax rate applicable to the Group is reduced to 25% from January 1, 2008, replacing the previously applicable tax rate of 33%.

In accordance with the regulations by the State Administration of Taxation (the "SAT") and MOF Cai Shui [2004] No. 156 "Notice of the MOF and the SAT on the Issues related to the expanding the deduction scope of VAT in the Northeast Area of China", some branches and subsidiaries of the Company deduct the input VAT included in the purchased fixed assets, goods of taxable services for self-manufacturing of fixed assets and transportation expenses paid for fixed assets against the VAT incurred in current year. The unused input VAT for the year can be carried forward to the following years if there is no VAT incurred or the VAT incurred is not sufficient.

In accordance with the SAT Guo Shui Han [2007] No. 434 "Supplemental Notice of the SAT on Reporting Taxable Income on a Consolidated Basis by PetroChina Company Limited", Guo Shui Han [2004] No. 1072 "Notice of the SAT on Reporting Taxable Income on a Consolidated Basis by PetroChina Company Limited" and Guo Shui Han [2001] No. 434 "Supplemental Notice of the SAT on Reporting Taxable Income on a Consolidated Basis by PetroChina Company Limited"), the Company and its affiliates included under this consolidated basis pay income taxes with a method of "uniform calculation, hierarchical management, on-site prepayment and centralised settlement".

2008 INTERIM REPORT

70

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

In accordance with the SAT Guo Shui Fa [2002] No. 47 "Notice of the SAT on the Detailed Implementation Opinions of Fulfilling the Tax Policies related to the Great Development of the Western China", some branches of the Company got the approval for the preferential tax rate of 15% in 2002 and the preferential tax rate will be valid until 2010. In accordance with the regulations by the Central People's Government of the People's Republic of China (the "GOV") Guo Fa [2007] No. 39 "Notice of the GOV on the transitional preferential policy of Corporate Income Tax", the above preferential tax rate will be valid continuously until 2010, when the policy will expire.

In accordance with Cai Shui [2002] No. 111 "Notice of the MOF and the SAT on Tax Policy related to the West-East Pipeline Project", the application tax rate for the West-East pipeline branch of the Company is 15%. While in accordance with Guo Fa [2007] No. 39 "Notice of the GOV on the transition favourable policy of Corporate Income Tax", the above preferential tax policy will cease to implement. Therefore from 2008 the application tax rate for the West-East pipeline branch of the Company is 25%.

6 PRINCIPAL SUBSIDIARIES

COMPANY NAME	COUNTRY OF	REGISTERED	PRINCIPAL	ATTRIBUTABLE	AT
				EQUITY INTEREST %	VOT

Edgar Filing: PETROCHINA CO LTD - Form 6-K

	INCORPORATION	CAPITAL	ACTIVITIES	-----		-----
				DIRECT	INDIRECT	
Daqing Oilfield Company Limited	PRC	47,500	Exploration, production and sale of crude oil and natural gas; production and sale of refined products	100.00	-	100.
CNPC Exploration and Development Company Limited	PRC	16,100	Exploration and production and sale of crude oil and natural gas in and outside PRC	50.00	-	57.
Daqing Yu Shu Lin Oilfield Company Limited	PRC	1,272	Exploration, production and sale of crude oil and natural gas	-	88.16	
PetroKazakhstan Inc.	Canada	US Dollar ("USD") 1,965 million	Exploration, production and sale of crude oil and natural gas outside PRC	-	67.00	

2008 INTERIM REPORT

71

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

7 NOTES TO THE FINANCIAL STATEMENTS (ALL AMOUNTS ARE FOR THE GROUP UNLESS OTHERWISE STATED)

(1) CASH AT BANK AND ON HAND

	JUNE 30, 2008	DECEMBER 31, 2007
Cash on hand	243	149
Cash at bank	72,692	88,344
Other cash balances	1,442	96
	-----	-----
	74,377	88,589
	=====	=====

The Group's cash at bank and on hand included the following foreign

Edgar Filing: PETROCHINA CO LTD - Form 6-K

currencies as at June 30, 2008 and December 31, 2007:

	JUNE 30, 2008			DECEMBER 31, 2007		
	FOREIGN CURRENCY	EXCHANGE RATE	RMB EQUIVALENT	FOREIGN CURRENCY	EXCHANGE RATE	RMB EQUIVALENT
USD	1,747	6.8591	11,981	1,678	7.3046	12,257
Tenge	3,958	0.0571	226	-		-
Other			62			81
			12,269			12,338
			=====			=====

As at June 30, 2008, time deposit of USD 602 million (December 31, 2007: USD 450 million) is pledged as collateral for its subsidiaries' long-term borrowings of USD 602 million (December 31, 2007: USD 450 million) (Note 7(24)); and time deposit of USD 68 million (December 31, 2007: USD 240 million) is pledged as collateral for its associates' borrowings.

(2) NOTES RECEIVABLE

Notes receivable represent mainly bank acceptance bill received for sales of goods and products.

As at June 30, 2008, notes receivable of RMB 1,020 is impawned for the Group's short-term borrowings of RMB 1,020 (December 31, 2007: RMB 300) (Note 7 (15)). All notes receivable of the Group other than the above-mentioned notes receivable are unsecured, and all notes receivable of the Group are due within one year.

2008 INTERIM REPORT

72

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(3) ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

(A) ACCOUNTS RECEIVABLE

	GROUP		COMPANY	
	JUNE 30, 2008	DECEMBER 31, 2007	JUNE 30, 2008	DECEMBER 31, 2007
Accounts receivable	30,554	21,298	5,957	4,785
Less: Provision for bad debts	(2,828)	(2,879)	(2,592)	(2,654)
	27,726	18,419	3,365	2,131

Edgar Filing: PETROCHINA CO LTD - Form 6-K

The aging of accounts receivable and related provision for bad debts are analysed as follows:

GROUP						
	JUNE 30, 2008			DECEMBER 31, 2007		
	AMOUNT	PERCENTAGE OF TOTAL BALANCE %	PROVISION FOR BAD DEBTS	AMOUNT	PERCENTAGE OF TOTAL BALANCE %	PROVISION FOR BAD DEBTS
Within 1 year	27,587	91	(1)	18,260	86	(1)
1 to 2 years	42	-	-	39	-	-
2 to 3 years	39	-	(1)	32	-	(1)
Over 3 years	2,886	9	(2,826)	2,967	14	(2,877)
	30,554	100	(2,828)	21,298	100	(2,879)

COMPANY						
	JUNE 30, 2008			DECEMBER 31, 2007		
	AMOUNT	PERCENTAGE OF TOTAL BALANCE %	PROVISION FOR BAD DEBTS	AMOUNT	PERCENTAGE OF TOTAL BALANCE %	PROVISION FOR BAD DEBTS
Within 1 year	3,282	55	(1)	2,025	42	(1)
1 to 2 years	13	-	-	22	-	-
2 to 3 years	22	-	-	31	1	-
Over 3 years	2,640	45	(2,591)	2,707	57	(2,653)
	5,957	100	(2,592)	4,785	100	(2,654)

2008 INTERIM REPORT

73

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

As at June 30, 2008, accounts receivable of the Group from shareholders who hold 5% or more of the voting rights in the Company amounted to RMB 2,271 (December 31, 2007: RMB 3,796). As at June 30, 2008, accounts receivable of the

Edgar Filing: PETROCHINA CO LTD - Form 6-K

Company from shareholders who hold 5% or more of the voting rights in the Company amounted to RMB 638 (December 31, 2007: RMB 415).

As at June 30, 2008, the five largest debtors of accounts receivable of the Group amounted to RMB 10,916 representing 36% of total accounts receivable; the five largest debtors of accounts receivable of the Company amounted to RMB 2,341 representing 39% of total accounts receivable.

During the six months ended June 30, 2008 and the six months ended June 30, 2007, the Group had no significant write off of the provision for bad debts of accounts receivable.

(B) OTHER RECEIVABLES

	GROUP		COMPANY
	JUNE 30, 2008	DECEMBER 31, 2007	JUNE 30, 2008
Other receivables	21,007	19,495	25,837
Less: Provision for bad debts	(4,043)	(4,051)	(2,080)
	16,964	15,444	23,757
	=====	=====	=====

The aging analysis of other receivables and the related provision for bad debts are analysed as follows:

	GROUP				
	JUNE 30, 2008			DECEMBER 31, 2007	
	AMOUNT	PERCENTAGE OF TOTAL BALANCE %	PROVISION FOR BAD DEBTS	AMOUNT	PERCENTAGE OF TOTAL BALANCE %
Within 1 year	9,359	45	-	12,751	65
1 to 2 years	7,222	34	(3)	2,316	12
2 to 3 years	92	-	(6)	111	1
Over 3 years	4,334	21	(4,034)	4,317	22
	21,007	100	(4,043)	19,495	100
	=====	=====	=====	=====	=====

COMPANY	
JUNE 30, 2008	DECEMBER 31, 2007

Edgar Filing: PETROCHINA CO LTD - Form 6-K

	AMOUNT	PERCENTAGE OF TOTAL BALANCE %	PROVISION FOR BAD DEBTS	AMOUNT	PERCENTAGE OF TOTAL BALANCE %
Within 1 year	16,198	62	-	15,962	61
1 to 2 years	6,901	27	(3)	7,939	30
2 to 3 years	423	2	(5)	46	-
Over 3 years	2,315	9	(2,072)	2,319	9
	-----	-----	-----	-----	-----
	25,837	100	(2,080)	26,266	100
	=====	=====	=====	=====	=====

2008 INTERIM REPORT

74

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

As at June 30, 2008, other receivables of the Group from shareholders who hold 5% or more of the voting rights in the Company amounted to RMB 1,987 (December 31, 2007: RMB 2,351). As at June 30, 2008, other receivables of the Company from shareholders who hold 5% or more of the voting rights in the Company amounted to RMB 673 (December 31, 2007: RMB 141).

As at June 30, 2008, the five largest debtors of other receivables of the Group amounted to RMB 9,327 representing 44% of total other receivables; the five largest debtors of other receivables of the Company amounted to RMB 15,081 representing 58% of total other receivables.

During the six months ended June 30, 2008 and the six months ended June 30, 2007, the Group had no significant write off of the provision for bad debts of other receivables.

(4) ADVANCES TO SUPPLIERS

	GROUP	
	JUNE 30, 2008	DECEMBER 31, 2007
Advances to suppliers	51,069	
Less: Provision for bad debts	(27)	
	-----	-----
	51,042	
	=====	=====

As at June 30, 2008 and December 31, 2007, advances to suppliers of the Group are mainly aged within one year.

As at June 30, 2008, advances to suppliers from shareholders who hold 5% or more of the voting rights in the Company amounted to RMB 32,147 (December 31, 2007: RMB 7,984).

Edgar Filing: PETROCHINA CO LTD - Form 6-K

Advances to suppliers as at June 30, 2008, mainly comprise of advance payments for materials and equipments in-transit, and are not settled.

(5) INVENTORIES

	JUNE 30, 2008	DECEMBER 31, 2007
Cost		
Crude oil and other raw materials	40,276	
Work in progress	4,162	
Finished goods	56,243	
Turnover materials	32	
	-----	-----
	100,713	
Less: Provision for declines in the value of inventories	(2,153)	
	-----	-----
Net book value	98,560	
	=====	=====

As at June 30, 2008 and December 31, 2007, inventories of RMB 29 are impawned as collateral for the Group's short-term borrowings of RMB 20 (Note 7(15)).

2008 INTERIM REPORT

75

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(6) AVAILABLE-FOR-SALE FINANCIAL ASSETS

	JUNE 30, 2008	DECEMBER 31, 2007
Available-for-sale debenture	16	17
Available-for-sale equity instrument	2,675	3,066
	-----	-----
	2,691	3,083
Less: Provision for impairment	(544)	(553)
	-----	-----
	2,147	2,530
	=====	=====

(7) LONG-TERM EQUITY INVESTMENTS

Edgar Filing: PETROCHINA CO LTD - Form 6-K

	GROUP		
	DECEMBER 31, 2007	ADDITION	REDUCTION
Associates and jointly controlled entities (a)	22,841	7,692	(3,509)
Less : Provision for impairment	(155)		
	22,686		

	COMPANY		
	DECEMBER 31, 2007	ADDITION	REDUCTION
Subsidiaries (b)	99,983	16,139	(32)
Associates and jointly controlled entities	4,863	250	(322)
Less: Provision for impairment	(155)		
	104,691		

As at June 30, 2008, the above-mentioned investments are not subject to restriction on conversion into cash or remittance of investment income.

(A) INVESTMENTS IN PRINCIPAL ASSOCIATES AND JOINTLY CONTROLLED ENTITIES

	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITIES	REGIS-TERED CAPITAL	EQUITY INTEREST %	VOTING RIGHTS %	AS OF JUNE 30, 2008	
						TOTAL ASSETS	TOTAL LIABILITIES
Dalian West Pacific Petrochemical Co., Ltd.	PRC	Production and sale of petroleum and petrochemical products	USD 258 million	28.44	28.44	14,377	12,000
China Marine Bunker (PetroChina) Co., Ltd.	PRC	Oil import and export trade and transportation, sale and storage	1,000	50.00	50.00	9,421	6,000

Edgar Filing: PETROCHINA CO LTD - Form 6-K

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

Investments in associates and jointly controlled entities are listed below:

	INITIAL INVEST- MENT COST	DECEM- BER 31, 2007	ADDI- TION	REDU- CTION	SHARE OF PROFIT OF INVESTEES UNDER EQUITY METHOD	CASH DIVIDEND DECLARED	CURRENCY TRANSLATION DIFFERENCES
Dalian West Pacific Petrochemical Co., Ltd.	566	948	-	(7)	(318)	(114)	-
China Marine Bunker (PetroChina) Co., Ltd.	740	1,059	-	(1)	126	-	(5)
Other		20,834	3,466	(25)	4,418	(2,021)	(1,280)
		22,841	3,466	(33)	4,226	(2,135)	(1,285)

(B) SUBSIDIARIES

Principal subsidiaries:

	AS AT JUNE 30, 2008		FOR THE SIX MONTHS ENDED JUNE 30, 2008
	TOTAL ASSETS	TOTAL LIABILITIES	REVENUE
Daqing Oilfield Company Limited	149,289	35,024	128,856
CNPC Exploration and Development Company Limited	91,065	28,353	29,677

Investment in subsidiaries:

	INITIAL INVESTMENT COST	ADDITIONAL INVESTMENT	DECEMBER 31, 2007	ADDITION	REDUCTION

Edgar Filing: PETROCHINA CO LTD - Form 6-K

Daqing Oilfield Company Limited	66,720	-	66,720	-	-
CNPC Exploration and Development Company Limited	13,924	8,000	13,924	8,000	-
Other			19,339	8,139	(32)
Total			99,983	16,139	(32)

2008 INTERIM REPORT

77

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(8) FIXED ASSETS

	BUILDINGS	EQUIPMENT AND MACHINERY	MOTOR VEHICLES	OTHER
Cost				
On December 31, 2007	92,240	334,551	15,336	8,600
Transferred from construction in progress	1,423	10,677	-	179
Other addition	162	993	577	85
Reduction	(797)	(1,734)	(230)	(41)
Currency translation differences	(162)	(301)	(63)	(99)
On June 30, 2008	92,866	344,186	15,620	8,724
Accumulated depreciation				
On December 31, 2007	(22,461)	(158,774)	(7,738)	(4,157)
Charge for the year	(2,394)	(10,734)	(608)	(361)
Reduction	207	800	109	-
Currency translation differences	38	97	34	55
On June 30, 2008	(24,610)	(168,611)	(8,203)	(4,463)
Provision for Impairment				
On December 31, 2007	(2,222)	(7,561)	(8)	(3)
Addition	(563)	(5,297)	(28)	(17)
Reduction	15	59	-	-
On June 30, 2008	(2,770)	(12,799)	(36)	(20)
Net book value				

Edgar Filing: PETROCHINA CO LTD - Form 6-K

On June 30, 2008	65,486	162,776	7,381	4,241
	=====	=====	=====	=====
On December 31, 2007	67,557	168,216	7,590	4,440
	=====	=====	=====	=====

As at June 30, 2008, fixed assets of RMB 372 was pledged as collateral for RMB 60 short-term borrowing (Note 7(15)) and RMB 70 long-term borrowings (Note 7(24)); As at December 31, 2007, no fixed assets was pledged as collateral for short-term borrowing (Note 7(15)) and long term borrowings (Note 7(24)).

As at June 30, 2008, the fixed assets which were temporarily idle amounted to RMB 360.

As at June 30, 2008, the cost of fixed assets fully depreciated but still in use include: buildings of RMB 2,393, equipment and machinery of RMB 33,752, motor and vehicles of RMB 2,164 and other of RMB 640 and amounted to RMB 38,949 in total.

Fixed assets under operating leases are mainly equipment and machinery which amounted to RMB 68.

2008 INTERIM REPORT

78

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(9) OIL AND GAS PROPERTIES

	DECEMBER 31, 2007	ADDITION	REDUCTION	CURRENCY TRANSLATION DIFFERENCES
Cost				
Mineral interests in unproved properties	2,469	-	-	(151)
Mineral interests in proved properties	-	-	-	-
Wells and related facilities	667,403	20,757	(1,154)	(2,339)
	-----	-----	-----	-----
	669,872	20,757	(1,154)	(2,490)
	-----	-----	-----	-----
Accumulated depletion				
Mineral interests in proved properties	-	-	-	-
Wells and related facilities	(340,333)	(25,864)	852	1,517
	-----	-----	-----	-----
	(340,333)	(25,864)	852	1,517
	-----	-----	-----	-----
Provision for impairment				
Mineral interests in unproved properties	-	-	-	-
Mineral interests in				

Edgar Filing: PETROCHINA CO LTD - Form 6-K

proved properties	-	-	-	-
Wells and related facilities	(3,211)	-	11	-
	(3,211)	-	11	-
Net book value				
Mineral interests in unproved properties	2,469	-	-	(151)
Mineral interests in proved properties	-	-	-	-
Wells and related facilities	323,859	(5,107)	(291)	(822)
	326,328	(5,107)	(291)	(973)

As at June 30, 2008, the assets retirement obligations capitalised in the cost of oil and gas properties amounted to RMB 22,942 (December 31, 2007: RMB 22,499). Depletion charge for the six months ended June 30, 2008 was RMB 1,090 (for the six months ended June 30, 2007: RMB 779).

(10) CONSTRUCTION MATERIALS

The Group's construction materials mainly represent the actual cost of materials purchased for construction projects.

2008 INTERIM REPORT

79

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(11) CONSTRUCTION IN PROGRESS

PROJECT NAME	BUDGET	DECEMBER 2007		TRANSFERRED TO FIXED ASSETS OR OIL AND GAS PROPERTIES	OTHER REDUCTION (i)	CURRENCY TRANSLATION DIFFERENCES	JU AMOUNT
		AMOUNT	AMOUNT				
Dushanzi Petrochemical 10 million tons / year of Kazakh oil	9,149	5,043	881	-	-	-	5,924
Dushanzi Petrochemical 1 million tons / year ethylene	21,000	8,235	1,788	-	-	-	10,023
Dalian Petrochemical 20 million							

Edgar Filing: PETROCHINA CO LTD - Form 6-K

tons / year sulphur crude oil technology transformation	10,789	6,523	731	(6,666)	-	-	588
GuangXi Petrochemical 10 million tons / year refining project	15,166	1,906	1,652	(1)	-	-	3,557
Lanzhou- Zhengzhou Pipeline	11,429	1,839	4,002	-	-	-	5,841
East West Pipeline 2nd phase	142,243	49	3,868	(1)	-	-	3,916
Other		82,324	55,186	(25,829)	(6,634)	(360)	104,687
		-----	-----	-----	-----	-----	-----
		105,919	68,108	(32,497)	(6,634)	(360)	134,536
Less: Provision for impairment		(285)					(276)
		-----					-----
		105,634					134,260
		=====					=====

For the six months ended June 30, 2008, the capitalised interest expense amounted to RMB 1,119 (for the six months ended June 30, 2007: RMB 574). The interest rate used to determine the capitalised amount in 2008 is 6.966% (during the six months ended June 30, 2007: 6.237%).

2008 INTERIM REPORT

80

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(i) Other reduction refers to expensing of drilling and exploration costs when it fails to discover economical proved oil and gas reserve, or not sure whether economical proved reserves are found within one year of completion and no longer meets the conditions of capitalisation.

(12) INTANGIBLE ASSETS

	COST	DECEMBER 31, 2007	ADDITION	REDUCTION	AMORTISATION	CURRENCY TRANSLATION DIFFERENCES
Land use rights	17,789	14,937	994	(18)	(252)	(6)
Patents	2,787	1,440	78	-	(96)	-
Other (i)	6,261	4,220	648	(7)	(346)	(52)
	-----	-----	-----	-----	-----	-----

Edgar Filing: PETROCHINA CO LTD - Form 6-K

	26,837	20,597	1,720	(25)	(694)	(58)
	=====	=====	=====	=====	=====	=====
Less:						
Provision for impairment						
Land use rights		(333)	(2)	-	-	-
Patents		(179)	(1)	-	-	-
Other (i)		(63)	(19)	-	-	-
		-----	-----	-----	-----	-----
		20,022	1,698	(25)	(694)	(58)
		=====	=====	=====	=====	=====

Research and development expenditures for the six months ended June 30, 2008 amounted to RMB 5,153 (for the six months ended June 30, 2007: RMB 2,796), which have been recognised in the income statement.

(i) Other intangible assets include non-proprietary technology and trademark use right.

(13) LONG-TERM PREPAID EXPENSES

	JUNE 30, 2008	DECEMBER 31, 2007
Advance lease payments (i)	9,547	
Other	2,855	
	-----	-----
	12,402	
	=====	=====

(i) Advance lease payments are principally for use of land sub-leased from entities other than the PRC land authorities.

2008 INTERIM REPORT

81

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(14) PROVISION FOR ASSETS

	DECEMBER 31, 2007	PROVISION	REVERSAL	WRITE OFF	JUNE 30, 2008
Bad debts provision for accounts receivable	2,879	11	(51)	(11)	
Bad debts provision for other receivables	4,051	11	(19)	-	
Bad debts provision for advances to suppliers	28	-	-	(1)	

Edgar Filing: PETROCHINA CO LTD - Form 6-K

Provision for declines in the value of inventories	747	1,422	-	(16)
Provision for impairment of available-for-sale financial assets	553	10	-	(19)
Provision for impairment of long-term equity investments	155	19	-	(5)
Provision for impairment of fixed assets	9,794	5,905	-	(74)
Provision for impairment of oil and gas properties	3,211	-	-	(11)
Provision for impairment of construction in progress	285	-	-	(9)
Provision for impairment of intangible assets	575	22	-	-
Total	22,278	7,400	(70)	(146)

(15) SHORT-TERM BORROWINGS

	JUNE 30, 2008	DECEMBER 31, 2007
Secured borrowings		
Guarantee -- RMB	30	
Pledge -- RMB	60	
Impawn -- RMB	1,040	
Unsecured borrowings		
Unsecured -- USD	10,452	
Unsecured -- RMB	12,348	
Unsecured -- HKD	1,887	
	25,817	

As at June 30, 2008 and December 31, 2007, the above-mentioned short-term guaranteed borrowings are from China Petroleum Finance Company Limited ("CP Finance"), and are guaranteed by the Company and other third parties.

2008 INTERIM REPORT

82

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

As at June 30, 2008, the above-mentioned short-term pledged borrowings and RMB 70 long-term pledged borrowings (Note 7(24)) are secured over the fixed assets with a net book value of RMB 372 (Note 7(8)) (December 31, 2007: Nil).

Edgar Filing: PETROCHINA CO LTD - Form 6-K

As at June 30, 2008, the above-mentioned short-term impawned borrowings are secured over notes receivable of RMB 1,020 (Note 7(2)) (December 31, 2007: RMB 300) and inventories with a net book value of RMB 29 (Note 7(5)) (December 31, 2007: RMB 29).

As at June 30, 2008, the short-term unsecured borrowings include loans from fellow CNPC subsidiary, CP Finance of RMB 876 (December 31, 2007: RMB 20).

The weighted average interest rate for short-term borrowings as at June 30, 2008 is 4.88% per annum (December 31, 2007: 5.14%).

(16) NOTES PAYABLE

As at June 30, 2008 and December 31, 2007, notes payable represented mainly trade accepted notes. All notes are maturing within one year.

As at June 30, 2008 and December 31, 2007, there are no notes payable to shareholders who hold 5% or more of the voting rights in the Company.

(17) ACCOUNTS PAYABLE

As at June 30, 2008, accounts payable included amount payable to shareholders who hold 5% or more of the voting rights in the Company RMB 35,385 (December 31, 2007: RMB 29,507).

As at June 30, 2008, accounts payable aged over one year amounted to RMB 8,027 (December 31, 2007: RMB 7,323), and mainly comprised of payables to several major customers and were not settled.

(18) ADVANCES FROM CUSTOMERS

As at June 30, 2008, advances from customers included amount payable to shareholders who hold 5% or more of the voting rights in the Company RMB 1,215 (December 31, 2007: RMB 924).

2008 INTERIM REPORT

83

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(19) EMPLOYEE COMPENSATION PAYABLE

	DECEMBER 31, 2007	ADDITION	REDUCTION	JUNE
Wages and salaries, bonuses, allowances and subsidies	7,751	16,321	(19,527)	
Staff welfare	1,799	1,330	(2,552)	
Social security contributions	708	9,324	(8,718)	
Housing fund	44	1,511	(1,467)	
Labour union funds and employee education funds	1,076	719	(495)	
Other	207	1,206	(1,276)	
	-----	-----	-----	-----
	11,585	30,411	(34,035)	
	=====	=====	=====	=====

Edgar Filing: PETROCHINA CO LTD - Form 6-K

As at June 30, 2008, employee compensation payable did not contain any balance in arrears.

(20) TAXES PAYABLE

	JUNE 30, 2008	DECEMBER 31, 2007
Corporate income tax	2,096	
Prepaid VAT payable	(13,468)	(13,468)
Business tax payable	153	
Consumption tax payable	1,065	
City maintenance and construction tax payable	908	
Educational surcharge payable	803	
Compensation on mineral resources	1,891	
Resources tax payable	436	
Crude oil special levy payable	25,919	
Other	2,459	
	22,262	22,262

2008 INTERIM REPORT

84

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(21) OTHER PAYABLES

As at June 30, 2008, other payables included amount payable to shareholders who hold 5% or more of the voting rights in the Company RMB 5,717 (December 31, 2007: RMB 2,625).

As at June 30, 2008, other payables that aged over one year amounted to RMB 3,750 (December 31, 2007: RMB 2,619), and mainly comprised of payable to several major counterparts that had not been settled.

As at June 30, 2008, other payables mainly comprised of deposits and payments made on behalf.

(22) PROVISIONS

	DECEMBER 31, 2007	ADDITION	REDUCTION	JUNE 30, 2008
Assets retirement obligations (i)	24,761	1,303	(98)	
Other	715	62	(217)	
	25,476	1,365	(315)	

Edgar Filing: PETROCHINA CO LTD - Form 6-K

25,476
1,365
(315)

=====
=====
=====
=====

(i) Assets retirement obligations are related to oil and gas properties.

(23) CURRENT PORTION OF NON-CURRENT LIABILITIES

	JUNE 30, 2008	DECEMBER 31, 2007
Long-term borrowings due within one year		
Secured borrowings		
Guarantee -- USD	61	
Unsecured borrowings		
Unsecured -- RMB	10,253	
Unsecured -- USD	2,929	
Unsecured -- Other	26	
	-----	-----
	13,269	
Debentures payable due within one year	171	
	-----	-----
	13,440	
	=====	=====

As at June 30, 2008, unsecured borrowings of RMB 10,462 (December 31, 2007: RMB 5,520) were from CP Finance.

The above-mentioned long-term guaranteed borrowings due within one year were guaranteed by CNPC.

2008 INTERIM REPORT 85

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE SIX MONTHS ENDED JUNE 30, 2008
 PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(24) LONG-TERM BORROWINGS

	JUNE 30, 2008	DECEMBER 31, 2007
Secured borrowings		
Pledge -- RMB	70	
Pledge -- USD	4,129	
Guarantee -- USD	439	
Unsecured borrowings		
Unsecured -- RMB	30,197	
Unsecured -- USD	9,209	
Unsecured -- Other	269	
	-----	-----
	44,313	

Edgar Filing: PETROCHINA CO LTD - Form 6-K

Less: Long-term borrowings due within one year (Note 7(23))	(13,269)	
	-----	-----
	31,044	-----
	=====	=====

As at June 30, 2008, the above-mentioned RMB 4,129 long-term pledged borrowings are secured by time deposits of USD 602 million (Note 7(1)) (December 31, 2007: USD 450 million); the above-mentioned RMB 70 long-term pledged borrowings and RMB 60 short-term pledged borrowings (Note 7(15)) are secured by fixed assets with a net book value of RMB 372 (Note 7(8)) (December 31, 2007: Nil).

The above-mentioned long-term guaranteed borrowings are guaranteed by CNPC.

As at June 30, 2008, long-term unsecured borrowings of RMB 24,225 (December 31, 2007: RMB 24,432) are from CP Finance.

The maturities of long-term borrowings at the dates indicated are analysed as follows:

	JUNE 30, 2008	DECEMBER 31, 2007
Between one to two years	13,248	-----
Between two to five years	5,655	-----
After five years	12,141	-----
	-----	-----
	31,044	-----
	=====	=====

The weighted average interest rate for long-term borrowings on June 30, 2008 is 5.36 % (December 31, 2007: 5.47%).

2008 INTERIM REPORT 86

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

Long-term borrowings including long-term borrowings due within one year are listed by bank as below:

	JUNE 30, 2008	DECEMBER 31, 2007
Industrial and Commercial Bank of China Ltd.	7,400	-----
China Construction Bank Corporation	2,446	-----
Bank of China	2,619	-----

Edgar Filing: PETROCHINA CO LTD - Form 6-K

Bank of Communications	-
China Development Bank	900
The World Bank	439
CP Finance	24,225
Other bank borrowings	5,341
Other foreign government or company borrowings	943

	44,313
	=====

The fair value of the above-mentioned borrowings amounted to RMB 43,977 (December 31, 2007: RMB 46,343). The fair value is based on discounted cash flows using an applicable discount rate which is based on the prevailing market rates as at balance sheet date of the Group's availability of financial instruments (terms and characteristics similar to the borrowings).

(25) DEBENTURES PAYABLE

DEBENTURES' NAME	CURRENCY	DATE OF ISSUE	TERM OF DEBENTURES	ANNUAL RATE%	DECEMBER 31, 2007	ADDITI
2003 PetroChina Company Limited Corporate debentures	RMB	October 28, 2003	10 - year	4.11	1,500	
2006 PetroChina Company Limited Corporate debentures	RMB	October 23, 2006	5 - year	3.76	2,000	
Other					1,123	

					4,623	
					=====	
Less:						
Debentures Payable due within one year					(240)	

					4,383	
					=====	

The above-mentioned debentures were issued at the par value, without premium or discount.

2008 INTERIM REPORT

87

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

Edgar Filing: PETROCHINA CO LTD - Form 6-K

The fair value of the debentures amounts to RMB 3,919 (December 31, 2007: RMB 4,104). The fair value is based on discounted cash flows using an applicable discount rate which is based on the prevailing market rates as at the balance sheet date of the Company's availability of financial instruments (terms and characteristics similar to the borrowings).

(26) DEFERRED TAX ASSETS AND LIABILITIES

(A) DEFERRED TAX ASSETS

	JUNE 30, 2008		DECEMBER 31, 2007	
	DEFERRED TAX ASSETS	DEDUCTIBLE TEMPORARY DIFFERENCES	DEFERRED TAX ASSETS	DEDUCTIBLE TEMPORARY DIFFERENCES
Provision for assets impairment	6,414	28,187	4,934	
Asset retirement obligations	1,875	7,992	1,517	
Wages and welfare	417	1,782	1,301	
Loss that can be carried forward	102	377	95	
Other	9,480	37,823	5,024	
	18,288	76,161	12,871	
	18,288	76,161	12,871	

(B) DEFERRED TAX LIABILITIES

	JUNE 30, 2008		DECEMBER 31, 2007	
	DEFERRED TAX LIABILITIES	TAXABLE TEMPORARY DIFFERENCES	DEFERRED TAX LIABILITIES	TAXABLE TEMPORARY DIFFERENCES
Depreciation and depletion of fixed assets and oil and gas properties	13,439	52,463	11,681	
Amortisation of intangible assets	76	302	109	
Other	35	141	93	
	13,550	52,906	11,883	
	13,550	52,906	11,883	

2008 INTERIM REPORT

88

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(27) SHARE CAPITAL

Edgar Filing: PETROCHINA CO LTD - Form 6-K

	JUNE 30, 2008	DECEMBER 31, 2007
H shares	21,099	161,922
A shares	161,922	183,021
	-----	-----
	183,021	183,021
	=====	=====

The assets and liabilities injected by CNPC in 1999 had been valued by China Enterprise Appraisal Co., and the result of the valuation had been approved by the MOF issuing Cai Ping Zi [1999] No. 490 "Letter regarding the appraisal report on the valuation of CNPC's assets proposed to be injected into PetroChina Company Limited". In accordance with MOF's approval Cai Guan Zi [1999] No. 335 "Reply to the query in relation to PetroChina Company Limited's (in the progress of registration) state-owned equity management", the above-mentioned net assets injected by CNPC had been exchanged for 160 billion state-owned shares of the Company with a par value of RMB 1.00 yuan per share. The excess of the value of the net assets injected over the par value of the state-owned shares had been recorded as capital surplus.

Pursuant to the approval of China Securities Regulatory Commission ("CSRC") Zheng Jian Fa Xing Zi [2000] No.1 "Reply regarding the approval of PetroChina Company Limited's issuance of foreign capital stock", on April 7, 2000, the Company issued 17,582,418,000 foreign capital stock, in which 1,758,242,000 shares were converted from the prior state-owned shares of the Company owned by CNPC.

The above-mentioned foreign capital stock represented by 13,447,897,000 H shares and 41,345,210 ADS (each representing 100 H shares), were listed on the Stock Exchange of Hong Kong Limited and the New York Stock Exchange Inc. on April 7, 2000 and April 6, 2000, respectively.

Pursuant to the approval of CSRC Zheng Jian Guo He Zi [2005] No.23 "Reply regarding the approval of PetroChina Company Limited issuance of additional foreign capital stock", the Company issued 3,196,801,818 new H shares with a par value of RMB 1.00 yuan per share on September 15, 2005. CNPC also converted 319,680,182 state-owned shares it held into H shares and sold them concurrently with PetroChina's issuance of new H shares.

Pursuant to the approval of CSRC Zheng Jian Fa Xing Zi [2007] No.349 "The Circular regarding the approval of PetroChina Company Limited's initial public offering", the Company issued 4,000,000,000 A shares with a par value of RMB 1.00 yuan per share with the price of RMB 16.70 yuan per share on October 31, 2007, and the net proceeds to the Company amounted to approximately RMB 66,243. The A shares were listed on the Shanghai Stock Exchange on November 5, 2007.

Following the issuance of the A shares, all the existing state-owned shares issued before November 5, 2007 held by CNPC have been registered with the China Securities Depository and Clearing Corporation Limited as A shares.

Edgar Filing: PETROCHINA CO LTD - Form 6-K

FOR THE SIX MONTHS ENDED JUNE 30, 2008

PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(28) CAPITAL SURPLUS

	DECEMBER 31, 2007	ADDITION	REDUCTION	JUN 2
	-----	-----	-----	-----
Capital premium	83,251	--	--	83
Other capital surplus				
Capital surplus under the old CAS	40,955	--	--	40
Fair value gains of available-for-sale investments	261	--	(158)	
Purchase of minority interests in subsidiaries	(2,275)	--	(15)	(2)
	-----	---	---	-----
	122,192	--	(173)	122
	=====	===	====	=====

(29) SURPLUS RESERVES

	DECEMBER 31, 2007	ADDITION	REDUCTION	JUN 2
	-----	-----	-----	-----
Statutory Surplus Reserves	102,656	--	--	10
Discretionary Surplus Reserves	40	--	--	
	-----	---	---	-----
	102,696	--	--	10
	=====	===	===	=====

Pursuant to the Company Law of PRC, the Company's Articles of Association and the resolution of Board of Director, the Company is required to transfer 10% of its net profit to a Statutory Surplus Reserves. Appropriation to the Statutory Surplus Reserves may be ceased when the fund aggregates to 50% of the Company's registered capital. The Statutory Surplus Reserves may be used to make good previous years' losses or to increase the capital of the Company upon approval.

The Discretionary Surplus Reserves is approved by a resolution of shareholders' general meeting after BOD's proposal. The Company may convert its Discretionary Surplus Reserves to make good previous years' losses or to increase the capital of the Company. The Company have not extracted Discretionary Surplus Reserves for the six months ended June 30, 2008 (for the six months ended June 30, 2007: Nil).

2008 INTERIM REPORT

90

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008

PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(30) UNDISTRIBUTED PROFITS

Edgar Filing: PETROCHINA CO LTD - Form 6-K

At the meeting on August 27, 2008, the Board of Directors proposed interim dividends attributable to equity holders of the Company of RMB 0.131827 yuan per share amounting to a total of RMB 24,127, according to the issued 183,021 million shares, as authorised by shareholders in the Annual General Meeting on May 15, 2008.

At the meeting on March 19, 2008, the Board of Directors proposed final cash dividends attributable to equity holders of the Company in respect of 2007 of RMB 0.156859 yuan per share, amounting to a total of RMB 28,708, according to the issued 183,021 million shares as approved by shareholders in the Annual General Meeting at May 15, 2008.

At the meeting on March 19, 2007, the Board of Directors proposed final cash dividends attributable to equity holders of the Company in respect of 2006 of RMB 0.154699 yuan per share, amounting to a total of RMB 27,694, according to the issued 179,021 million shares, as approved by shareholders in the Annual General Meeting on May 16, 2007.

(31) MINORITY INTEREST

Minority interest attributable to minority shareholders of subsidiaries:

	JUNE 30, 2008	DECEMBER 31, 2007
	-----	-----
Daqing Yu Shu Lin Oilfield Company Limited	348	336
CNPC Exploration and Development Company Limited	26,578	16,773
PetroKazakhstan Inc.	7,187	8,163
Other	12,483	12,432
	-----	-----
	46,596	37,704
	=====	=====

2008 INTERIM REPORT

91

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(32) OPERATING INCOME AND COST OF SALES

	GROUP		COMPANY	
	FOR THE SIX MONTHS ENDED JUNE 30, 2008	FOR THE SIX MONTHS ENDED JUNE 30, 2007	FOR THE SIX MONTHS ENDED JUNE 30, 2008	FOR THE SIX MONTHS ENDED JUNE 30, 2007
	-----	-----	-----	-----
Income from principal operations (a)	534,027	384,478	385,270	284,361
Income from other operations	15,495	8,248	7,745	6,030
	-----	-----	-----	-----
	549,522	392,726	393,015	290,391
	=====	=====	=====	=====

Edgar Filing: PETROCHINA CO LTD - Form 6-K

Income from principal operations from the Group's five largest customers for the year ended June 30, 2008 was RMB 99,582, representing 18% of the Group's total operating income. Income from principal operations from the Company's five largest customers for the year ended June 30, 2008 was RMB 56,683, representing 14% of the Company's total operating income.

(A) INCOME FROM AND COST OF PRINCIPAL OPERATIONS

	GROUP			
	FOR THE SIX MONTHS ENDED JUNE 30, 2008		FOR THE SIX MONTHS ENDED JUNE 30, 2007	
	INCOME	COST	INCOME	COST
Exploration and production	308,180	116,385	202,117	81,844
Refining and marketing	446,994	471,905	311,471	278,264
Chemicals and marketing	59,118	48,148	48,747	39,819
Natural gas and pipeline	30,580	21,449	22,953	16,267
Other	345	65	276	50
Intersegment elimination	(311,190)	(310,600)	(201,086)	(200,683)
Total	534,027	347,352	384,478	215,561

	COMPANY			
	FOR THE SIX MONTHS ENDED JUNE 30, 2008		FOR THE SIX MONTHS ENDED JUNE 30, 2007	
	INCOME	COST	INCOME	COST
Exploration and production	252,805	151,537	158,805	104,412
Refining and marketing	304,858	332,973	219,192	191,768
Chemicals and marketing	58,742	47,831	42,608	34,825
Natural gas and pipeline	27,387	20,133	20,646	15,126
Other	39	53	--	--
Intersegment elimination	(258,561)	(249,179)	(156,890)	(156,486)
Total	385,270	303,348	284,361	189,645

2008 INTERIM REPORT

92

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(33) TAX AND LEVIES ON OPERATIONS

Edgar Filing: PETROCHINA CO LTD - Form 6-K

	FOR THE SIX MONTHS ENDED JUNE 30, 2008	FOR THE SIX MONTHS ENDED JUNE 30, 2007
	-----	-----
Business tax	462	3,167
City maintenance and construction tax	3,167	2,462
Educational surcharge	1,546	1,167
Consumption tax	7,035	6,316
Resource tax	1,635	1,546
Crude oil special levy	47,816	14,905
Other	230	230
	-----	-----
	61,891	26,833
	=====	=====

(34) FINANCE EXPENSES

	FOR THE SIX MONTHS ENDED JUNE 30, 2008	FOR THE SIX MONTHS ENDED JUNE 30, 2007
	-----	-----
Interest expense	1,635	2,058
Less: Interest income	(1,404)	(81)
Exchange losses	2,332	92
Less: Exchange gains	(1,304)	(58)
Other	189	8
	-----	-----
	1,448	1,655
	=====	=====

(35) ASSET IMPAIRMENT LOSSES

	FOR THE SIX MONTHS ENDED JUNE 30, 2008	FOR THE SIX MONTHS ENDED JUNE 30, 2007
	-----	-----
Impairment losses for bad debts provision	(48)	(2,250)
Impairment losses for declines in the value of inventories	1,422	(60)
Impairment losses for available-for-sale financial assets	10	-
Impairment losses for fixed assets and oil and gas properties	5,905	-
Impairment losses for intangible assets	22	-
Impairment losses for long-term equity investments	19	-
	-----	-----
	7,330	(2,310)
	=====	=====

2008 INTERIM REPORT

93

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(36) INVESTMENT INCOME

Edgar Filing: PETROCHINA CO LTD - Form 6-K

	GROUP	
	FOR THE SIX MONTHS ENDED JUNE 30, 2008	FOR THE SIX MONTHS ENDED JUNE 30, 2007
Gains on available-for-sale financial assets	108	187
Share of profit of associates and jointly controlled entities	4,226	2,593
(Losses)/Gains on disposal of long-term equity investments	(3)	310
Other	(34)	--
	-----	-----
	4,297	3,090
	=====	=====

	COMPANY	
	FOR THE SIX MONTHS ENDED JUNE 30, 2008	FOR THE SIX MONTHS ENDED JUNE 30, 2007
Gains on available-for-sale financial assets	92	169
Share of profit of associates and jointly controlled entities	119	392
Dividends declared by subsidiaries	43,823	29,533
(Losses)/Gains on disposal of long-term equity investments	(5)	310
Other	75	--
	-----	-----
	44,104	30,404
	=====	=====

(37) NON-OPERATING INCOME AND EXPENSES

(A) NON-OPERATING INCOME

	FOR THE SIX MONTHS ENDED JUNE 30, 2008	FOR THE SIX MONTHS ENDED JUNE 30, 2007
Gains on disposal of fixed assets and oil and gas properties	68	549
Government grants (i)	5,251	536
Other	295	356
	-----	-----
	5,614	1,441
	=====	=====

Edgar Filing: PETROCHINA CO LTD - Form 6-K

- (i) Mainly includes government subsidy provided by the State to ensure supply of crude oil and refined oil recognised by the Group for the six months ended June 30, 2008.

2008 INTERIM REPORT

94

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(B) NON-OPERATING EXPENSES

	FOR THE SIX MONTHS ENDED JUNE 30, 2008	FOR THE SIX MONTHS ENDED JUNE 30, 2007
	-----	-----
Losses on disposal of fixed assets and oil and gas properties	386	289
Fines	1,278	10
Donation	96	97
Extraordinary losses	493	267
Other	880	418
	-----	-----
	3,133	1,081
	=====	=====

(38) TAXATION

	FOR THE SIX MONTHS ENDED JUNE 30, 2008	FOR THE SIX MONTHS ENDED JUNE 30, 2007
	-----	-----
Income tax	21,515	25,415
Deferred tax	(3,606)	582
	-----	-----
	17,909	25,997
	=====	=====

The reconciliation from profit before taxation presented in the financial statements to the taxation is as follows:

	FOR THE SIX MONTHS ENDED JUNE 30, 2008	FOR THE SIX MONTHS ENDED JUNE 30, 2007
	-----	-----
Profit before taxation	73,206	106,294
Tax calculated at a tax rate of 25% (2007: 33%)	18,302	35,077
Prior year tax return adjustment	25	451
Effect of income taxes from international		

Edgar Filing: PETROCHINA CO LTD - Form 6-K

operations in excess of taxes at the PRC statutory tax rate	4,638	399
Effect of preferential tax rate	(5,752)	(8,131)
Effect of the new CIT law on deferred tax	--	(1,245)
Tax effect of income not subject to tax	(1,193)	(1,274)
Tax effect of expenses not deductible for tax purposes	1,889	720
	-----	-----
Taxation	17,909	25,997
	=====	=====

2008 INTERIM REPORT

95

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(39) EARNINGS PER SHARE

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 profit attributable to equity holders of the Company by the number of 183,021 million shares issued and outstanding during the period.

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

There are no potential dilutive ordinary shares, and the diluted earnings per share are equal to the basic earnings per share.

(40) NOTES TO CONSOLIDATED CASH FLOW STATEMENTS

(A) RECONCILIATION FROM THE NET PROFIT TO THE CASH FLOW OPERATING ACTIVITIES

	FOR THE SIX MONTHS ENDED JUNE 30, 2008	FOR THE SIX MONTHS ENDED JUNE 30, 2007
	-----	-----
Net profit	55,297	80,297
Add: Assets impairment losses	7,330	(2,317)
Depreciation and depletion of fixed assets and oil and gas properties	39,961	34,323
Amortisation of intangible assets	694	573
Amortisation of long-term prepaid expenses	899	786
Losses on disposal of fixed assets, oil and gas properties, intangible assets and other long-term assets (including dry holes)	6,954	5,863
Finance expenses	231	1,231
Investment income	(4,297)	(3,090)
(Increase)/Decrease in deferred tax assets	(5,451)	1,442
Increase/(Decrease) in deferred tax		

Edgar Filing: PETROCHINA CO LTD - Form 6-K

liabilities	1,845	(860)
Increase in inventories	(11,515)	(8,221)
Increase in operating receivables	(32,968)	(20,519)
Increase in operating payables	25,026	22,669
	-----	-----
Net cash from operating activities	84,006	112,177
	=====	=====

2008 INTERIM REPORT

96

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(B) NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS

	FOR THE SIX MONTHS ENDED JUNE 30, 2008	FOR THE SIX MONTHS ENDED JUNE 30, 2007
	-----	-----
Cash at end of the period	58,840	71,771
Less: Cash at beginning of the period	(65,494)	(48,559)
Add: Cash equivalents at end of the period	--	--
Less: Cash equivalents at beginning of the period	--	--
	-----	-----
Net (decrease)/increase in cash and cash equivalents	(6,654)	23,212
	=====	=====

(C) CASH AND CASH EQUIVALENTS

	JUNE 30, 2008	DECEMBER 31, 2007
	-----	-----
Cash at bank and on hand	74,377	88,589
Less: Time deposits with maturities over 3 months	(15,537)	(23,095)
	-----	-----
Cash and cash equivalents at end of the period	58,840	65,494
	=====	=====

2008 INTERIM REPORT

97

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

8 SEGMENT REPORTING

(1) PRINCIPAL REPORTING FORMAT OF THE GROUP - BUSINESS SEGMENTS

(A) SEGMENT INFORMATION AS AT AND FOR THE SIX MONTHS ENDED JUNE 30, 2008 IS

Edgar Filing: PETROCHINA CO LTD - Form 6-K

AS FOLLOWS:

	EXPLORATION AND PRODUCTION	REFINING AND MARKETING	CHEMICALS AND MARKETING	NATURAL GAS AND PIPELINE	OTHER	TO
	-----	-----	-----	-----	-----	-----
Revenue	316,876	451,737	60,463	30,902	734	86
Less: Intersegment revenue	(255,871)	(46,481)	(5,145)	(3,390)	(303)	(31)
Revenue from external customers	61,005	405,256	55,318	27,512	431	54
Segment expenses(i)	(170,755)	(264,395)	(22,718)	(7,400)	(9,048)	(47)
Segment result	127,105	(57,909)	6,149	8,207	(8,346)	7
Unallocated expenses						(
Operating profit						7
Segment assets	539,018	341,316	102,422	101,340	891,161	1,97
Deferred tax assets						1
Elimination of intersegment balances						(93
Total assets						1,05
Segment liabilities	266,115	195,465	34,847	59,913	242,882	79
Deferred tax liabilities						1
Other						2
Elimination of intersegment balances						(51
Total liabilities						31
Depreciation, depletion and amortisation	29,332	5,658	3,025	3,169	370	4
Capital expenditure						
- Tangible assets	47,053	6,527	4,307	12,845	961	7
- Intangible assets	174	1,370	81	35	68	

2008 INTERIM REPORT

98

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(B) SEGMENT INFORMATION AS AT AND FOR THE YEAR ENDED JUNE 30, 2007 IS AS
FOLLOWS:

	EXPLORATION AND PRODUCTION	REFINING AND MARKETING	CHEMICALS AND MARKETING	NATURAL GAS AND PIPELINE	OTHER	TO
	-----	-----	-----	-----	-----	-----

Edgar Filing: PETROCHINA CO LTD - Form 6-K

Revenue	205,390	314,863	49,860	23,216	483	59
Less: Intersegment revenue	(165,789)	(26,842)	(5,036)	(3,191)	(228)	(20)
	-----	-----	-----	-----	-----	-----
Revenue from external customers	39,601	288,021	44,824	20,025	255	39
	=====	=====	=====	=====	=====	=====
Segment expenses (i)	(110,861)	(151,058)	(18,833)	(6,299)	(3,492)	(29)
	-----	-----	-----	-----	-----	-----
Segment result	90,954	3,552	4,587	6,101	(3,011)	10
	-----	-----	-----	-----	-----	-----
Unallocated expenses						
Operating profit						10
						=====
Segment assets	448,685	230,998	80,129	74,501	626,958	1,46
Deferred tax assets						1
Elimination of intersegment balances						(59)

Total assets						87
						=====
Segment liabilities	232,335	138,376	35,049	42,527	80,855	52
Deferred tax liabilities						1
Other						2
Elimination of intersegment balances						(30)

Total liabilities						26
						=====
Depreciation, depletion and amortisation	24,234	5,314	2,938	2,895	301	3
Capital expenditure						
- Tangible assets	42,196	4,841	1,163	2,471	350	5
- Intangible assets	94	789	4	37	--	

(i) Segment expenses include operating costs, tax and levies on operations, and selling, general and administrative expenses.

2008 INTERIM REPORT

99

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(2) SECONDARY REPORTING FORMAT OF THE GROUP - GEOGRAPHICAL SEGMENTS

	FOR THE SIX MONTHS ENDED JUNE 30, 2008	FOR THE SIX MONTHS ENDED JUNE 30, 2007
REVENUE FROM EXTERNAL CUSTOMERS	-----	-----
PRC	519,845	380,444
Other (Exploration and Production)	29,677	12,282
	-----	-----
	549,522	392,726
	=====	=====

Edgar Filing: PETROCHINA CO LTD - Form 6-K

TOTAL ASSETS	JUNE 30, 2008	JUNE 30, 2007
-----	-----	-----
PRC	968,331	826,235
Other (Exploration and Production)	91,065	53,238
	-----	-----
	1,059,396	879,473
	=====	=====

9 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) PARENT COMPANY AND SUBSIDIARIES

Details about subsidiaries and related information are disclosed in Note 6.

The parent company of the Company is CNPC. CNPC is registered in China which is principally engaged in exploration, development, production, transportation, sale of petroleum products and cooperation. As at June 30, 2008, equity interest and voting interest of CNPC were 86.29% (December 31, 2007: 86.29%).

(2) NATURE OF RELATED PARTIES THAT ARE NOT CONTROLLED BY THE COMPANY

NAMES OF RELATED PARTIES

RELATIONSHIP WITH THE COMPANY

-----	-----
Dalian West Pacific Petrochemical Co., Ltd.	Associat
China Marine Bunker (Petrochina) Co., Ltd.	Jointly controlled entit
Dagang Oilfield (Company) Company Limited	Fellow subsidiary of CNP
CNPC Oriental Geophysical Exploration Company Limited	Fellow subsidiary of CNP
China Petroleum Logging Company Limited	Fellow subsidiary of CNP
Daqing Petroleum Administrative Bureau	Fellow subsidiary of CNP
Liaohu Petroleum Exploration Bureau	Fellow subsidiary of CNP
China Petroleum Pipeline Bureau	Fellow subsidiary of CNP
Daqing Petrochemical Factory	Fellow subsidiary of CNP
China Petroleum Material Equipment Company	Fellow subsidiary of CNP
China Petroleum Finance Company Limited	Fellow subsidiary of CNP
China National Oil and Gas Exploration and Development Corporation	Fellow subsidiary of CNP
China National United Oil Corporation	Fellow subsidiary of CNP

2008 INTERIM REPORT

100

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(3) SUMMARY OF SIGNIFICANT RELATED PARTY TRANSACTIONS

Related party transactions with CNPC and its subsidiaries:

FOR THE SIX FOR THE SIX

Edgar Filing: PETROCHINA CO LTD - Form 6-K

	NOTE	MONTHS ENDED JUNE 30, 2008	MONTHS ENDED JUNE 30, 2007
	----	-----	-----
Sales of goods and services rendered to CNPC and its subsidiaries	(1)	20,946	13,611
Purchase of services from CNPC and its subsidiaries:			
Fees paid for construction and technical services:	(2)		
- Exploration and development services	(2a)	24,426	22,994
- Other construction and technical services	(2b)	18,047	9,921
Fees for production services	(3)	38,350	11,653
Social services charges	(4)	1,152	998
Ancillary services charges	(5)	1,185	1,038
Commission expenses and other charges	(6)	295	307
Interest income received from related companies	(7)	64	70
Interest expense paid to CP Finance	(8)	672	490
Rental paid to CNPC Company	(9)	1,036	1,018
Purchases of assets from CNPC and its subsidiaries	(10)	1,720	956

Note:

- (1) Sales of goods and services represent sales of crude oil, petroleum products and chemicals at market prices.
- (2) Under the Comprehensive Products and Services Agreement entered into between CNPC and the Company, certain construction and technical services provided by CNPC are charged at cost plus an additional margin of not more than 15%, including exploration and development services and oilfield construction services.
 - (2a) Direct costs for exploration and development services comprise geophysical survey, drilling, well cementing, logging and well testing.
 - (2b) The fees paid for other construction and technical services comprise fees for construction of refineries and chemical plants and technical services in connection with oil and gas exploration and production activities such as oilfield construction, technology research, engineering and design, etc..
- (3) The fees paid for production services comprise fees for the repair of machinery, supply of water, electricity and gas at the state-prescribed prices, provision of services such as communications, transportation, fire fighting, asset leasing, environmental protection and sanitation, maintenance of roads, manufacture of replacement parts and machinery etc. at cost or market prices.
- (4) These represent expenditures for social welfare and support services based on the number of employees, total income or total assets which are charged at cost.

2008 INTERIM REPORT

101

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

- (5) Ancillary service charges represent mainly fees for property management, the provision of training centres, guesthouses, canteens, public shower rooms, etc. at market prices.

Edgar Filing: PETROCHINA CO LTD - Form 6-K

- (6) CNPC purchases raw materials on behalf of the Group and charges commission thereon. The commission is calculated at rates ranging from 1% to 5% of the goods purchased.
- (7) The bank deposits in CP Finance as at June 30, 2008 were RMB 7,337 (December 31, 2007: RMB 8,393). Interest income is calculated according to the prevailing interest rates.
- (8) The loans from CP Finance including short-term borrowings, long-term borrowings due within one year and long-term borrowings as at June 30, 2008 were RMB 25,131 (December 31, 2007: RMB 24,482).
- (9) Rental was paid for the operating lease of land and buildings at the prices prescribed in the Building and Land Use Rights leasing contract with CNPC.
- (10) Purchases of assets principally represent the purchases of manufacturing equipment, office equipment, transportation equipment, etc. at market prices.
- (11) Besides the investment in CP Finance RMB 377 as at June 30, 2008 (December 31, 2007: RMB 377), the Group did not have any individual investment in CNPC and its subsidiaries greater than RMB 100. The Group's equity interest in CP Finance as at June 30, 2008 was 9.5% (December 31, 2007: 9.5%). CP Finance's operating period started in 1995, without limited date for ending.

Related party transactions with associates and jointly controlled entities:

	FOR THE SIX MONTHS ENDED JUNE 30, 2008	FOR THE SIX MONTHS ENDED JUNE 30, 2007
	-----	-----
(a) Sales of goods		
- Crude oil	--	1,570
- Refined products	4,436	11,131
- Chemical products	90	753
(b) Purchases of goods	184	12,136
(c) Purchases of services	49	27

2008 INTERIM REPORT

102

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(4) COMMISSIONED LOANS

The Company, its subsidiaries and associates commissioned CP Finance and other financial institutions to provide loans with interest in accordance with the prevailing interest rates. Loans between the Company and its subsidiaries have been eliminated in the consolidated financial statements. As at June 30, 2008, the eliminated commissioned loans totalled RMB 28,411 including short-term loans of RMB 17,444, loans due within one year of RMB 1,265 and long-term loans of RMB 9,702.

(5) GUARANTEES

Edgar Filing: PETROCHINA CO LTD - Form 6-K

The Group provided guarantees of loans for associates, see Note 10(1).

CNPC provided guarantees of loans for the Group, see Note 7(23) and 7(24).

(6) RECEIVABLES AND PAYABLES WITH RELATED PARTIES

(A) ACCOUNTS RECEIVABLE / OTHER RECEIVABLES / ADVANCES TO SUPPLIERS

	JUNE 30, 2008	DECEMBER 31, 2007
	-----	-----
CNPC and its subsidiaries		
Accounts receivable	2,271	3,796
Other receivables	1,987	2,351
Advances to suppliers	32,147	7,984
Associates and jointly controlled entities		
Accounts receivable	172	296
Other receivables	1,399	2,300
Advances to suppliers	175	112

As at June 30, 2008, the receivables from related parties represented 37% (December 31, 2007: 28%) of total receivables.

2008 INTERIM REPORT

103

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(B) ACCOUNTS PAYABLE / OTHER PAYABLES / ADVANCES FROM CUSTOMERS

	JUNE 30, 2008	DECEMBER 31, 2007
	-----	-----
CNPC and its subsidiaries		
Accounts payable	35,385	29,507
Other payables	5,717	2,625
Advances from customers	1,215	924
Associates and jointly controlled entities		
Accounts payable	27	35
Other payables	577	3
Advances from customers	280	65

As at June 30, 2008, the payables to related parties represented 26% (December 31, 2007: 25%) of total payables.

(7) SUMMARY OF TRANSACTIONS WITH SUBSIDIARIES

Significant related party transactions with subsidiaries:

FOR THE SIX MONTHS ENDED FOR THE SIX MONTHS ENDED

Edgar Filing: PETROCHINA CO LTD - Form 6-K

	JUNE 30, 2008	JUNE 30, 2007
	-----	-----
(a) Sales of goods	3,353	2,521
(b) Purchase of goods	154,216	100,643

Receivables and payables with subsidiaries:

	JUNE 30, 2008	DECEMBER 31, 2007
	-----	-----
Other receivables	11,965	12,997
Other payables	42,612	33,227

(8) KEY MANAGEMENT PERSONNEL COMPENSATION

	FOR THE SIX MONTHS ENDED JUNE 30, 2008	FOR THE SIX MONTHS ENDED JUNE 30, 2007
	-----	-----
	RMB'000	RMB'000
Key management personnel compensation	4,015	3,334

2008 INTERIM REPORT 104

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

10 CONTINGENT LIABILITIES

(1) BANK AND OTHER GUARANTEES

At June 30, 2008, the Group had contingent liabilities in respect of guarantees made to CP Finance, a subsidiary of CNPC from which it is anticipated that no material liabilities will arise.

	JUNE 30, 2008	DECEMBER 31, 2007
	-----	-----
Guarantee of borrowings of associates from CP Finance	69	77
	---	---
	69	77
	===	===

(2) ENVIRONMENTAL LIABILITIES

CNPC and the Group have operated in China for many years. China has adopted extensive environmental laws and regulations that affect the operation of the oil and gas industry. The outcome of environmental liabilities under proposed or

Edgar Filing: PETROCHINA CO LTD - Form 6-K

future environmental legislation cannot be reasonably estimated at present, and could be material. Under existing legislation, however, the management believes that there are no probable liabilities, except for the amounts which have already been reflected in the consolidated financial statements that will have a material adverse effect on the financial position of the Group.

(3) LEGAL CONTINGENCIES

The Group is the named defendant in certain insignificant lawsuits as well as the named party in other proceedings arising in the ordinary course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, the management believes that any resulting liabilities will not have a material adverse effect on the financial position of the Group.

(4) LEASING OF ROADS, LAND AND BUILDINGS

According to the Restructuring Agreement entered into between the Company and CNPC in 2000:

CNPC will use its best endeavours to obtain formal land use right certificates to replace the entitlement certificates in relation to the 28,649 parcels of land which were leased or transferred to the Company from CNPC, within one year from August, September and October 1999 when the relevant entitlement certificates were issued;

CNPC will complete, within one year from November 5, 1999, the necessary governmental procedures for the requisition of the collectively-owned land on which 116 service stations owned by the Company are located; and

CNPC will obtain individual building ownership certificates in the name of the Company for all of the 57,482 buildings transferred to the Company by CNPC, before November 5, 2000.

2008 INTERIM REPORT

105

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

As at June 30, 2008, CNPC had obtained formal land use right certificates in relation to 27,554 out of the above-mentioned 28,649 parcels of land and some building ownership certificates for the above-mentioned buildings, but has completed none of the necessary governmental procedures for the above-mentioned service stations located on collectively-owned land. The management of the Company confirm that the use of and the conduct of relevant activities at the above-mentioned parcels of land, service stations and buildings are not affected by the fact that the relevant land use right certificates or individual building ownership certificates have not been obtained or the fact that the relevant governmental procedures have not been completed. In management's opinion, the outcome of the above events will not have a material adverse effect on the financial position of the Group.

(5) GROUP INSURANCE

Except for limited insurance coverage for vehicles and certain assets subject to significant operating risks, the Group does not carry any other insurance for property, facilities or equipment with respect to its business operations. In addition, the Group does not carry any third-party liability insurance against claims relating to personal injury, property and environmental

Edgar Filing: PETROCHINA CO LTD - Form 6-K

damages or business interruption insurance since such insurance coverage is not customary in China. While the effect of under-insurance on future incidents cannot be reasonably assessed at present, management believes that it will not have a material adverse effect on the financial position of the Group.

11 COMMITMENTS

(1) OPERATING LEASE COMMITMENTS

Operating lease commitments of the Group are mainly for leasing of land and buildings and equipment. Leases range from one to fifty years and usually do not contain renewal options. Future minimum lease payments as at June 30, 2008, under non-cancellable operating leases are as follows:

	JUNE 30, 2008	DECEMBER 31, 2007
	-----	-----
Within one year	3,523	3,394
Between one to two years	3,180	3,077
Between two to three years	3,153	2,927
Thereafter	85,918	84,997
	-----	-----
	95,774	94,395
	=====	=====

Operating lease expenses for the six months ended on June 30, 2008 was RMB 3,071 (for the six months ended June 30, 2007: RMB 3,166).

2008 INTERIM REPORT

106

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(2) CAPITAL COMMITMENTS

At June 30, 2008, the Group's capital commitments contracted but not provided for was RMB 9,480 (December 31, 2007: RMB 11,621).

(3) EXPLORATION AND PRODUCTION LICENSES

The Group is obligated to make annual payments with respect to its exploration and production licenses to the Ministry of Land and Resources. Payments incurred were RMB 399 for the six months ended June 30, 2008 (for the six months ended June 30, 2007: RMB 354).

Estimated annual payments for the next five years are as follows:

	JUNE 30, 2008

First year	507
Second year	906
Third year	906

Edgar Filing: PETROCHINA CO LTD - Form 6-K

Fourth year 906
Fifth year 906

12 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, including market risk, credit risk.

(1) FOREIGN EXCHANGE RATE RISK

The Group conducts its business primarily in RMB, but maintains a portion of its assets in other currencies to meet its needs for normal business operations. The RMB is not a freely convertible currency and is regulated by the PRC government. Limitation in foreign exchange transactions imposed by the PRC government could cause future exchange rates to vary significantly from current or historical exchange rates. Management is not in a position to anticipate changes in the PRC foreign exchange regulations and as such is unable to reasonably anticipate the impacts on the Group's results of operations or financial position arising from future changes in exchange rates. The Group did not enter into material hedge contracts during any of the years presented to hedge against its foreign exchange rate risk.

2008 INTERIM REPORT

107

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(2) CASH FLOW AND FAIR VALUE INTEREST RATE RISK

The Group is exposed to the risk arising from changes in interest rates. An analysis of the Group's borrowings, together with their respective interest rates and maturity dates, are included in Note 7(24).

(3) PRICE RISK

The Group is engaged in a wide range of petroleum-related activities. Prices of crude oil and petroleum products are affected by a wide range of global and domestic factors which are beyond the control of the Group. The fluctuations in such prices may have favourable or unfavourable impacts to the Group. The Group historically has not used commodity derivative instruments to hedge against potential price fluctuations of crude oil or petroleum products and therefore the Group is exposed to general price fluctuations of crude oil and petroleum products.

(4) CREDIT RISK

Credit risk arises primarily from cash at bank and on hand, accounts receivable, other receivables and notes receivable. As the majority of cash at bank and on hand are placed with state-owned banks and financial institutions, the corresponding credit risk is relatively low. The Group has controls in place to assess the credit quality of its customers. The carrying amounts of cash at bank and on hand, accounts receivable, other receivables and notes receivable etc. included in the consolidated balance sheet represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

The Group has no significant concentration of credit risk.

Edgar Filing: PETROCHINA CO LTD - Form 6-K

(5) FAIR VALUE ESTIMATION

The methods and assumptions applied in determining the fair value of each class of financial assets and financial liabilities of the Group at June 30, 2008 and December 31, 2007 are disclosed in the respective accounting policies.

The carrying amounts of the following financial assets and financial liabilities approximate their fair value as all of them are short-term in nature: cash at bank and on hands, accounts receivable, other receivables, accounts payable, other payables and short-term borrowings. The fair values of fixed rate long-term borrowings are likely to be different from their respective carrying amounts. Analysis of the fair values and carrying amounts of long-term borrowings are presented in Note 7(24).

2008 INTERIM REPORT

108

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

13 OTHER SIGNIFICANT MATTERS

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.

14 CONSOLIDATED NET PROFIT AFTER DEDUCTING NON-RECURRING ITEMS

	FOR THE SIX MONTHS ENDED JUNE 30, 2008	FOR THE SIX MONTHS ENDED JUNE 30, 2007
	-----	-----
Consolidated net profit	55,297	80,297
Net gains/(losses) on disposal of non-current assets	315	(682)
Other net non-operating expenses	2,450	436
Government grants	(4,651)	(41)
Tax impact on non-recurring items	649	72
	-----	-----
Consolidated net profit after deducting non-recurring items	54,060	80,082
	=====	=====

15 EVENTS AFTER BALANCE SHEET DATE

At the Extraordinary General Meeting on July 31, 2008, the shareholders

Edgar Filing: PETROCHINA CO LTD - Form 6-K

approved a proposed issuance of Domestic Corporate Bonds in the PRC with an aggregate principal amount of not more than RMB 60 billion in one or more tranches.

2008 INTERIM REPORT

109

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

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:

	NOTES	FOR THE SIX MONTHS ENDED JUNE 30, 2008	FOR THE SIX MONTHS ENDED JUNE 30, 2007
	-----	-----	-----
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
		=====	=====

	NOTES	JUNE 30, 2008	DECEMBER 31, 2007
	-----	-----	-----
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
		-----	-----

Edgar Filing: PETROCHINA CO LTD - Form 6-K

Consolidated shareholders' equity under CAS	742,745	715,071
	=====	=====

2008 INTERIM REPORT

110

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2008
PETROCHINA COMPANY LIMITED (All amounts in RMB millions unless otherwise stated)

(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 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.

(5) In accordance with the "Temporary regulation for safety expense financial management of high risk industry" from MOF 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.

2008 INTERIM REPORT

111

Edgar Filing: PETROCHINA CO LTD - Form 6-K

PROFIT AND LOSS ACCOUNT

For the six months ended June 30, 2008 and June 30, 2007

(Amounts in millions)

	NOTES	SIX MONTHS ENDED JUNE 30	
		2008	2007
		RMB	RMB
TURNOVER	4	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	5	(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	6	80,712	110,342
TAXATION	7	(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 OF THE COMPANY (RMB YUAN)			
	8	0.29	0.46
DIVIDENDS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY DURING THE PERIOD			
Interim dividends declared after the balance sheet date	9	24,127	36,823

Edgar Filing: PETROCHINA CO LTD - Form 6-K

The accompanying notes are an integral part of these financial statements.

2008 INTERIM REPORT

112

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED INTERIM CONDENSED

BALANCE SHEET

As of June 30, 2008 and December 31, 2007

(Amounts in millions)

	NOTES	JUNE 30, 2008	DECEMBER 31, 2007
	-----	-----	-----
		RMB	RMB
NON CURRENT ASSETS			
Property, plant and equipment	10	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	11	98,560	88,467
Accounts receivable	12	27,726	18,419
Prepaid expenses and other current assets		68,319	36,018
Notes receivable	13	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	14	172,832	144,353
Income tax payable		2,096	11,709
Other taxes payable		20,166	11,099
Short-term borrowings	15	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

Edgar Filing: PETROCHINA CO LTD - Form 6-K

Reserves		216,883	217,952
		-----	-----
		757,243	733,405
Minority interest		51,808	42,942
		-----	-----
TOTAL EQUITY		809,051	776,347
		-----	-----
NON CURRENT LIABILITIES			
Long-term borrowings	15	35,287	39,688
Asset retirement obligations	16	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
		=====	=====

The accompanying notes are an integral part of these financial statements.

2008 INTERIM REPORT

113

PETROCHINA COMPANY LIMITED
 UNAUDITED CONSOLIDATED INTERIM CONDENSED
 CASH FLOW STATEMENT
 For the six months ended June 30, 2008 and June 30, 2007
 (Amounts in millions)

CASH FLOWS FROM OPERATING ACTIVITIES

PROFIT FOR THE PERIOD

Adjustments for:

Taxation	7
Depreciation, depletion and amortisation	
Capitalised exploratory costs charged to expense	
Share of profit of associates and jointly controlled entities	
Reversal of provision for impairment of receivables, net	6
Write down/(Reversal of write down) in inventories, net	6
Impairment of available-for-sale financial assets, net	6
Impairment of investments in associates and jointly controlled entities, net	6
Loss on disposal of property, plant and equipment	6
Loss/(Gain) on disposal of investments in associates and jointly controlled entities	
Gain on disposal of available-for-sale financial assets	
Dividend income	6
Interest income	
Interest expense	6
Advance payments on long-term operating leases	
Changes in working capital:	
Accounts receivable and prepaid expenses and other current assets	
Inventories	
Accounts payable and accrued liabilities	

NOTES

Edgar Filing: PETROCHINA CO LTD - Form 6-K

CASH GENERATED FROM OPERATIONS

Interest received
Interest paid
Income taxes paid

NET CASH PROVIDED BY OPERATING ACTIVITIES

The accompanying notes are an integral part of these financial statements.

2008 INTERIM REPORT

114

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED INTERIM CONDENSED
CASH FLOW STATEMENT
For the six months ended June 30, 2008 and June 30, 2007
(Amounts in millions)

NOTES

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditures
Acquisition of investments in associates and jointly controlled entities
Acquisition of available-for-sale financial assets
Acquisition of intangible assets
Acquisition of other non-current assets
Purchase of minority interest in listed subsidiaries
Purchase of minority interest in subsidiaries
Repayment of capital by associates and jointly controlled entities
Proceeds from disposal of property, plant and equipment
Proceeds from disposal of investments in associates and jointly controlled entities
Proceeds from disposal of available-for-sale financial assets
Dividends received
Decrease in time deposits with maturities over three months

NET CASH USED FOR INVESTING ACTIVITIES

CASH FLOWS FROM FINANCING ACTIVITIES

Repayments of short-term borrowings
Repayments of long-term borrowings
Dividends paid to minority interest
Dividends paid to equity holders of the Company
Increase in short-term borrowings
Increase in long-term borrowings
Capital contribution from minority interest
Capital reduction
Decrease in other long-term obligations

NET CASH USED FOR FINANCING ACTIVITIES

9

Edgar Filing: PETROCHINA CO LTD - Form 6-K

TRANSLATION OF FOREIGN CURRENCY

(Decrease)/Increase in cash and cash equivalents
Cash and cash equivalents at beginning of the period

Cash and cash equivalents at end of the period

The accompanying notes are an integral part of these financial statements.

2008 INTERIM REPORT

115

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED INTERIM CONDENSED
STATEMENT OF CHANGES IN EQUITY
For the six months ended June 30, 2008 and June 30, 2007
(Amounts in millions)

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY				MINORITY INTEREST
	SHARE CAPITAL	RETAINED EARNINGS	RESERVES	SUBTOTAL	
	RMB	RMB	RMB	RMB	
Balance at January 1, 2007	179,021	264,092	143,564	586,677	30,914
Currency translation differences	--	--	(258)	(258)	(164)
Net loss recognised directly in equity	--	--	(258)	(258)	(164)
Profit from January 1 to June 30, 2007	--	81,830	--	81,830	4,486
Total recognised income/(loss) from January 1 to June 30, 2007	--	81,830	(258)	81,572	4,322
Final dividends for 2006 (Note 9)	--	(27,694)	--	(27,694)	--
Dividends to minority interest	--	--	--	--	(1,895)
Purchase of minority interest in listed subsidiaries	--	--	(64)	(64)	(22)
Capital contribution from minority interest	--	--	--	--	266
Other	--	--	--	--	11
Balance at June 30, 2007	179,021	318,228	143,242	640,491	33,596
Balance at January 1, 2008	183,021	332,432	217,952	733,405	42,942
Currency translation differences	--	--	(896)	(896)	(1,508)
Net loss recognised directly in equity	--	--	(896)	(896)	(1,508)
Profit from January 1 to June 30, 2008	--	53,615	--	53,615	7,239
Total recognised income/(loss) from January 1 to June 30, 2008	--	53,615	(896)	52,719	5,731
Final dividends for 2007 (Note 9)	--	(28,708)	--	(28,708)	--
Dividends to minority interest	--	--	--	--	(3,830)

Edgar Filing: PETROCHINA CO LTD - Form 6-K

Capital reduction	--	--	--	--	(1,165)
Purchase of minority interest in subsidiaries	--	--	(15)	(15)	(117)
Capital contribution from minority interest	--	--	--	--	8,232
Fair value loss from available-for-sale financial assets	--	--	(158)	(158)	--
Other	--	--	--	--	15
	-----	-----	-----	-----	-----
Balance at June 30, 2008	183,021	357,339	216,883	757,243	51,808
	=====	=====	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

2008 INTERIM REPORT

116

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2008

PETROCHINA COMPANY LIMITED

(Amounts in millions unless otherwise stated)

1 ORGANISATION AND PRINCIPAL ACTIVITIES

PetroChina Company Limited (the "Company") was established in the People's Republic of China ("PRC" or "China") on November 5, 1999 as a joint stock company with limited liability as a result of a group restructuring (the "Restructuring") of China National Petroleum Corporation ("CNPC") in preparation for the listing of the Company's shares in Hong Kong and in the United States of America in 2000. The Company and its subsidiaries are collectively referred to as the "Group".

In accordance with the restructuring agreement between CNPC and the Company effective as of November 5, 1999, the Company issued 160 billion state-owned shares in exchange for the assets and liabilities transferred to the Company by CNPC. The 160 billion state-owned shares were the initial registered capital of the Company with a par value of RMB1.00 per share. On April 7, 2000, the Company issued 17,582,418,000 shares, represented by 13,447,897,000 H shares and 41,345,210 American Depositary Shares ("ADSs", each representing 100 H shares) in a global offering and the trading of the H shares and the ADSs on the Stock Exchange of Hong Kong Limited and the New York Stock Exchange commenced on April 7, 2000 and April 6, 2000, respectively. Pursuant to the approval of the China Securities Regulatory Commission, 1,758,242,000 state-owned shares of the Company owned by CNPC were converted into H shares for sale in the global offering.

In September 2005, the Company issued 3,196,801,818 new H shares at HK\$ 6.00 per share and net proceed to the Company was approximately RMB 19,692. CNPC also sold 319,680,182 state-owned shares it held concurrently with PetroChina's sale of new H shares in September 2005.

On November 5, 2007, the Company issued 4,000,000,000 new A shares at RMB 16.70 yuan per share and net proceeds to the Company amounted to approximately RMB 66,243 and the listing and trading of the A Shares on the Shanghai Stock Exchange commenced on November 5, 2007.

Following the issuance of the A shares, all the existing state-owned shares issued before November 5, 2007 held by CNPC have been registered with the China Securities Depository and Clearing Corporation Limited as A shares.

Edgar Filing: PETROCHINA CO LTD - Form 6-K

The Group is principally engaged in (i) the exploration, development and production and sale of crude oil and natural gas, (ii) the refining, transportation, storage and marketing of crude oil and petroleum products, (iii) the production and sale of chemicals, and (iv) the transmission, marketing and sale of natural gas (Note 18).

2008 INTERIM REPORT

117

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2008

PETROCHINA COMPANY LIMITED

(Amounts in millions unless otherwise stated)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited consolidated interim condensed financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. The accounting policies and methods of computation used in the preparation of the unaudited consolidated interim condensed financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended December 31, 2007.

The unaudited consolidated interim condensed financial statements presented herein should be read in conjunction with the consolidated financial statements and notes thereto included in the annual report of the Company for the year ended December 31, 2007. The consolidated interim condensed financial statements as of June 30, 2008 and for the six month periods ended June 30, 2008 and June 30, 2007 included herein are unaudited but reflect, in the opinion of the Board of Directors, all adjustments (which include only normal recurring adjustments) necessary to properly prepare the unaudited consolidated interim condensed financial statements, in all material respects, in accordance with IAS 34. The results of operations for the six months ended June 30, 2008 are not necessarily indicative of the results of operations expected for the year ending December 31, 2008.

Costs that are incurred unevenly during the financial year are accrued or deferred in the unaudited consolidated interim condensed financial statements only if it would be also appropriate to accrue or defer such costs at the end of the financial year.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The matters described below are considered to be the most critical in understanding the estimates and judgements that are involved in preparing the Group's unaudited consolidated interim condensed financial statements.

(A) ESTIMATION OF OIL AND NATURAL GAS RESERVES

Estimates of oil and natural gas reserves are key elements in the Group's investment decision-making process. They are also an important element in testing for impairment. Changes in proved oil and natural gas reserves, particularly proved developed reserves, will affect unit-of-production depreciation, depletion and amortisation recorded in the Group's unaudited

Edgar Filing: PETROCHINA CO LTD - Form 6-K

consolidated condensed financial statements for property, plant and equipment related to oil and gas production activities. A reduction in proved developed reserves will increase depreciation, depletion and amortisation charges (assuming constant production) and reduce net profit. Proved reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms, evolution of technology or development plans.

2008 INTERIM REPORT

118

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2008

PETROCHINA COMPANY LIMITED

(Amounts in millions unless otherwise stated)

(B) ESTIMATION OF IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, including oil and gas properties, are reviewed for possible impairments when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination as to whether and how much an asset is impaired involves management estimates and judgements such as the future price of crude oil, refined and chemical products and the production profile. However, the impairment reviews and calculations are based on assumptions that are consistent with the Group's business plans. Favourable changes to some assumptions may allow the Group to avoid the need to impair any assets in these years, whereas unfavourable changes may cause the assets to become impaired.

(C) ESTIMATION OF ASSET RETIREMENT OBLIGATIONS

Provision is recognised for the future decommissioning and restoration of oil and gas properties. The amounts of the provision recognised are the present values of the estimated future expenditures. The estimation of future expenditure is based on current local conditions and requirements, including legal requirements, technology, price level, etc.. In addition to these factors, the present values of these estimated future expenditures are also impacted by the estimation of the economic lives of oil and gas properties. Changes in any of these estimates will impact the operating results and the financial position of the Group over the remaining economic lives of the oil and gas properties.

4 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. Analysis of turnover by segment is shown in Note 18.

5 TAXES OTHER THAN INCOME TAXES

Taxes other than income taxes include RMB 47,816 for the six months ended June 30, 2008 (six months ended June 30, 2007: RMB 14,942) of special levy which is paid or payable on the portion of income realised from the sales of domestically-produced crude oil at prices above a certain level. This levy was imposed by the PRC government and became effective from March 26, 2006.

2008 INTERIM REPORT

119

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM

Edgar Filing: PETROCHINA CO LTD - Form 6-K

CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2008

PETROCHINA COMPANY LIMITED

(Amounts in millions unless otherwise stated)

6 PROFIT BEFORE TAXATION

SIX MONTHS ENDED

2008 2

RMB

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	
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	20
Depreciation of property, plant and equipment, including impairment provision		
- owned assets	41,161	2
- 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	
Loss on disposal of property, plant and equipment	498	
Operating lease expenses	3,071	
Repair and maintenance	4,145	
Research and development expenses	5,153	
Write down in inventories	1,422	
Note (i): Interest expense		
Interest expense	2,754	
Less: Amounts capitalised	(1,119)	
	-----	----
	1,635	==
	=====	====

2008 INTERIM REPORT

120

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM
CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2008

PETROCHINA COMPANY LIMITED

(Amounts in millions unless otherwise stated)

7 TAXATION

SIX MONTHS ENDED

2008 2

Edgar Filing: PETROCHINA CO LTD - Form 6-K

	RMB	
Income tax	21,515	25
Deferred tax	(1,657)	(1)
	-----	-----
	19,858	24
	=====	=====

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	
	2008	
	RMB	
Profit before taxation	80,712	11
Tax calculated at a tax rate of 25% (2007: 33%)	20,178	3
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)	(
Effect of change in PRC corporate income tax rate on deferred taxes	--	(
Tax effect of income not subject to tax	(1,215)	(
Tax effect of expenses not deductible for tax purposes	1,889	
	-----	-----
Taxation	19,858	2
	=====	=====

2008 INTERIM REPORT

121

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM
CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2008

PETROCHINA COMPANY LIMITED

(Amounts in millions unless otherwise stated)

8 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.

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

Edgar Filing: PETROCHINA CO LTD - Form 6-K

Company by 179,021 million shares issued and outstanding during the period.

There are no potential dilutive ordinary shares.

9 DIVIDENDS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	SIX MONTHS ENDED	
	2008	2007
	RMB	
Final dividends attributable to equity holders of the Company for 2006 (note a)	--	27,694
Final dividends attributable to equity holders of the Company for 2007 (note b)	28,708	28,708
	28,708	27,694
	=====	=====

(a) Final dividends attributable to equity holders of the Company in respect of 2006 of RMB 0.154699 yuan per share amounting to a total of RMB 27,694 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 RMB 0.156859 yuan per share amounting to a total of RMB 28,708 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 RMB 0.131827 yuan per share amounting to a total of RMB 24,127. These unaudited consolidated interim condensed financial statements do not reflect this dividend payable, as it was not declared until after the balance sheet date.

2008 INTERIM REPORT

122

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2008

PETROCHINA COMPANY LIMITED

(Amounts in millions unless otherwise stated)

10 PROPERTY, PLANT AND EQUIPMENT

	RMB
COST OR VALUATION	
At January 1, 2008	1,230,046
Additions	72,218

Edgar Filing: PETROCHINA CO LTD - Form 6-K

Disposals or write off	(10,338)
Currency translation differences	(3,465)

At June 30, 2008	1,288,461

ACCUMULATED DEPRECIATION AND IMPAIRMENT	
At January 1, 2008	(467,164)
Charge for the period	(41,164)
Disposals or write off	1,834
Currency translation differences	1,120

At June 30, 2008	(505,374)

NET BOOK VALUE	
At June 30, 2008	783,087
	=====

RMB

COST OR VALUATION	
At January 1, 2007	1,057,279
Additions	51,163
Disposals or write off	(13,504)
Currency translation differences	(63)

At June 30, 2007	1,094,875

ACCUMULATED DEPRECIATION AND IMPAIRMENT	
At January 1, 2007	(411,942)
Charge for the period	(29,919)
Disposals or write off	4,082
Currency translation differences	(55)

At June 30, 2007	(437,834)

NET BOOK VALUE	
At June 30, 2007	657,041
	=====

RMB

COST OR VALUATION	
At July 1, 2007	1,094,875
Additions	135,135
Consolidation of PetroKazakhstan Inc.	10,166
Disposals or write off	(8,912)
Currency translation differences	(1,218)

At December 31, 2007	1,230,046

ACCUMULATED DEPRECIATION AND IMPAIRMENT	
At July 1, 2007	(437,834)
Charge for the period	(33,436)
Disposals or write off	3,600

Edgar Filing: PETROCHINA CO LTD - Form 6-K

Currency translation differences	506

At December 31, 2007	(467,164)

NET BOOK VALUE	
At December 31, 2007	762,882
	=====
 2008 INTERIM REPORT	 123

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM
CONDENSED FINANCIAL STATEMENTS
For the six months ended June 30, 2008
PETROCHINA COMPANY LIMITED (Amounts in millions unless otherwise stated)

The depreciation charge of the Group for the six months ended June 30, 2008 included impairment losses of RMB 5,979 (six months ended June 30, 2007: RMB Nil) on certain of the Group's refining production assets. The carrying values of the refining production assets were written down to their recoverable values.

A valuation of all of the Group's property, plant and equipment, excluding oil and gas reserves, was carried out during 1999 by independent valuers on a depreciated replacement cost basis.

The 1999 revaluation resulted in RMB 80,549 in excess of the carrying value immediately prior to the revaluation and a revaluation loss of RMB 1,122 on certain property, plant and equipment.

As at 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 September 2003 revaluation resulted in RMB 872 in excess of the carrying value immediately prior to the revaluation and a revaluation loss of RMB 1,257 on certain property, plant and equipment.

As at March 31, 2006, a revaluation of the Group's oil and gas properties was undertaken by independent valuers, China United Assets Appraiser Co., Ltd. and China Enterprise Appraisals, on a depreciated replacement cost basis. The revaluation did not result in any significant differences from their carrying values.

Bank borrowings are secured on property, plant and equipment with a net book value of RMB 372 at June 30, 2008 (December 31, 2007: RMB Nil).

11 INVENTORIES

	JUNE 30, 2008	DECEMBER 31, 2007
	-----	-----
	RMB	RMB
Crude oil and other raw materials	40,276	30,308
Work in progress	4,162	6,083
Finished goods	56,243	52,791
Spare parts and consumables	32	32

Edgar Filing: PETROCHINA CO LTD - Form 6-K

	-----	-----
	100,713	89,214
Less: Write down in inventories	(2,153)	(747)
	-----	-----
	98,560	88,467
	=====	=====

2008 INTERIM REPORT

124

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM
CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2008

PETROCHINA COMPANY LIMITED

(Amounts in millions unless otherwise stated)

12 ACCOUNTS RECEIVABLE

	JUNE 30, 2008	DECEMBER 31, 2007
	-----	-----
	RMB	RMB
Accounts receivable due from third parties	22,439	15,296
Accounts receivable due from related parties	8,115	6,002
	-----	-----
	30,554	21,298
Less: Provision for impairment of receivables	(2,828)	(2,879)
	-----	-----
	27,726	18,419
	=====	=====

Amounts due from related parties are interest free and unsecured (Note 21).

The aging analysis of accounts receivable at June 30, 2008 and December 31, 2007 is as follows:

	JUNE 30, 2008	DECEMBER 31, 2007
	-----	-----
	RMB	RMB
Within 1 year	27,587	18,260
Between 1 to 2 years	42	39
Between 2 to 3 years	39	32
Over 3 years	2,886	2,967
	-----	-----
	30,554	21,298
	=====	=====

The Group offers its customers credit terms up to 180 days, except for certain selected customers.

Movements in the provision for impairment of accounts receivables are as follows:

Edgar Filing: PETROCHINA CO LTD - Form 6-K

SIX MONTHS ENDED JUNE 30

	2008	2007
	-----	-----
	RMB	RMB
At beginning of the period	2,879	3,257
Provision for impairment of accounts receivables	11	21
Receivables written off uncollectible	(11)	(9)
Reversal of provision for impairment of accounts receivables	(51)	(43)
	-----	-----
At end of the period	2,828	3,226
	=====	=====

2008 INTERIM REPORT

125

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM
CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2008

PETROCHINA COMPANY LIMITED

(Amounts in millions unless otherwise stated)

13 NOTES RECEIVABLE

Notes receivable represents mainly bills of acceptance issued by banks for sale of goods and products. All notes receivable are due within one year.

14 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	JUNE 30, 2008	DECEMBER 31, 2007
	-----	-----
	RMB	RMB
Trade payables	41,396	40,447
Advances from customers	11,817	9,846
Salaries and welfare payable	7,961	11,585
Accrued expenses	9,636	5
Dividends payable by subsidiaries to minority shareholders	27	67
Interest payable	130	65
Construction fee and equipment cost payables	36,784	30,784
One-time employee housing remedial payment payable	104	221
Amounts due to related parties	51,502	40,334
Other payables	13,475	10,999
	-----	-----
	172,832	144,353
	=====	=====

Other payables consist primarily of customer deposits.

Amounts due to related parties are interest-free, unsecured and have no fixed terms of repayments (Note 21).

The aging analysis of trade payables at June 30, 2008 and December 31, 2007 is as follows:

Edgar Filing: PETROCHINA CO LTD - Form 6-K

	JUNE 30, 2008	DECEMBER 31, 2007
	-----	-----
	RMB	RMB
Within 1 year	39,875	39,005
Between 1 to 2 years	985	819
Between 2 to 3 years	233	307
Over 3 years	303	316
	-----	-----
	41,396	40,447
	=====	=====

2008 INTERIM REPORT

126

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM
CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2008

PETROCHINA COMPANY LIMITED

(Amounts in millions unless otherwise stated)

15 BORROWINGS

	JUNE 30, 2008	DECEMBER 31, 2007
	-----	-----
	RMB	RMB
Short-term borrowings (including current portion of long-term borrowings)	39,257	30,934
Long-term borrowings	35,287	39,688
	-----	-----
	74,544	70,622
	=====	=====

The movements in the borrowings can be analysed as follows:

	RMB

Balance at January 1, 2008	70,622
Increase in borrowings	39,345
Repayments of borrowings	34,080)
Currency translation differences	(1,343)

Balance at June 30, 2008	74,544
	=====

The long-term borrowings can be analysed as follows:

JUNE 30, 2008 DECEMBER 31, 2007

Edgar Filing: PETROCHINA CO LTD - Form 6-K

	RMB	RMB
Unsecured loans	44,528	48,601
Secured loans	4,199	3,287
Current portion of long-term borrowings	(13,440)	(12,200)
	-----	-----
	35,287	39,688
	=====	=====

The long-term borrowings can be further analysed as follows:

Bank loans		
- Wholly repayable within five years	15,497	18,072
- Not wholly repayable within five years	3,648	3,743
Loans other than bank loans		
- Wholly repayable within five years	18,643	19,104
- Not wholly repayable within five years	10,939	10,969
	-----	-----
	48,727	51,888
Current portion of long-term borrowings	(13,440)	(12,200)
	-----	-----
	35,287	39,688
	=====	=====

2008 INTERIM REPORT

127

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM
CONDENSED FINANCIAL STATEMENTS
For the six months ended June 30, 2008
PETROCHINA COMPANY LIMITED (Amounts in millions unless otherwise stated)

Loans other than bank loans not wholly repayable within five years are repayable by installments through April 2032. Interest is charged on the outstanding balances at rates ranging from 1.55% to 6.26% per annum (December 31, 2007: 1.55% to 5.69% per annum).

At June 30, 2008 and December 31, 2007, the Group's long-term borrowings were repayable as follows:

	BANK LOANS		LOANS OTHER THAN BANK LOANS	
	JUNE 30, 2008	DECEMBER 31, 2007	JUNE 30, 2008	DECEMBER 31, 2007
	RMB	RMB	RMB	RMB
Within 1 year	2,778	5,861	10,662	6,339
Between 1 to 2 years	8,707	424	4,712	5,330
Between 2 to 5 years	4,511	12,322	3,401	7,576
After 5 years	3,149	3,208	10,807	10,828
	-----	-----	-----	-----
	19,145	21,815	29,582	30,073
	=====	=====	=====	=====

Edgar Filing: PETROCHINA CO LTD - Form 6-K

16 ASSET RETIREMENT OBLIGATIONS

	RMB

At January 1, 2008	24,761
Liabilities incurred	529
Liabilities settled	--
Accretion expense	774
Currency translation differences	(98)

At June 30, 2008	25,966
	=====

17 SUBSIDIARIES

The principal subsidiaries of the Group are:

COMPANY NAME	COUNTRY OF INCORPORATION	PAID-UP CAPITAL RMB	TYPE OF LEGAL ENTITY	ATTRIBUTABLE EQUITY INTEREST %	PRINCIPAL ACTIVITIES
-----	-----	-----	-----	-----	-----
Daqing Oilfield Company Limited	PRC	47,500	Limited liability company	100.00	Exploration, production and sale of crude oil and natural gas; production and sale of refined products
Daqing Yu Shu Lin Oilfield Company Limited	PRC	1,272	Limited liability company	88.16	Exploration, production and sale of crude oil and natural gas
CNPC Exploration and Development Company Limited	PRC	16,100	Limited liability company	50.00	Exploration, production and sale of crude oil and natural gas in and outside of the PRC
PetroKazakhstan Inc.	Canada	US Dollar ("USD") 1,965 million	Joint stock company with limited liability	67.00	Exploration, production and sale of crude oil and natural gas outside of the PRC

2008 INTERIM REPORT

128

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM
CONDENSED FINANCIAL STATEMENTS
For the six months ended June 30, 2008

Edgar Filing: PETROCHINA CO LTD - Form 6-K

PETROCHINA COMPANY LIMITED (Amounts in millions unless otherwise stated)

18 SEGMENT INFORMATION

The Group is engaged in a broad range of petroleum related activities through its four major business segments: Exploration and Production, Refining and Marketing, Chemicals and Marketing and Natural Gas and Pipeline.

The Exploration and Production segment is engaged in the exploration, development, production and sale of crude oil and natural gas.

The Refining and Marketing segment is engaged in the refining, transportation, storage and marketing of crude oil and petroleum products.

The Chemicals and Marketing segment is engaged in the production and sale of basic petrochemical products, derivative petrochemical products, and other chemical products.

The Natural Gas and Pipeline segment is engaged in the sale of natural gas and the transmission of natural gas, crude oil and refined products.

In addition to these four major business segments, the Other segment includes the assets, liabilities income and expenses relating to cash management, financing activities, the corporate center, research and development, and other business services supporting the operating business segments of the Group.

Most assets and operations of the Group are located in the PRC, which is considered as one geographic location in an economic environment with similar risks and returns. In addition to its operations in the PRC, the Group also has overseas operations through subsidiaries engaging in the exploration and production of crude oil and natural gas.

The accounting policies of the operating segments are the same as those described in Note 2 - "Basis of Preparation and Accounting Policies".

Operating segment information for the six months ended June 30, 2008 and 2007 is presented below:

2008 INTERIM REPORT

129

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS For the six months ended June 30, 2008

PETROCHINA COMPANY LIMITED (Amounts in millions unless otherwise stated)

PRIMARY REPORTING FORMAT - BUSINESS SEGMENTS

SIX MONTHS ENDED JUNE 30, 2007 -----	EXPLORATION AND PRODUCTION ----- RMB	REFINING AND MARKETING ----- RMB	CHEMICALS AND MARKETING ----- RMB	NATURAL GAS AND PIPELINE ----- RMB	OTHER ----- RMB	TOTAL ----- RMB
Turnover	205,390	314,863	49,860	23,216	483	593,812
Less: Intersegment						

Edgar Filing: PETROCHINA CO LTD - Form 6-K

sales	(165,789)	(26,842)	(5,036)	(3,191)	(228)	(201,086)
	-----	-----	-----	-----	-----	-----
Turnover from external customers	39,601	288,021	44,824	20,025	255	392,726
	=====	=====	=====	=====	=====	=====
Depreciation, depletion and amortisation	(20,249)	(4,961)	(2,828)	(2,895)	(295)	(31,228)
Segment result	101,388	18,562	7,586	6,352	(1,202)	132,686
Other costs	(4,952)	(14,637)	(2,188)	(224)	(1,555)	(23,556)
	-----	-----	-----	-----	-----	-----
Profit/(loss) from operations	96,436	3,925	5,398	6,128	(2,757)	109,130
	-----	-----	-----	-----	-----	-----
Finance costs						(1,573)
Share of profit of associates and jointly controlled entities	2,518	240	20	--	7	2,785

Profit before taxation						110,342
Taxation						(24,026)

Profit for the year						86,316
						=====
Interest income	3,475	795	367	50	3,951	8,638
Less: Intersegment interest income						(7,819)

Interest income from external entities						819
						=====
Interest expense	(3,705)	(2,239)	(416)	(922)	(2,587)	(9,869)
Less: Intersegment interest expense						7,819

Interest expense to external entities						(2,050)
						=====
Segment assets	498,819	225,496	78,682	74,322	626,882	1,504,201
Elimination of intersegment balances						(594,611)
Investments in associates and jointly controlled entities	27,088	5,143	132	20	64	32,447

Total assets						942,037
						=====
Segment capital expenditure - for property, plant and equipment	42,196	4,841	1,163	2,471	350	51,021
Segment liabilities	192,988	138,291	34,560	42,528	101,461	509,828
Other liabilities						60,222
Elimination of intersegment balances						(302,100)

Edgar Filing: PETROCHINA CO LTD - Form 6-K

Total liabilities 267,950
=====

2008 INTERIM REPORT

130

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM
CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2008

PETROCHINA COMPANY LIMITED

(Amounts in millions unless otherwise stated)

PRIMARY REPORTING FORMAT - BUSINESS SEGMENTS (CONTINUED)

SIX MONTHS ENDED JUNE 30, 2008 -----	EXPLORATION AND PRODUCTION ----- RMB	REFINING AND MARKETING ----- RMB	CHEMICALS AND MARKETING ----- RMB	NATURAL GAS AND PIPELINE ----- RMB	OTHER ----- RMB	TOTAL ----- RMB
Turnover	316,876	451,737	60,463	30,902	734	860,712
Less: Intersegment sales	(255,871)	(46,481)	(5,145)	(3,390)	(303)	(311,190)
	-----	-----	-----	-----	-----	-----
Turnover from external customers	61,005 =====	405,256 =====	55,318 =====	27,512 =====	431 =====	549,522 =====
Depreciation, depletion and amortisation	(25,278)	(10,990)	(2,963)	(3,155)	(368)	(42,754)
Segment result	138,135	(48,623)	9,476	8,642	(4,474)	103,156
Other costs	(7,904)	(10,392)	(2,762)	(246)	(4,088)	(25,392)
	-----	-----	-----	-----	-----	-----
Profit/(loss) from operations	130,231 -----	(59,015) -----	6,714 -----	8,396 -----	(8,562) -----	77,764 -----
Finance costs						(1,259)
Share of profit of associates and jointly controlled entities	4,270	(90)	15	2	10	4,207 -----
Profit before taxation						80,712
Taxation						(19,858) -----
Profit for the year						60,854 =====
Interest income	5,000	1,690	467	78	3,920	11,155
Less: Intersegment interest income						(9,751) -----
Interest income from external entities						1,404 =====
Interest expense	(5,063)	(3,367)	(559)	(924)	(1,473)	(11,386)
Less: Intersegment interest expense						9,751 -----
Interest expense to						

Edgar Filing: PETROCHINA CO LTD - Form 6-K

external entities							(1,635)
							=====
Segment assets	597,461	336,360	101,532	101,175	891,059	2,027,587	
Elimination of intersegment balances							(934,149)
Investments in associates and jointly controlled entities	25,551	4,577	153	17	84	30,382	

Total assets						1,123,820	=====
Segment capital expenditure - for property, plant and equipment	47,053	6,527	4,307	12,845	961	71,693	
Segment liabilities	263,059	192,893	34,432	59,465	242,882	792,731	
Other liabilities						40,421	
Elimination of intersegment balances							(518,383)

Total liabilities						314,769	=====

2008 INTERIM REPORT

131

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2008

PETROCHINA COMPANY LIMITED

(Amounts in millions unless otherwise stated)

Note (a) - Intersegment sales are conducted principally at market prices.

Note (b) - Segment result is profit from operations before other costs. Other costs include selling, general and administrative expenses and other income, net.

Note (c) - Segment results for the six months ended June 30, 2008 include impairment for property, plant and equipment (Note 10).

Note (d) - Other liabilities mainly include income tax payable, other taxes payable and deferred taxation.

Note (e) - Elimination of intersegment balances represents elimination of intersegment accounts and investments.

SECONDARY REPORTING FORMAT - GEOGRAPHICAL SEGMENTS

SIX MONTHS ENDED JUNE 30	TURNOVER		TOTAL ASSETS		CAPITAL EXPENDITURE	
	2008	2007	2008	2007	2008	2007
	RMB	RMB	RMB	RMB	RMB	RMB
PRC	519,845	380,444	1,020,951	878,198	67,287	46,955
Other (Exploration and Production)	29,677	12,282	102,869	63,839	4,406	4,066

Edgar Filing: PETROCHINA CO LTD - Form 6-K

-----	-----	-----	-----	-----	-----
549,522	392,726	1,123,820	942,037	71,693	51,021
=====	=====	=====	=====	=====	=====

19 CONTINGENT LIABILITIES

(A) BANK AND OTHER GUARANTEES

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) from which it is anticipated that no material liabilities will arise.

	JUNE 30, 2008	DECEMBER 31, 2007
	RMB	RMB
Guarantee of borrowings of associates provided by CP Finance	69	77
	---	---
	69	77
	===	===

(B) ENVIRONMENTAL LIABILITIES

CNPC and the Group have operated in China for many years. China has adopted extensive environmental laws and regulations that affect the operation of the oil and gas industry. The outcome of environmental liabilities under proposed or future environmental legislation cannot reasonably be estimated at present, and could be material. Under existing legislation, however, management believes that there are no probable liabilities, except for the amounts which have already been reflected in the unaudited consolidated interim condensed financial statements, that may have a material adverse effect on the financial position of the Group.

2008 INTERIM REPORT

132

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2008

PETROCHINA COMPANY LIMITED

(Amounts in millions unless otherwise stated)

(C) LEGAL CONTINGENCIES

The Group is the named defendant in certain insignificant lawsuits as well as the named party in other proceedings arising in the ordinary course of business. While the outcome of such contingencies, lawsuits or other proceedings cannot be determined at present, the management believes that any resulting liabilities will not have a material adverse effect on the financial position of the Group.

(D) LEASING OF ROADS, LAND AND BUILDINGS

According to the Restructuring Agreement entered into between the Company and CNPC in 2000:

Edgar Filing: PETROCHINA CO LTD - Form 6-K

- CNPC will use its best endeavours to obtain formal land use right certificates to replace the entitlement certificates in relation to the 28,649 parcels of land which were leased or transferred to the Company from CNPC, within one year from August, September and October 1999 when the relevant entitlement certificates were issued;
- CNPC will complete, within one year from November 5, 1999, the necessary governmental procedures for the requisition of the collectively-owned land on which 116 service stations owned by the Company are located; and
- CNPC will obtain individual building ownership certificates in the name of the Company for all of the 57,482 buildings transferred to the Company by CNPC, before November 5, 2000.

As at June 30, 2008, CNPC had obtained formal land use right certificates in relation to 27,554 out of the above-mentioned 28,649 parcels of land and some building ownership certificates for the above-mentioned buildings, but has completed none of the necessary governmental procedures for the above-mentioned service stations located on collectively-owned land. The Directors of the Company confirm that the use of and the conduct of relevant activities at the above-mentioned parcels of land, service stations and buildings are not affected by the fact that the relevant land use right certificates or individual building ownership certificates have not been obtained or the fact that the relevant governmental procedures have not been completed. In management's opinion, the outcome of the above events will not have a material adverse effect on the financial position of the Group.

(E) GROUP INSURANCE

Except for limited insurance coverage for vehicles and certain assets subject to significant operating risks, the Group does not carry any other insurance for property, facilities or equipment with respect to its business operations. In addition, the Group does not carry any third-party liability insurance against claims relating to personal injury, property and environmental damages or business interruption insurance as such insurance coverage is not customary in China. The potential effect of under-insurance on future incidents on the financial position of the Group cannot be estimated at present.

2008 INTERIM REPORT

133

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2008

PETROCHINA COMPANY LIMITED

(Amounts in millions unless otherwise stated)

20 COMMITMENTS

(A) OPERATING LEASE COMMITMENTS

Operating lease commitments of the Group are mainly for leasing of land, buildings and equipment. Leases range from one to 50 years and usually do not contain renewal options. Future minimum lease payments as of June 30, 2008 and December 31, 2007 under non-cancellable operating leases are as follows:

JUNE 30, 2008	DECEMBER 31, 2007
---------------	-------------------

-----	-----
-------	-------

Edgar Filing: PETROCHINA CO LTD - Form 6-K

	RMB	RMB
First year	3,523	3,394
Second year	3,180	3,077
Third year	3,153	2,927
Fourth year	3,499	3,322
Fifth year	2,822	2,650
Thereafter	79,597	79,025
	-----	-----
	95,774	94,395
	=====	=====

(B) CAPITAL COMMITMENTS

At June 30, 2008, the Group's capital commitments contracted but not provided for was RMB 9,480 (December 31, 2007: RMB 11,621).

(C) EXPLORATION AND PRODUCTION LICENSES

The Company is obligated to make annual payments with respect to its exploration and production licenses to the Ministry of Land and Resources. Payments incurred were approximately RMB 399 for the six months ended June 30, 2008 (six months ended June 30, 2007: RMB 354).

Estimated annual payments for the next five years are as follows:

	JUNE 30, 2008	

	RMB	
2008	507	
2009	906	
2010	906	
2011	906	
2012	906	

2008 INTERIM REPORT

134

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2008

PETROCHINA COMPANY LIMITED

(Amounts in millions unless otherwise stated)

21 RELATED PARTY TRANSACTIONS

CNPC, the immediate parent of the Company, is a state-controlled enterprise directly controlled by the PRC government. The PRC government is the Company's ultimate controlling party. State-controlled enterprises and their subsidiaries, in addition to CNPC Group companies, directly or indirectly controlled by the PRC government are also related parties of the Group. Neither CNPC nor the PRC government publishes financial statements available for public use.

The Group has extensive transactions with other companies of the CNPC Group. Due to the relationship, it is possible that the terms of the transactions between the Group and other members of the CNPC Group are not the same as those that would result from transactions with other related parties or

Edgar Filing: PETROCHINA CO LTD - Form 6-K

wholly unrelated parties.

The Company and CNPC entered into a Comprehensive Products and Services Agreement on March 10, 2000 for a range of products and services which may be required and requested by either party; a Land Use Rights Leasing Contract under which CNPC leases 42,476 parcels of land located throughout the PRC to the Company; and a Buildings Leasing Contract under which CNPC leases 191 buildings located throughout the PRC to the Company.

The terms of the current Comprehensive Products and Services Agreement were amended in 2005 and the agreement is effective through December 31, 2008. The products and services to be provided by the CNPC Group to the Company under the Comprehensive Products and Services Agreement include construction and technical services, production services, supply of material services, social services, ancillary services and financial services. The products and services are provided in accordance with (1) state-prescribed prices; or (2) where there is no state-prescribed price, relevant market prices; or (3) where neither (1) nor (2) is applicable, actual cost incurred; or the agreed contractual price, being the actual cost plus a margin of not more than 15% for certain construction and technical services, and 3% for all other types of services.

The Land Use Rights Leasing Contract provides for the lease of an aggregate area of approximately 1,145 million square meters of land located throughout the PRC to business units of the Group for a term of 50 years at an annual fee of RMB 2,000. The total fee payable for the lease of all such property may, after every 10 years, be adjusted by agreement between the Company and CNPC.

Under the Buildings Leasing Contract, 191 buildings covering an aggregate area of 269,770 square meters located throughout the PRC are leased at an aggregate annual fee of RMB 39 for a term of 20 years. The Company also entered into a Supplemental Buildings Leasing Agreement with CNPC in September 2002 to lease an additional 404 buildings covering approximately 442,730 square meters at an annual rental of RMB 157. The Supplemental Buildings Leasing Agreement will expire at the same time as the Buildings Leasing Contract.

2008 INTERIM REPORT

135

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2008

PETROCHINA COMPANY LIMITED

(Amounts in millions unless otherwise stated)

In addition to the related party information shown elsewhere in the unaudited consolidated interim condensed financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the years and balances arising from related party transactions at the end of the periods indicated below:

(A) BANK DEPOSITS

	NOTE	JUNE 30, 2008	DECEMBER 31, 2007
		----- RMB	----- RMB
Bank deposits			
CP Finance	(i)	7,337	8,393
State-controlled banks and other			

Edgar Filing: PETROCHINA CO LTD - Form 6-K

financial institutions	46,001	66,611
	-----	-----
	53,338	75,004
	=====	=====

	NOTE	SIX MONTHS ENDED JUNE 30	
		2008	2007
		RMB	RMB
Interest income from bank deposits			
CP Finance	(i)	64	70
State-controlled banks and other financial institutions		993	439
		-----	----
		1,057	509
		=====	====

(i) CP Finance is a subsidiary of CNPC and a non-bank financial institution, established with the approval from the People's Bank of China. The deposits yield interest at prevailing saving deposit rates.

2008 INTERIM REPORT

136

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM
CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2008

PETROCHINA COMPANY LIMITED

(Amounts in millions unless otherwise stated)

(B) SALES OF GOODS AND SERVICES

	SIX MONTHS ENDED JUNE 30	
	2008	2007
	RMB	RMB
Sales of goods		
Associates and jointly controlled entities		
- Crude oil	--	1,570
- Refined products	4,436	11,131
- Chemical products	90	753
CNPC and its subsidiaries		
- Crude oil	2,036	1,208
- Refined products	8,643	7,238
- Chemical products	5,620	3,208
- Natural gas	848	887
- Other	157	199
Other state-controlled enterprises		
- Crude oil	34,902	21,901
- Refined products	52,636	43,380
- Chemical products	2,003	2,847
- Natural gas	6,724	4,883

Edgar Filing: PETROCHINA CO LTD - Form 6-K

-----	-----
118,095	99,205
=====	=====

Sales of goods to related parties are conducted at market prices.

	SIX MONTHS ENDED JUNE 30	
	2008	2007
	RMB	RMB
Sales of services		
- CNPC and its subsidiaries	3,642	871
- Other state-controlled enterprises	3,035	4,177
	-----	-----
	6,677	5,048
	=====	=====

Sales of services principally represent the provision of services in connection with the transportation of crude oil and natural gas at market prices.

2008 INTERIM REPORT

137

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM
CONDENSED FINANCIAL STATEMENTS
For the six months ended June 30, 2008

PETROCHINA COMPANY LIMITED

(Amounts in millions unless otherwise stated)

(C) PURCHASES OF GOODS AND SERVICES

		SIX MONTHS ENDED JUNE 30	
	NOTES	2008	2007
		RMB	RMB
Purchases of goods	(i)		
Associates and jointly controlled entities		184	12,136
Other state-controlled enterprises		37,761	27,482
Purchases of services			
Associates and jointly controlled entities		49	27
CNPC and its subsidiaries			
- Fees paid for construction and technical services	(ii)		
- Exploration and development services	(iii)	24,426	22,994
- Other construction and technical services	(iv)	18,047	9,921
- Fees for production services	(v)	38,350	11,653
- Social service charges	(vi)	1,152	998
- Ancillary service charges	(vii)	1,185	1,038
- Commission expense and other charges	(viii)	295	307
Other state-controlled enterprises	(ix)	2,303	833
		-----	-----
		123,752	87,389

- (i) Purchases of goods principally represent the purchases of raw materials, spare parts and low cost consumables at market prices.
- (ii) Under the Comprehensive Products and Services Agreement entered into between CNPC and the Company, certain construction and technical services provided by CNPC, are charged at actual cost plus a margin of not more than 15%, including exploration and development services and oilfield construction services.
- (iii) Direct costs for exploration and development services comprise geophysical survey, drilling, well cementing, logging and well testing, etc..
- (iv) The fees paid for other construction and technical services comprise fees for construction of refineries and chemical plants and technical services in connection with oil and gas exploration and production activities such as oilfield construction, technology research, engineering and design, etc..

2008 INTERIM REPORT

138

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM
CONDENSED FINANCIAL STATEMENTS
For the six months ended June 30, 2008

PETROCHINA COMPANY LIMITED

(Amounts in millions unless otherwise stated)

-
- (v) The fees paid for production services comprise fees for the repair of machinery, supply of water, electricity and gas at the state-prescribed prices, provision of services such as communications, transportation, fire fighting, asset leasing, environmental protection and sanitation, maintenance of roads, manufacture of replacement parts and machinery etc. at cost or market prices.
 - (vi) These represent expenditures for social welfare and support services which are charged at cost.
 - (vii) Ancillary service charges represent mainly fees for property management, the provision of training centres, guesthouses, canteens, public shower rooms, etc., at market prices.
 - (viii) CNPC purchases materials on behalf of the Company and charges commission thereon. The commission is calculated at rates ranging from 1% to 5% of the goods purchased.
 - (ix) Purchases of services from other state-controlled enterprises principally represent the purchases of construction and technical services at market prices.

(D) PURCHASES OF ASSETS

SIX MONTHS ENDED JUNE 30	
2008	2007
RMB	RMB

Edgar Filing: PETROCHINA CO LTD - Form 6-K

Purchases of assets		
CNPC and its subsidiaries	1,720	956
Other state-controlled enterprises	929	548
	-----	-----
	2,649	1,504
	=====	=====

Purchases of assets principally represent the purchases of manufacturing equipment, office equipment and transportation equipment, etc., at market prices.

2008 INTERIM REPORT

139

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM
CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2008

PETROCHINA COMPANY LIMITED (Amounts in millions unless otherwise stated)

(E) PERIOD-END BALANCES ARISING FROM SALES/PURCHASES OF
GOODS/SERVICES/ASSETS

	JUNE 30, 2008	DECEMBER 31, 2007
	----- RMB	----- RMB
Accounts receivable from related parties at the end of the period:		
Associates and jointly controlled entities	172	296
Fellow subsidiaries (CNPC Group)	2,271	3,796
Other state-controlled enterprises	5,672	1,910
	-----	-----
	8,115	6,002
Less: Provision for impairment		
Fellow subsidiaries (CNPC Group)	(156)	(189)
Other state-controlled enterprises	(700)	(708)
	-----	-----
	(856)	(897)
	-----	-----
	7,259	5,105
	=====	=====
Prepayments and other receivables from related parties at the end of the period:		
Associates and jointly controlled entities	1,574	2,412
Fellow subsidiaries (CNPC Group)	34,134	10,335
Other state-controlled enterprises	6,940	6,809
	-----	-----
	42,648	19,556
Less: Provision for impairment		
Associates and jointly controlled entities	(31)	(39)
Fellow subsidiaries (CNPC Group)	(12)	(22)
Other state-controlled enterprises	(88)	(79)
	-----	-----
	(131)	(140)
	-----	-----
	42,517	19,416

Edgar Filing: PETROCHINA CO LTD - Form 6-K

Accounts payable and accrued liabilities to related parties at the end of the period:		
Associates and jointly controlled entities	885	117
Parent (CNPC)	943	922
Fellow subsidiaries (CNPC Group)	42,249	32,154
Other state-controlled enterprises	7,425	7,141
	-----	-----
	51,502	40,334
	=====	=====

2008 INTERIM REPORT 140

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM
CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2008

PETROCHINA COMPANY LIMITED (Amounts in millions unless otherwise stated)

	SIX MONTHS ENDED JUNE 30	
	2008	2007
	----	----
	RMB	RMB
Net changes in provision for impairment of accounts receivable from related parties charged/(credited) to profit and loss account:		
Associates and jointly controlled entities	--	(1)
Fellow subsidiaries (CNPC Group)	(22)	(9)
Other state-controlled enterprises	(8)	(1)
	----	----
	(30)	(11)
	====	====
Net changes in provision for impairment of prepayments and other receivables from related parties charged/(credited) to profit and loss account:		
Associates and jointly controlled entities	(8)	(18)
Fellow subsidiaries (CNPC Group)	(10)	5
Other state-controlled enterprises	9	--
	----	----
	(9)	(13)
	====	====

(F) LEASES

		SIX MONTHS ENDED JUNE 30	
	NOTES	2008	2007
	-----	----	----
		RMB	RMB
Advance operating lease payments paid to related parties:	(i)		
Other state-controlled enterprises		--	1
		----	----
		--	1

Edgar Filing: PETROCHINA CO LTD - Form 6-K

Other operating lease payments paid to related parties:		=====	=====
Parent (CNPC)	(ii)	1,036	1,018
		-----	-----
		1,036	1,018
		=====	=====

(i) Advance operating lease payments principally represent the advance payment paid for the long-term operating leases of land and gas stations at prices prescribed by local governments or market prices.

(ii) Other operating lease payments to CNPC principally represent the rental paid for the operating lease of land and buildings at the prices prescribed in the Land Use Rights Leasing Contract, the Buildings Leasing Contract and Supplemental Buildings Leasing Agreement with CNPC.

2008 INTERIM REPORT 141

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM
CONDENSED FINANCIAL STATEMENTS
For the six months ended June 30, 2008
PETROCHINA COMPANY LIMITED (Amounts in millions unless otherwise stated)

	JUNE 30, 2008	DECEMBER 31
	----- RMB	----- RMB
Operating lease payable to related parties		
Parent (CNPC)	44	16
	---	---
	44	16
	===	===

(G) LOANS

	SIX MONTHS ENDED JUNE 30	
	----- 2008	----- 2007
	----- RMB	----- RMB
LOANS TO RELATED PARTIES		

Loans to associates:		
Beginning of the period	1,853	1,800
Loans advanced	157	210
Loan repayments received	(1,605)	(64)
Interest charged	4	83
Interest received	(2)	(72)
	-----	-----
End of the period	407	1,957
	=====	=====

Loans to associates are included in prepaid expenses and other current assets.

Edgar Filing: PETROCHINA CO LTD - Form 6-K

The loans to related parties are mainly with interest rates ranging from zero to 10.49% per annum as of June 30, 2008 (December 31, 2007: 5.20% to 8.60%).

2008 INTERIM REPORT

142

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2008

PETROCHINA COMPANY LIMITED

(Amounts in millions unless otherwise stated)

		SIX MONTHS ENDED JUNE 30	
LOANS FROM RELATED PARTIES	NOTES	2008	2007
		RMB	RMB
Loans from CP Finance:	(i)		
Beginning of the period		24,493	27,184
Loans received		2,116	2,246
Loan repayments paid		(1,170)	(2,346)
Interest charged		666	486
Interest paid		(672)	(490)
Currency translation differences		(297)	(36)
		25,136	27,044
		25,136	27,044
Loans from state-controlled banks and other financial institutions:	(ii)		
Beginning of the period		34,263	32,810
Loans received		24,510	22,138
Loan repayments paid		(24,804)	(23,446)
Interest charged		797	895
Interest paid		(807)	(909)
Currency translation differences		(622)	(148)
		33,337	31,340
		33,337	31,340
Loans from other related parties:	(iii)		
Beginning of the period		5	5
Loans received		--	--
Loans repayments paid		--	--
Interest charged		--	--
Interest paid		--	--
		5	5
		5	5

(i) The loans from CP Finance are mainly with interest rates ranging from 2.86% to 7.47% per annum as of June 30, 2008 (December 31, 2007: 4.46% to 7.47%), with maturities through 2032.

(ii) The loans from state-controlled banks and other financial institutions are mainly with interest rates ranging from zero to 8.66% per annum as of June 30, 2008 (December 31, 2007: zero to 8.66%), with maturities through 2038.

Edgar Filing: PETROCHINA CO LTD - Form 6-K

(iii) The loans from other related parties are mainly with interest rate at 6.32% per annum as of June 30, 2008 (December 31, 2007: 6.32%), and with no fixed repayment terms.

The guaranteed loans amounted to RMB 469 at June 30, 2008 (December 31, 2007: RMB 528). Borrowings of RMB 439 are from non-related parties, long-term and guaranteed by CNPC and borrowings of RMB 30 are from non-related parties, short-term and guaranteed by the Company and third parties.

2008 INTERIM REPORT

143

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2008

PETROCHINA COMPANY LIMITED

(Amounts in millions unless otherwise stated)

(H) KEY MANAGEMENT COMPENSATION

	SIX MONTHS ENDED JUNE 30	
	2008	2007
	RMB'000	RMB'000
Emoluments and other benefits	3,783	3,190
Contribution to retirement benefit scheme	232	144
	4,015	3,334
	=====	=====

(I) CONTINGENT LIABILITIES

The Group disclosed in Note 19 its contingent liabilities arising from the guarantees made for related parties.

(J) COLLATERAL FOR BORROWINGS

The Group pledged time deposits with maturities over one year as collateral with certain banks for the borrowings of subsidiaries and associates.

As at June 30, 2008, time deposits with maturities over one year of USD 670 million (December 31, 2007: USD 690 million), were secured including for the borrowings of subsidiaries of USD 602 million (December 31, 2007: USD 450 million) and for the borrowings of associates of USD 68 million (December 31, 2007: USD 240 million).

22 SHARE APPRECIATION RIGHTS

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

Edgar Filing: PETROCHINA CO LTD - Form 6-K

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.

23 SUBSEQUENT EVENT

At the Extraordinary General Meeting on July 31, 2008, the shareholders approved a proposed issuance of Domestic Corporate Bonds in the PRC with an aggregate principal amount of not more than RMB 60 billion in one or more tranches.

2008 INTERIM REPORT

144

DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection at the registered office of the Company upon requests by the relevant regulatory authorities and shareholders in accordance with the Articles of Association and the laws and regulations of the PRC:

1. The original of the interim report for 2008 signed by the Chairman of the Board.
2. The financial statements under the hand and seal of the Legal Representative, Chief Financial Officer, the Chief Accountant and the Person in Charge of the Accounting Department of the Company.
3. The original of the interim report of the Company under the seal of the Auditors and under the hand of Certified Public Accountants.
4. The original copies of the documents and announcement of the Company published in the newspaper stipulated by the China Securities Regulatory Commission during the reporting period.
5. The Articles of Association of the Company.

2008 INTERIM REPORT

145

CONFIRMATION FROM THE DIRECTORS AND SENIOR MANAGEMENT

According to the relevant provisions and requirements of the Securities Law of the People's Republic of China and Measures for Information Disclosure of Companies Offering Shares to the Public promulgated by the China Securities Regulatory Commission, as the Board Directors and senior management of PetroChina Company Limited, we have carefully reviewed the interim report for the six months ended June 30, 2008 and concluded that this interim report truly and objectively represents the business performance of the Company in the first half 2008, it contains no false representations, misleading statements or material omissions and complies with the requirements of the China Securities Regulatory Commission and other relevant regulatory authorities.

Signatures of the Directors and Senior Management:

Edgar Filing: PETROCHINA CO LTD - Form 6-K

/s/ Jiang Jiemin Jiang Jiemin	/s/ Zhou Jiping Zhou Jiping	/s/ Wang Yilin Wang Yilin	/s/ Zeng Yukang Zeng Yukang
/s/ Wang Fucheng Wang Fucheng	/s/ Li Xinhua Li Xinhua	/s/ Liao Yongyuan Liao Yongyuan	/s/ Wang Guoliang Wang Guoliang
/s/ Jiang Fan Jiang Fan	/s/ Chee-Chen Tung Chee-Chen Tung	/s/ Liu Hongru Liu Hongru	/s/ Franco Bernabe Franco Bernabe
/s/ Li Yongwu Li Yongwu	/s/ Cui Junhui Cui Junhui	/s/ Sun Longde Sun Longde	/s/ Shen Diancheng Shen Diancheng
/s/ Liu Hongbin Liu Hongbin	/s/ Zhou Mingchun Zhou Mingchun	/s/ Li Hualin Li Hualin	/s/ Zhao Zhengzhang Zhao Zhengzhang
/s/ Lin Aiguo Lin Aiguo	/s/ Wang Daofu Wang Daofu	/s/ Huang Weihe Huang Weihe	/s/ Li Huaiqi Li Huaiqi

August 27, 2008

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

2008 INTERIM REPORT

146

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.

PetroChina Company Limited

Dated: September 16, 2008

By: /s/ Li Huaiqi

Name: Li Huaiqi
Title: Company Secretary