

## SIGNIFICANT EVENTS

### 1. Material litigation and arbitration events

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

### 2. Shareholding in other companies

#### (1) Shareholding interests of the Company in other listed companies

There are no matters which the Company is required to disclose for the reporting period.

#### (2) Status of shareholding in commercial banks, securities companies, insurance companies, trust companies and futures companies

There are no matters which the Company is required to disclose for the reporting period.

### 3. Acquisitions, Disposals, Mergers during the reporting period

In 2007, the Company has through its wholly-owned subsidiary completed the acquisition of the entire interest by way of merger in Jinzhou Petrochemical Company Limited ("Jinzhou Petrochemical"), Liaohe Jinma Oilfield Company Limited ("Liaohe Jinma") and Jilin Chemical Industrial

Company Limited ("Jilin Chemical") which has resolved the issue of competition within the Group, regulated connected transactions and improved operation efficiency. The above transactions did not have any impact on the continuity of operation and management stability of the Company. Each of Jinzhou Petrochemical, Liaohe Jinma and Jilin Chemical completed the cancellation of their business registration in 2007.

The Company acquired the assets engaged in the risk management services business of CNPC which constituted an one-off connected transaction of the Company. Please refer to the paragraph headed "one-off connected transactions" in the section headed "Connected Transactions" in this annual report. The consideration for the acquisition was based on valuation. As at the end of the reporting period, ownership of the relevant assets has been fully transferred and the contractual rights and obligations thereunder have also been fully transferred. The above transaction did not have any impact on the continuity of operation and management stability of the Group and is advantageous to the future financial position and operating results of the Group.

The Company disposed of 70% equity interests in China National United Oil Corporation to CNPC. Please refer to the paragraph headed "one-off connected transactions" in the section headed "Connected Transactions" in this annual

report. The consideration for the disposal was based on valuation. As at the end of the reporting period, ownership of the relevant assets has been fully transferred and the contractual rights and obligations thereunder have also been fully transferred. Net profit contributed to the Group since the beginning of the year to the date of the disposal was RMB115 million and profit from the disposal was RMB292 million. The above transaction did not have any impact on the continuity of operation and management stability of the Group.

#### 4. Implementation of stock option plans during the reporting period

Since the initial public offering of H shares on April 7, 2000, the Company has implemented a stock option plan, and as of the end of the reporting period, none of the options thereunder have been exercised. For details of the implementation of the stock option plan, please refer to note 13 to the financial statements prepared in accordance with CAS in this annual report.

#### 5. Significant connected transactions during the reporting period

Please refer to the section “Connected Transactions” in this annual report.

#### 6. Material contracts and the performance thereof

(1) During the reporting period, there were no trusteeship, sub-contracting and leasing of properties of other companies by the Company which would contribute profit to the Company of 10% or more of its total profits for the year.

##### (2) Material Guarantee

At December 31, 2007, the Group had contingent liabilities in respect of guarantees made to China Petroleum Finance Company Limited (“CP Finance”, a subsidiary of CNPC).

	December 31, 2007	December 31, 2006
	RMB million	RMB million
Guarantee of borrowings of associates provided by CP Finance	77	162
Guarantee of borrowings of third parties provided by a State-controlled bank	-	41
	77	203

During the reporting period, the Company did not provide any guarantee to its shareholders, ultimate controller and their respective associates nor provided any guarantee, directly or indirectly, to companies with liabilities to assets ratio exceeding 70%. During the reporting period, the aggregate amount of the guarantees provided by the Company was not in excess of 50% of the net assets of the Company.

(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 annual report, during the reporting period, the Company did not enter into any material contract which requires disclosure.

## 7. Performance of Commitments

Specific undertakings made by CNPC, the controlling shareholder of the Company, and performance of the undertakings as at December 31, 2007:

Name of Shareholder	Undertaking	Performance of Undertaking
CNPC	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.	As at December 31, 2007, CNPC had obtained formal land use right certificates in relation to 27,554 out of 28,649 parcels of land and some building ownership certificates for the buildings pursuant to the undertaking in the Restructuring Agreement, but has completed none of the necessary governmental procedures for the service stations located on collectively owned land. 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. The outcome of the above events will not have material adverse effect on the operating results and the financial position of the Group.
	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.	<p>At present, CNPC operated the following businesses which are identical or similar to the core businesses of the Group:</p> <p>1. Overseas operations which are identical or similar to the core businesses of the Group.</p> <p>CNPC has overseas operations in relation to exploration and production of crude oil and natural gas as well as production, storage and transportation of petroleum, chemical and related petroleum products. CNPC has oil and gas exploration and development operations in many overseas countries and regions.</p> <p>As the laws of the countries where ADS are listed prohibit their citizens from directly or indirectly financing or investing in the oil and gas projects in certain countries, CNPC did not inject the overseas oil and gas projects in certain countries to the Company.</p> <p>2. The existing projects of CNPC (Hong Kong) Limited</p> <p>Prior to the Company's listing on the Hong Kong Stock Exchange, CNPC (Hong Kong) Limited had three projects as follows: (1) blocks 9-1 to 9-5 of the Karamay Oilfield of Xinjiang; (2) Leng Jiapu Oilfield in Liaoh; (3) Sukothai Oilfield in Thailand with production right concession. After the establishment of the Company, CNPC (Hong Kong) Limited engaged in additional overseas projects.</p> <p>Upon establishment of the Company, CNPC's interests in CNPC (Hong Kong) Limited were not injected to the Company because CNPC (Hong Kong) Limited had businesses both in China and overseas. Without prior consent of the independent shareholders of CNPC (Hong Kong) Limited, the overseas businesses of CNPC (Hong Kong) Limited may not be restructured as part of the restructuring of the Company.</p> <p>To date, compared to the Company, the total asset and revenue of CNPC (Hong Kong) Limited is relatively small. The core businesses of each of CNPC (Hong Kong) Limited and the Group will not constitute substantive competition with the Company.</p> <p>3. Five sets of chemical production facilities</p> <p>Five sets of chemical production facilities, namely, an advanced alcohol facility, an acrylonitrile facility, a polybutadiene rubber facility, an acrylic fibre chemical facility and a facility comprising of four styrene units have been wholly owned by CNPC since the Company's establishment. Other than the advanced alcohol facility which has ceased production, the rest of the five sets of facilities are under normal operation.</p> <p>Given the five sets of chemical production facilities are relatively small in scale, low in productivity and profitability as compared with similar facilities of the Group, they will not constitute substantive competition with the principal businesses of the Group.</p> <p>4. Service stations wholly owned by CNPC or jointly owned by CNPC and third parties</p> <p>CNPC also owns a number of service stations (those service stations were not injected into the Company due to ambiguity in the ownership). Given the sales of refined oil products of these service stations are relatively small as compared with that of the Company, they will not constitute substantive competition with the Company.</p>

Name of Shareholder	Undertaking	Performance of Undertaking
CNPC	CNPC undertook 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.”	CNPC has not violated the relevant undertaking.

## 8. Engagement and disengagement of firm of accountants

The Company has not changed its firm of accountants during the reporting period.

During the reporting period, the Company has continued engaging PricewaterhouseCoopers Zhong Tian CPAs Company Limited as the domestic auditors and has continued engaging PricewaterhouseCoopers as the overseas auditors. Remunerations in respect of the audit work amounts to RMB119 million, mainly for the purpose of providing auditing services for the Company’s domestic and international needs.

Up to the end of the reporting period, PricewaterhouseCoopers Zhong Tian CPAs Company Limited and PricewaterhouseCoopers have served the Company for a consecutive 9 years on auditing.

## 9. 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.

## 10. Other Significant Events

During the reporting period, the 98 PetroChina Corporate Bond (“98 Oil Bond”) was due on September 8, 2007 and the principal and interests of the bond were paid as scheduled. The total issue amount of the 98 Oil Bond was RMB1.35 billion for a term of 8 years. The par interest rate was in the form of fixed interest rate at 4.5% per annum.