PetroChina

2012 INTERIM REPORT

PETROCHINA COMPANY LIMITED

Hong Kong Stock Exchange Stock Code: 857   New York Stock Exchange Symbol: PTR   Shanghai Stock Exchange Stock Code: 601857

PetroChina

2012 INTERIM REPORT

PETROCHINA COMPANY LIMITED

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

CONTENTS

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, or misrepresentation or misleading statements contained in the 2012 Interim Report, and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the information contained herein. No substantial shareholder of the company has utilised the fund of the Company for non-operating purposes. The 2012 Interim Report has been approved at the Sixth Meeting of the Fifth Session of the Board. Mr Jiang Jiemin, the Chairman of the Board, and Mr Franco Bernabè, Independent Non-Executive Director of the Company, were absent from the Sixth Meeting of the Fifth Session of the Board. Mr Jiang Jiemin authorised Mr Zhou Jiping, the Vice Chairman of the Board, in writing to attend the meeting by proxy and to exercise his voting rights on his behalf. Mr Franco Bernabè authorised Mr Chen Zhiwu, Independent Non-Executive Director of the Company, in writing to attend the meeting by proxy and to exercise his voting rights on his 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 the 2012 Interim Report.

The financial statements of the Company and its subsidiaries (the "Group") have been prepared in accordance with China Accounting Standards ("CAS") and International Financial Reporting Standards ("IFRS"), respectively. The financial statements in this Interim Report are unaudited.

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 Group is 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 is principally engaged in activities including: the exploration, development, production and sales of crude oil and natural gas; the refining of crude oil and petroleum products; the production and marketing of primary and derivative petrochemical products and other chemical products; sale and trading of refined 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 ("HKEx" or "Hong Kong Stock Exchange") and Shanghai Stock Exchange on April 6, 2000, April 7, 2000 and November 5, 2007 respectively.

Registered Chinese Name of the Company:	中國石油天然氣股份有限公司
English Name of the Company:	PetroChina Company Limited
Legal Representative of the Company:	Jiang Jiemin
Secretary to the Board:	Li Hualin
Address:	No. 9 Dongzhimen North Street Dongcheng District Beijing, the PRC
Telephone:	86(10) 5998 6223
Facsimile:	86(10) 6209 9557
Email Address:	suxinliang@petrochina.com.cn
Representative on Securities Matters:	Liang Gang
Address:	No. 9 Dongzhimen North Street Dongcheng District Beijing, the PRC
Telephone:	86(10) 5998 6959
Facsimile:	86(10) 6209 9559
Email address:	liangg@petrochina.com.cn
Representative of the Hong Kong Representative Office:	Wei Fang
Address:	Suite 3705, 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 PRC
Postal Code:	100011
Internet Website:	http://www.petrochina.com.cn
Company's Email:	suxinliang@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 are available at:
No. 9 Dongzhimen North Street, Dongcheng District, Beijing, PRC

Places of Listing:

A shares:	Shanghai Stock Exchange
Stock Name:	中國石油
Stock Code:	601857
H shares:	The Stock Exchange of Hong Kong Limited
Stock Name:	PetroChina
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, 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai, the PRC

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

SUMMARY OF FINANCIAL DATA AND FINANCIAL INDICATORS

1. Key Financial Data and Financial Indicators Prepared under IFRS

Unit: RMB million

Items	As at the end of the reporting period	As at the end of the preceding year	Changes from the end of the preceding year to the end of the reporting period (%)
Total assets	2,051,494	1,917,586	7.0
Equity attributable to owners of the Company	1,040,833	1,002,745	3.8
Net assets per share attributable to owners of the Company (RMB)	5.69	5.48	3.8
Items	**The reporting period**	**Same period of the preceding year**	**Changes over the same period of the preceding year (%)**
Profit attributable to owners of the Company	62,026	66,007	(6.0)
Net cash flows from operating activities	48,006	129,019	(62.8)
Basic and diluted earnings per share (RMB)	0.34	0.36	(6.0)
Return on net assets (%)	6.0	6.8	(0.8 percentage point)
Net cash flows from operating activities per share (RMB)	0.26	0.70	(62.8)

2. Key Financial Data and Financial Indicators Prepared under CAS

Unit: RMB million

Items	As at the end of the reporting period	As at the end of the preceding year	Changes from the end of the preceding year to the end of the reporting period (%)
Total assets	2,051,433	1,917,528	7.0
Equity attributable to equity holders of the Company	1,040,971	1,002,885	3.8
Net assets per share attributable to equity holders of the Company (RMB)	5.69	5.48	3.8
Items	**The reporting period**	**Same period of the preceding year**	**Changes over the same period of the preceding year (%)**
Operating profit	86,205	99,532	(13.4)
Profit before taxation	87,591	98,251	(10.8)
Net profit attributable to equity holders of the Company	62,024	66,006	(6.0)
Net profit after deducting non-recurring profit/loss items attributable to equity holders of the Company	63,501	67,206	(5.5)
Basic earnings per share (RMB)	0.34	0.36	(6.0)
Diluted earnings per share (RMB)	0.34	0.36	(6.0)
Basic earnings per share after deducting non-recurring profit/loss items (RMB)	0.35	0.37	(5.5)
Weighted average return on net assets (%)	6.0	6.8	(0.8 percentage point)
Weighted average return on net assets after deducting non-recurring profit/loss items (%)	6.2	6.9	(0.7 percentage point)
Net cash flows from operating activities	48,006	129,019	(62.8)
Net cash flows per share from operating activities (RMB)	0.26	0.70	(62.8)

3. Non-recurring profit/loss items

Unit: RMB million

Non-recurring profit/loss items	For the six months ended June 30, 2012 profit / (loss)
Net loss on disposal of non-current assets	(1,107)
Government grants recognised in the income statement	607
Reversal of provisions for bad debts against receivables	21
Other non-operating income and expenses	(1,438)
Sub-total	(1,917)
Tax impact of non-recurring profit/loss items	418
Impact of minority interests	22
Total	(1,477)

4. Differences between CAS and IFRS

The consolidated net profit for the period under IFRS and CAS were RMB69,829 million and RMB69,828 million respectively, with a difference of RMB1 million; the consolidated shareholders' equity as at the end of the period under IFRS and CAS were RMB1,131,142 million and RMB1,131,161 million respectively, with a difference of RMB19 million. These differences under the different accounting standards were primarily due to the revaluation of assets other than fixed assets and oil and gas properties in 1999.

During the Restructuring in 1999, a valuation was carried out in 1999 for assets and liabilities injected by CNPC. The valuation results on assets other than fixed assets and oil and gas properties were not recognised in the financial statements prepared under IFRS.

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

1. Changes in Shareholdings

During the reporting period, there was no change in the total number and structure of shares of the Company arising from bonus issues, placing, etc.

2. Shareholdings of Major Shareholders

The number of shareholders of the Company as at June 30, 2012 was 1,082,295, including 1,074,165 holders of A shares and 8,130 holders of H shares (including 309 holders of the American Depositary Shares).

(1) Shareholdings of the top ten shareholders

Unit: Shares

Name of shareholders	Nature of shareholders	Number of shares held	Percentage of shareholding (%)	Increase /decrease during the reporting period (+,-)	Number of shares with selling restrictions	Number of shares pledged or subject to lock-ups
CNPC	State-owned	158,033,693,528 [1]	86.35	0	0	0
HKSCC Nominees Limited [2]	Overseas legal person	20,821,089,513 [3]	11.38	+11,234,015	0	0
National Council for Social Security Fund of the PRC	State-owned legal person	400,000,000	0.219	0	400,000,000	0
China Life Insurance Company Limited - Traditional - Ordinary Insurance Products - 005L - CT001 Shanghai	Domestic non-State-owned legal person	46,965,001	0.026	-13,597,311	0	0
Industrial and Commercial Bank of China - China Universal SCI Index Securities Investment Fund	Domestic non-State-owned legal person	43,990,035	0.024	-1,450,000	0	0
Guangxi Investment Group Limited	State-owned legal person	39,560,045	0.022	0	0	0
Industrial and Commercial Bank of China - Lion Stock Securities Investment Fund	Domestic non-State-owned legal person	33,201,496	0.018	+17,040,662	0	0
Industrial and Commercial Bank of China - Shanghai 50 Index ETF Securities Investment Fund	Domestic non-State-owned legal person	32,085,024	0.018	-6,495,495	0	0
Bank of Communications - Yi Fang Da 50 Index Securities Investment Fund	Domestic non-State-owned legal person	27,479,585	0.015	+697,533	0	0
Shanghai Liangneng Construction Engineering Company Limited (上海良能建築工程有限公司)	Domestic non-State-owned legal person	25,763,816	0.014	-600,000	0	0

Notes:

(1) Such figure excludes the H shares indirectly held by CNPC through Fairy King Investments Limited, an overseas wholly-owned subsidiary of CNPC.

(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 other corporate or individual shareholders.

(3) 291,518,000 H shares were indirectly held by CNPC through Fairy King Investments Limited, an overseas wholly-owned subsidiary of CNPC, representing 0.16% of the total share capital of the Company. These shares were held in the name of HKSCC Nominees Limited.

(2) Shareholdings of top ten shareholders of shares without selling restrictions

Unit: Shares

Ranking	Name of shareholders	Number of shares held	Type of shares
1	CNPC	158,033,693,528 (1)	A shares
2	HKSCC Nominees Limited	20,821,089,513	H shares
3	China Life Insurance Company Limited - Traditional - Ordinary Insurance Products - 005L - CT001 Shanghai	46,965,001	A shares
4	Industrial and Commercial Bank of China - China Universal SCI Index Securities Investment Fund	43,990,035	A shares
5	Guangxi Investment Group Limited	39,560,045	A shares
6	Industrial and Commercial Bank of China - Lion Stock Securities Investment Fund	33,201,496	A shares
7	Industrial and Commercial Bank of China - Shanghai 50 Index ETF Securities Investment Fund	32,085,024	A shares
8	Bank of Communications - Yi Fang Da 50 Index Securities Investment Fund	27,479,585	A shares
9	Shanghai Liangneng Construction Engineering Company Limited (上海良能建築工程有限公司)	25,763,816	A shares
10	New China Life Insurance Company Ltd. - Dividends - Group Dividends - 018L - FH001 Shanghai	21,169,684	A shares

Note:

(1) Such figure excludes the H shares indirectly held by CNPC through Fairy King Investments Limited, an overseas wholly-owned subsidiary of CNPC. Such shares were held in the name of HKSCC Nominees Limited.

Statement on connected parties or concert parties among the above-mentioned shareholders: Except for "Industrial and Commercial Bank of China - China Universal SCI Index Securities Investment Fund", "Industrial and Commercial Bank of China - Lion Stock Securities Investment Fund" and "Industrial and Commercial Bank of China - Shanghai 50 Index ETF Securities Investment Fund" which are held in trust with Industrial and Commercial Bank of China Limited, 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.

(3) Disclosure of Substantial Shareholders under Hong Kong's Securities and Futures Ordinance

So far as the Directors are aware, as at June 30, 2012, the persons other than a Director, Supervisor or senior management of the Company who have interests or short positions in the shares or underlying shares of the Company which are discloseable under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance are as follows:

Name of shareholders	Nature of shareholding	Number of shares	Capacity	Percentage of such shares in the same class of the issued share capital (%)	Percentage of total share capital (%)
CNPC	A Shares	158,033,693,528 (L)	Beneficial Owner	97.60	86.35
	H Shares	291,518,000 (L)[1]	Interest of Corporation Controlled by the Substantial Shareholder	1.38	0.16
JPMorgan Chase & Co. [2]	H Shares	1,282,593,959 (L)	Beneficial Owner / Investment Manager / Custodian Corporation / Approved Lending Agent	6.08	0.70
		34,480,188 (S)	Beneficial Owner	0.16	0.02
		959,957,877 (LP)	Custodian Corporation / Approved Lending Agent	4.55	0.52
BlackRock, Inc. [3]	H Shares	1,231,921,460 (L)	Interest of Corporation Controlled by the Substantial Shareholder	5.84	0.67
		204,476,422 (S)		0.97	0.11
Aberdeen Asset Management Plc and its Associates (together "the Group") on behalf of Accounts Managed by the Group	H Shares	1,477,608,963 (L)	Investment Manager	7.00	0.81
Templeton Asset Management Ltd.	H Shares	1,270,171,357 (L)	Investment Manager	6.02	0.69

(L) Long position (S) Short position (LP) Lending pool

Notes:

(1) 291,518,000 H shares (long position) were held by Fairy King Investments Limited, an overseas wholly-owned subsidiary of CNPC. CNPC is deemed to be interested in the H shares held by Fairy King Investments Limited.

(2) JPMorgan Chase & Co., through various subsidiaries, had an interest in the H shares of the Company, of which 166,028,820 H shares (long position) and 34,480,188 H shares (short position) were held in its capacity as beneficial owner; 156,607,262 H shares (long position) were held in its capacity as investment manager; and 959,957,877 H shares (long position) were held in its capacity as custodian corporation / approved lending agent. These 1,282,593,959 H shares (long position) included the interests held in its capacity as beneficial owner, investment manager and custodian corporation / approved lending agent.

(3) BlackRock, Inc., through various subsidiaries, had an interest in the H shares of the Company, of which 1,231,921,460 H shares (long position) and 204,476,422 H shares (short position) were held in its capacity as a corporation controlled by the substantial shareholder.

As at June 30, 2012, so far as the Directors are aware, 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 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 of the Company during the reporting period.

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

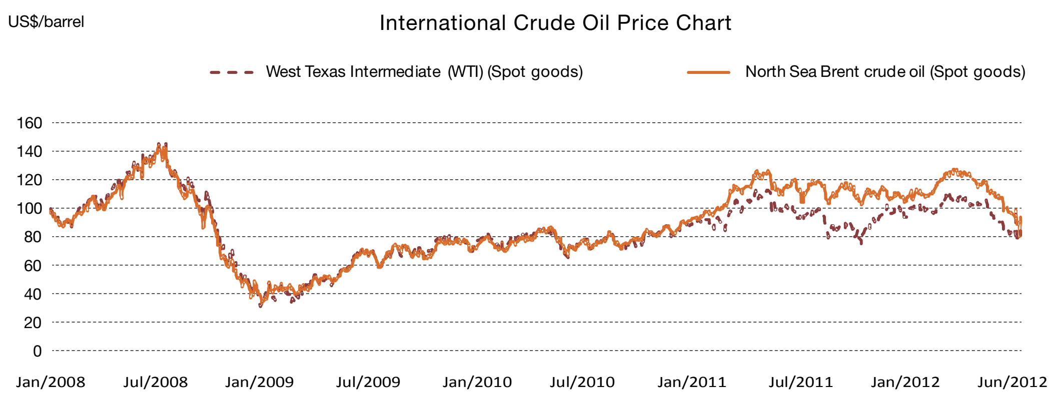
In the first half of 2012, global economic recovery was difficult whilst geopolitical disputes intensified. International oil prices displayed high volatility whilst the growth of the domestic economy slowed down and the demand in the oil and petrochemical markets became weak. In the face of the complex and severe economic environment, the Group, with a view to building a solid foundation for long term development, assessed the situation scientifically, strengthened strategic planning and placed emphasis on developing its principal businesses. The quality of development was raised overall. Investment was optimised. Costs and expenditures were kept under control. As a result, the Group achieved a steady and relatively fast development in production and operations. A turnover of RMB1,046,661 million was achieved in the first half of 2012, representing a 9.9% increase over the same period in 2011. However, due to the increased amount of imported natural gas, the inverse relationship between the selling price and cost of imported natural gas, the macroeconomic regulation and control over the prices of domestic refined products and the increase in costs, profit attributable to owners of the Company were RMB62,026 million, representing a decrease of 6.0% as compared with the same period in 2011.

1) Market Review

- Crude Oil Market

Owing to the impact of a weak world economy, demand in the global petroleum market was low whilst supply was abundant and inventory was high in the first half of 2012. The situation of supply and demand, which tended to be tight in the same period last year, has relaxed. In the first quarter of 2012, international oil prices had risen to the highest level since the 2008 financial crisis as a result of the Iran incident. In the second quarter, international oil prices fell substantially

International Crude Oil Price Chart



as a result of the supply and demand situation. In the first half of 2012, the average price for West Texas Intermediate (WTI) crude oil was US$98.2 per barrel, representing a decrease of approximately US$1 per barrel or 0.97% as compared with the same period in 2011, whilst the average price for North Sea Brent crude oil was US$113.6 per barrel, representing an increase of US$2.5 per barrel or 2.3%, as compared with the same period in 2011.

According to relevant information, China's crude oil output was 100 million tons in the first half of 2012, representing a decrease of 1.6% as compared with the same period in 2011. The quantity of crude oil processed amounted to 204 million tons, representing an increase of 0.2% as compared with the same period in 2011.

- Refined Products Market

As the growth rate of the Chinese economy has slowed down, the growth rate in the demand for refined oil products fell substantially, thereby relaxing the situation of supply and demand. According to relevant information, in the first half of 2012, the domestic output of refined products amounted to 126 million tons, representing an increase of 2.7% as compared with the same period in 2011. The domestic apparent consumption of refined products amounted to 122 million tons, representing an increase of 3.0% as compared with the same period in 2011, and of which, gasoline consumption increased by 6.7% whilst diesel consumption rose by 0.9%.

In the first half of 2012, the prices of refined products initially rose but subsequently fell. The PRC government made four adjustments to the prices of domestic gasoline and diesel products, and the prices of reference gasoline and diesel rose, in aggregate, by RMB40 per ton and RMB80 per ton respectively. The price trend of domestic refined products was basically in line with that of oil prices in the international markets.

- Chemical Products Market

In the first half of 2012, global economic recovery was difficult. The performance of export processing enterprises has fallen and the growth rate of China's economy has slowed down. Consumers' appetite for spending has diminished. Downstream demand was weak. As a result, the petrochemical market continued to perform poorly. After a short spring rally during the first quarter, the market remained weak and fluctuated downwards. Beginning in May 2012, the extent of falling international oil prices has enlarged, thus triggering a sharp fall in prices in the petrochemicals market. Market conditions became increasingly weak.

- Natural Gas Market

In the first half of 2012, domestic natural gas production in China grew steadily. Imports of natural gas increased sharply. Apparent consumption of natural gas maintained its high growth rate. Supply and demand were generally stable.

According to relevant information, domestic output of natural gas in the first half of the year was 53.9 billion cubic metres, representing an increase of 6.7% compared with the same period in 2011. Imports of natural gas amounted to approximately 19.8 billion cubic metres, representing an increase of 44.6% compared with the same period in 2011. Apparent consumption of natural gas was 72.1 billion cubic metres, representing an increase of 15.9% compared with the same period in 2011.

2) Business Review

• Exploration and Production Segment

Domestic Exploration Operations

In the first half of 2012, the Group continued to implement the "Peak Growth in Oil and Gas Reserves" Program. A number of major discoveries were made at various regions including Tadong and Kuche in Tarim, Jimusaer in Junggar, Dongping in Qaidam, the Langgu sag in Bohai Bay, and the southern part of Erdos. Important progress was made at various regions such as Jiyuan in Erdos, the Lower Paleozoic territories at Huaqing and Jingxi, Tabei in Tarim, the Sinian territories at Gaoshiti-Moxi in Sichuan Province, Xujiahe in central Sichuan, Niudong buried hill reservoir in Bohai Bay, Yingdong in Qaidam, the southern part of Songliao Area and Changyuan in Daqing. The Group's oil and gas exploration operations continued to maintain a satisfactory development momentum.

Domestic Development and Production Operations

In the first half of 2012, the Group consolidated the basis for stable production at the oilfields by scientifically organising the development of oilfields, pushing forward with fine water injection at old oilfields and controlling the gradual declining of output. The Group continued with important development experiments with a focus on technologies to develop areas with high water content and low penetration rate and technologies to develop thick oils. Further progress was made in dual flooding and fire flooding attempts. Production at Daqing Oilfield remained stable. The output of Changqing Oilfield continued to increase at a high speed. Natural gas output grew rapidly. Construction of various priority output capacity projects such as Sulige, Dabei and Keshen accelerated. Exploration and development at tight sandstone reservoirs were carried out effectively. Development of coal seam gas bases at Qinshui and Erdos progressed steadily. The shale gas projects at Weiyuan-Changning in Sichuan Province and at Zhaotong in Yunnan Province also proceeded smoothly.

Overseas Oil and Gas Operations

In the first half of 2012, global geopolitical situations became increasingly complex. The security of resource-rich countries became more grave. Uncertainty with the investment environment in key resource-rich countries increased. The Group actively tackled the changes in the operating conditions overseas and overcame the impact of unfavourable situations. The overseas operations of the Group continued to grow steadily amidst such complex environment. In the first half of 2012, overseas oil and natural gas equivalent output of the Group reached 62.5 million barrels, representing an increase of 0.9% from the same period in 2011 and accounting for 9.4% of the Group's aggregate oil and gas equivalent output. Key projects progressed smoothly. The Rumaila Project in Iraq achieved a daily output of 1.33 million barrels of crude oil. The Halfaya Project reached the initial commercial output target earlier than scheduled whilst the oil sand transaction in Canada completed smoothly.

In the first half of 2012, crude oil output of the Group amounted to 452.4 million barrels, representing an increase of 1.5% from the same period in 2011. Marketable natural gas output of the Group amounted to 1,292.4 billion cubic feet, representing an increase of 9.0% from the same period in 2011. The oil and gas equivalent output of the Group amounted to 667.9 million barrels, representing an increase of 3.8% from the same period in 2011. Crude oil output grew steadily while natural gas output grew relatively quickly.

Summary of Operations of the Exploration and Production Segment

	Unit	First half of 2012	First half of 2011	Change (%)
Crude oil output	Million barrels	452.4	445.8	1.5
Marketable natural gas output	Billion cubic feet	1,292.4	1,185.9	9.0
Oil and natural gas equivalent output	Million barrels	667.9	643.5	3.8

Note: Figures have been converted at the rate of 1 ton of crude oil = 7.389 barrels and 1 cubic metre of natural gas = 35.315 cubic feet.

- Refining and Chemicals Segment

Through placing emphasis on the three key aspects of safety in production, optimisation and cost control, the refining and chemicals operations of the Group achieved steady and balanced operations in the first half of 2012. The Group optimised allocation of resources, products structure and pace of production in accordance with the supply and demand situation. The Group processed 489.7 million barrels of crude oil and produced 43.826 million tons of refined products. Output of high margin products such as high-grade gasoline and jet fuel grew further. Major technological and economic indicators continued to improve such that, among others, yields of gasoline, diesel, kerosene and light oils, comprehensive energy consumption for refinery and ethylene energy consumption rate recorded was better than that in the same period last year. By tapping deeply into potentials internally and by controlling costs, refining processing costs have been brought under effective control whilst processing load was at a low level. In the face of a continuing weak market, the Group sought to reduce losses and increase efficiency in the sales of chemical products by optimising the connection between production and sales and lowering costs.

In the first half of 2012, the strategic formation of the Group's refining and chemicals operations was principally put in place. Construction at Guangdong Petrochemical formally began whilst the construction project at Sichuan Petrochemical was nearing completion. The refinery and ethylene construction projects for Fushun Petrochemical also proceeded as scheduled.

Summary of Operations of the Refining and Chemicals Segment

	Unit	First half of 2012	First half of 2011	Change (%)
Processed crude oil	Million barrels	489.7	491.4	(0.3)
Gasoline, kerosene and diesel output	'000 ton	43,826	43,393	1.0
of which: Gasoline	'000 ton	13,119	12,445	5.4
Kerosene	'000 ton	1,545	1,211	27.6
Diesel	'000 ton	29,162	29,737	(1.9)
Refining yield	%	93.8	93.9	(0.1 percentage point)
Ethylene	'000 ton	1,761	1,819	(3.2)
Synthetic resin	'000 ton	2,937	2,966	(1.0)
Synthetic fibre raw materials and polymers	'000 ton	844	1,094	(22.9)
Synthetic rubber	'000 ton	310	310	-
Urea	'000 ton	2,374	2,174	9.2

Note: Figures have been converted at a rate of 1 ton of crude oil = 7.389 barrels.

- Marketing Segment

Domestic Operations

In the first half of 2012, the Group encountered a complex situation caused by the reduction in the growth rate of the domestic economy, the weak demand for oil products and the two rises and falls in refined oil price. In order to expand sales and improve profitability, the Group strengthened its market analysis, adjusted its marketing strategies and stepped up the development of key users. Despite the unfavourable market conditions, the Group sold 54.722 million tons of refined oils, which is basically in line with the amount sold in the same period in 2011. Additional resources were deployed in high-margin markets and substantial growth was recorded in the sales of high-grade gasoline compared with the same period in 2011. The Group also vigorously expanded its share of the market. With its 318 newly developed service stations, the total amount of the service stations reached 19,469 and the Group's share of the retail market reached 40.2%, thereby further raising the competitiveness of the Group.

International Trading Operations

The scale and quality of international trading operations of the Group continued to strengthen steadily. In the first half of 2012, the trading volume reached 81.93 million tons and the trading amount reached US$65.5 billion, representing an increase of 18.7% and 28.4% respectively as compared with the same period in 2011. The competitiveness and market standing of the oil and gas operating hub in Asia have noticeably risen. The hub in Europe completed its business integration with INEOS Group Holdings plc. and the hub in the Americas achieved continuous growth in its trading volumes with countries in South America and Canada.

The Group sold a total of 73.068 million tons of gasoline, kerosene and diesel in the first half of 2012, representing an increase of 9.4% compared with the same period in 2011.

• Natural Gas and Pipeline Segment

In the first half of 2012, the sale of natural gas by the Group effectively balanced the two kinds of resources of locally produced gas and imported gas. The Group concentrated its efforts in developing the high-margin market with a focus on key regions as the Yangtze River Delta, Pearl River Delta, Bohai Rim, Sichuan Province and Chongqing. Market development for newly built pipelines progressed smoothly. Efforts in developing LNG as a substitute for conventional fuel used in vehicles and boats were enhanced. At the same time, the first LNG public buses were put into operation. Management and operation of pipeline network have been streamlined to ensure stability in production, delivery, storage and sales.

Construction of oil and gas pipelines with strategic importance as well as key domestic trunk pipeline networks progressed in an orderly manner. The branch/trunk lines of the Second West-East Pipeline in Tai'an, Shanghai and Shenzhen were completed and are now operational. Construction of major strategic passageways such as the Hong Kong branch line of the Second West-East Pipeline and the west section of the Third West-East Pipeline have commenced.

(2) Management Discussion and Analysis

1) The financial data set out below is extracted from the condensed financial statements of the Group prepared under IFRS

• Consolidated Operating Results

In the first half of 2012, the Group achieved a turnover of RMB1,046,661 million, representing an increase of 9.9% over the same period in 2011. Profit attributable to owners of the Company was RMB62,026 million, representing a decrease of 6.0% from the same period in 2011. Basic earnings per share were RMB0.34, representing a decrease of RMB0.02 from the same period in 2011.

Turnover Turnover increased by 9.9% to RMB1,046,661 million for the first half of 2012 from RMB952,247 million for the first half of 2011. This was primarily due to the increase in the selling prices and changes in the sales volume of the Group's major products including crude oil, natural gas, gasoline and diesel. The table below sets out the external sales volume and average realised prices for the major products sold by the Group in the first half of 2012 and 2011 and their respective percentages of change during these periods:

	Sales Volume ('000 ton)			Average Realised Price (RMB/ton)		
	First half of 2012	First half of 2011	Percentage of change (%)	First half of 2012	First half of 2011	Percentage of change (%)
Crude oil	33,047	33,226	(0.5)	4,803	4,738	1.4
Natural gas (million cubic metre, RMB/'000 cubic metre)	43,621	37,687	15.7	1,108	1,062	4.3
Gasoline	22,923	20,136	13.8	8,093	7,737	4.6
Diesel	44,672	42,739	4.5	7,135	6,926	3.0
Kerosene	5,473	3,918	39.7	6,505	6,083	6.9
Heavy oil	3,887	3,986	(2.5)	4,829	4,523	6.8
Polyethylene	1,444	1,437	0.5	8,979	9,521	(5.7)
Lubricant	1,040	839	24.0	9,344	9,561	(2.3)

Operating Expenses Operating expenses increased by 11.8% to RMB956,042 million for the first half of 2012 from RMB854,789 million for the first half of 2011, of which:

Purchases, Services and Other Purchases, services and other increased by 18.2% to RMB658,111 million for the first half of 2012 from RMB556,595 million for the first half of 2011. This was primarily due to (i) increases in purchase cost as a result of larger trading volume in the oil products, and (ii) increases in purchase cost of natural gas imports from Central Asia and LNG imports to expand the natural gas market and satisfy the increasing demand for natural gas in the domestic market.

Employee Compensation Costs Employee compensation costs for the first half of 2012 were RMB49,612 million, representing an increase of 10.1% from RMB45,054 million for the first half of 2011. Excluding factors such as the expansion of the operation scale and the increase in social security contributions, employee compensation costs represent an increase of 2.8% from the same period in 2011. Such increase was primarily due to the adjustment of salary for the frontline staff at the end of 2011 considering the increase of the domestic consumer price index.

Exploration Expenses Exploration expenses decreased by 23.1% to RMB13,905 million for the first half of 2012 from RMB18,088 million for the first half of 2011. This was primarily due to the efforts of the Group in scheduling exploration work reasonably.

Depreciation, Depletion and Amortisation Depreciation, depletion and amortisation increased by 11.3% to RMB74,046 million for the first half of 2012 from RMB66,502 million for the first half of 2011. This was primarily due to an increase in the average carrying value of fixed assets and the average net value of oil and gas properties as a result of the continuous rise of capital expenditures.

Selling, General and Administrative Expenses Selling, general and administrative expenses decreased by 1.1% to RMB33,645 million for the first half of 2012 from RMB34,024 million for the first half of 2011. This was primarily due to the Group's effort in strengthening management and reasonable control over various costs and expenses.

Taxes other than Income Taxes Taxes other than income taxes decreased by 3.4% to RMB128,686 million for the first half of 2012 from RMB133,262 million for the first half of 2011. Of which, a net decrease of RMB3,418 million was primarily due to the combined effect of: (i) the raising of the threshold for crude oil special gain levy. As a result, the crude oil special gain levy payable by the Group decreased from RMB51,076 million for the first half of 2011 to RMB42,612 million for the first half of 2012; and (ii) a reform of government policies on resources tax. As a result, the resources tax payable by the Group increased to RMB14,144 million for the first half of 2012 from RMB9,098 million for the first half of 2011.

Other Incomes/(Expenses), net Other incomes, net, increased by RMB3,227 million to RMB1,963 million for the first half of 2012, compared with other expenses, net, of RMB1,264 million for the first half of 2011. This was primarily due to the Group's recognition of the value-added tax refunds on import from the government as a result of the implementation by the PRC government in November 2011 of the policy on refund of value-added tax on imported natural gas (including LNG).

Profit from Operations Profit from operations was RMB90,619 million for the first half of 2012, representing a decrease of 7.0% from RMB97,458 million for the first half of 2011.

Net Exchange Loss Net exchange loss decreased by 63.6% to RMB193 million for the first half of 2012 from RMB530 million for the first half of 2011. The decrease was mainly due to the smaller fluctuations in the exchange rate between Renminbi and the US dollar in the first half of 2012.

Net Interest Expenses Net interest expenses increased by RMB3,345 million to RMB7,573 million for the first half of 2012 from RMB4,228 million for the first half of 2011. The increase was mainly due to a rise in interest-bearing debts of the Group to finance production, operation and capital investments.

Profit before Income Tax Expense Profit before income tax expense was RMB87,592 million for the first half of 2012, representing a decrease of 10.8% from RMB98,251 million for the first half of 2011.

Income Tax Expense Income tax expense decreased by 27.7% to RMB17,763 million for the first half of 2012 from RMB24,554 million for the first half of 2011. The decrease was primarily due to a decrease in the taxable profit for the reporting period and the impact of the government's preferential income tax policy for enterprises in Western China.

Profit for the period Profit amounted to RMB69,829 million for the first half of 2012, representing a decrease of 5.2% from RMB73,697 million for the first half of 2011.

Profit attributable to non-controlling interests Profit attributable to non-controlling interests was RMB7,803 million for the first half of 2012, which is similar to the profit attributable to non-controlling interests of RMB7,690 million for the first half of 2011.

Profit attributable to owners of the Company Profit attributable to owners of the Company amounted to RMB62,026 million for the first half of 2012, representing a decrease of 6.0% from RMB66,007 million for the first half of 2011.

- Segment Results

Exploration and Production

Turnover Turnover of the Exploration and Production segment increased by 3.9% to RMB392,460 million for the first half of 2012 from RMB377,804 million for the first half of 2011. The increase was primarily due to the rise in crude oil and natural gas prices. The average realised crude oil price in the first half of 2012 was US$107.98 per barrel, representing an increase of 6.26% from US$101.62 per barrel in the first half of 2011.

Operating Expenses Operating expenses of the Exploration and Production segment increased by 1.7% to RMB278,668 million for the first half of 2012 from RMB274,120 million for the first half of 2011. Of which, exploration expenses decreased by RMB4,288 million; and depreciation, depletion and amortisation increased by RMB8,932 million from the same period in 2011.

In the first half of 2012, the Group's oil and gas lifting cost was US$11.27 per barrel, representing an increase of 9.52% from US$10.29 per barrel in the first half of 2011. Excluding the effect of exchange rate movements, oil and gas lifting cost increased by 5.6% compared with the same period in 2011. The extent of the increase was under effective control.

Profit from Operations During the first half of 2012, the Exploration and Production segment actively tackled the challenges brought about by fluctuations in oil prices and managed to maintain a relatively high profitability. Profit from operations of the Exploration and Production segment increased by 9.7% to RMB113,792 million for the first half of 2012 from RMB103,684 million for the first half of 2011. The Exploration and Production segment remained a key profit contributor to the Group.

Refining and Chemicals

Turnover Turnover of the Refining and Chemicals segment increased by 3.0% to RMB433,149 million for the first half of 2012 from RMB420,665 million for the first half of 2011. The increase was primarily due to the increase in prices of major refined products.

Operating Expenses Operating expenses of the Refining and Chemicals segment increased by 4.6% to RMB462,024 million for the first half of 2012 from RMB441,658 million for the first half of 2011. Of which, purchases, services and other increased by RMB21,362 million compared with the same period in 2011. This was primarily due to an increase in the purchase cost of crude oil and feedstock oil from external suppliers.

In the first half of 2012, the cash processing cost of refineries was RMB151.35 per ton, representing an increase of 9.1% from the same period of 2011. This was primarily due to an increase in fuel and power prices while led to a corresponding increase in cost.

Profit from Operations During the first half of 2012, the Refining and Chemicals segment adhered to the principles of market orientation and economic efficiency. It optimised allocation of resources and strived to tap into potentials to boost performance. However, as a result of various factors including slowdown in the growth of domestic economy, prolonged weakness of the petrochemicals market and the government's macroeconomic regulation and control over prices of domestic refined products, the Refining and Chemicals segment incurred a loss from operations amounting to RMB28,875 million, of which a loss of RMB23,308 million was attributable to the refining operations and a loss of RMB5,567 million was attributable to the chemicals operations.

Marketing

Turnover Turnover of the Marketing segment increased by 12.9% to RMB900,111 million for the first half of 2012 from RMB796,945 million for the first half of 2011, which was primarily due to an increase in operating income from trading of oil products.

Operating Expenses Operating expenses of the Marketing segment increased by 13.6% to RMB890,110 million for the first half of 2012 from RMB783,351 million for the first half of 2011. Of which, purchases, services and other increased by RMB105,781 million, which was primarily due to an increase in the purchase cost relating to the trading of oil products.

Profit from Operations During the first half of 2012, the Marketing segment strengthened its market analysis and continued to optimise its sales structure whilst strictly controlling cost in order to raise profitability. However, as a result of the slowdown in the growth of the domestic economy and the weak demand for refined products, profit from operations of the Marketing segment amounted to RMB10,001 million, representing a decrease of 26.4% from RMB13,594 million for the first half of 2011.

Natural Gas and Pipeline

Turnover Turnover of the Natural Gas and Pipeline segment increased by 20.2% to RMB98,062 million for the first half of 2012 from RMB81,606 million for the first half of 2011. The increase was primarily due to: (i) the increase in the sales volume of natural gas; and (ii) the continuing development of city gas and LPG businesses, which led to an increase in the sales revenue during this reporting period.

Operating Expenses Operating expenses of the Natural Gas and Pipeline segment increased by 36.0% to RMB96,425 million for the first half of 2012 from RMB70,876 million for the first half of 2011. This was primarily due to an increase in purchase cost arising from the imports of natural gas of 10.45 billion cubic metres from Central Asia and the imports of LNG of 2.31 billion cubic metres.

Profit from Operations The Natural Gas and Pipeline segment effectively balanced the two kinds of resources of locally produced gas and imported gas. In order to achieve a healthy and orderly development, the segment sought to organise production scientifically, develop the high-margin market and control transmission costs. However, as a result of the widening in losses from natural gas imports from Central Asia and LNG imports, profit from operations of the Natural Gas and Pipeline segment amounted to RMB1,637 million, representing a decrease of 84.7% from RMB10,730 million for the first half of 2011.

In the first half of 2012, contributions from the Group's overseas operations[note] continued to increase. Turnover of overseas operations amounted to RMB332,719 million or 31.8% of the Group's total turnover. Profit before income tax expense of overseas operations was RMB17,515 million or 20.0% of the Group's profit before income tax expense.

Note: The four operating segments of the Group are namely Exploration and Production, Refining and Chemicals, Marketing as well as Natural Gas and Pipeline. Overseas operations do not constitute a separate operating segment of the Group. The financial data of overseas operations are included in the financial data of the respective operating segments mentioned above.

- Cash Flows

As at June 30, 2012, the primary sources of funds of the Group were cash from operating activities and short-term and long-term borrowings. The funds of the Group were mainly used for operating activities, capital expenditures and repayment of short-term and long-term borrowings.

The table below sets forth the cash flows of the Group for the first half of 2012 and 2011, respectively, and the amount of cash and cash equivalents as at the end of each period:

	Six months ended June 30	
	2012	**2011**
	RMB million	**RMB million**
Net cash flows from operating activities	48,006	129,019
Net cash flows used for investing activities	(147,811)	(100,279)
Net cash flows from financing activities	111,308	41,064
Translation of foreign currency	676	612
Cash and cash equivalents at end of the period	73,351	116,125

Net Cash Flows From Operating Activities

The net cash flows of the Group from operating activities for the first half of 2012 were RMB48,006 million, representing a decrease of 62.8% from RMB129,019 million for the first half of 2011. This was mainly due to the increase in tax payment and the change in working capital such as account payables. As at June 30, 2012, the Group had cash and cash equivalents of RMB73,351 million. The cash and cash equivalents were mainly denominated in Renminbi (approximately 62.0% were denominated in Renminbi, approximately 20.1% were denominated in US Dollars, approximately 13.9% were denominated in Hong Kong Dollars and approximately 4.0% 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 first half of 2012 were RMB147,811 million, representing an increase of 47.4% from RMB100,279 million for the first half of 2011. The increase in cash flows used for investing activities was primarily due to the increase in cash payments for capital expenditures and expenditures for acquisitions of associates and jointly controlled entities during the reporting period.

Net Cash Flows From Financing Activities

The net cash flows of the Group from financing activities for the first half of 2012 were RMB111,308 million, representing an increase of 171.1% from RMB41,064 million for the first half of 2011. This was primarily due to an increase in new borrowings during the period compared with the same period of the preceding year for the purpose of funding production, operation and capital investments.

The net borrowings of the Group as at June 30, 2012 and December 31, 2011, respectively, were as follows:

	As at June 30, 2012	As at December 31, 2011
	RMB million	**RMB million**
Short-term borrowings (including current portion of long-term borrowings)	164,322	137,698
Long-term borrowings	270,781	180,675
Total borrowings	435,103	318,373
Less: Cash and cash equivalents	73,351	61,172
Net borrowings	361,752	257,201

The following table sets out the remaining contractual maturities of borrowings as at the respective date of financial position, which are based on contractual undiscounted cash flows including principal and interest, and the earliest contractual maturity date:

	As at June 30, 2012	As at December 31, 2011
	RMB million	**RMB million**
Within 1 year	178,674	147,442
Between 1 and 2 years	46,885	21,759
Between 2 and 5 years	176,338	155,611
After 5 years	83,005	25,378
	484,902	350,190

Of the total borrowings of the Group as at June 30, 2012, approximately 76.2% were fixed-rate loans and approximately 23.8% were floating-rate loans. Of the total borrowings as at June 30, 2012, approximately 81.6% were denominated in Renminbi, approximately 17.2% were denominated in US Dollars and approximately 1.2% were denominated in other currencies.

As at June 30, 2012, the gearing ratio of the Group (gearing ratio = interest-bearing debts/(interest-bearing debts + total equity)) was 27.8% (as at December 31, 2011: 22.7%).

- Capital Expenditures

For the first half of 2012, capital expenditures of the Group were RMB111,678 million, representing an increase of 57.1% from RMB71,068 million for the first half of 2011. Key projects related to oil and gas explorations as well as gas pipelines were progressing in an orderly manner. The following table sets out the capital expenditures incurred by the Group for the first half of 2012 and for the first half of 2011 and the estimated capital expenditures for each of the business segments of the Group for the whole year of 2012.

	For the first half of 2012		For the first half of 2011		Estimates for 2012	
	RMB million	(%)	RMB million	(%)	RMB million	(%)
Exploration and Production*	69,006	61.79	37,516	52.79	172,900	57.64
Refining and Chemicals	9,279	8.31	10,530	14.82	43,900	14.63
Marketing	2,495	2.23	3,923	5.52	16,600	5.53
Natural Gas and Pipeline	30,768	27.55	18,632	26.22	63,600	21.20
Head Office and Other	130	0.12	467	0.65	3,000	1.00
Total	111,678	100.00	71,068	100.00	300,000	100.00

* 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 2011 and the first half of 2012, and the estimates for the same for the year of 2012 would be RMB45,347 million, RMB75,101 million and RMB184,900 million, respectively.

Exploration and Production

For the six months ended June 30, 2012, capital expenditures for the Exploration and Production segment amounted to RMB69,006 million. The Group anticipates that capital expenditures for the Exploration and Production segment for 2012 will amount to RMB172,900 million. Domestic exploration activities will remain focused on the "Peak Growth in Oil and Gas Reserves" Program while more effort will be devoted to key oil and gas regions such as Songliao Basin, Erdos Basin, Tarim Basin, Sichuan Basin and Bohai Bay Basin. Development activities will focus on maintaining the steady output of crude oil from Daqing Oilfield, increasing the oil and gas equivalent output from Changqing Oilfield, as well as increasing the output from such oil and gas fields as Tarim in Xinjiang. Overseas operations will focus on oil and gas exploration and development in joint cooperation areas in Central Asia, the Middle East, Americas and Asia Pacific.

Refining and Chemicals

Capital expenditures for the Refining and Chemicals segment for the six months ended June 30, 2012 amounted to RMB9,279 million. The Group anticipates that capital expenditures for the Refining and Chemicals segment for 2012 will amount to RMB43,900 million. Of which, approximately RMB31,700 million will be used for the construction and expansion of refining facilities. This will mainly include the construction of large scale refining projects at Sichuan Petrochemical, Guangdong Petrochemical, Huabei Petrochemical, Yunnan Petrochemical and Huhhot Petrochemical. Approximately RMB12,200 million will be used for the construction and expansion of chemical facilities. This will mainly include construction of large scale ethylene projects at Sichuan Petrochemical, Fushun Petrochemical and Daqing Petrochemical.

Marketing

Capital expenditures for the Marketing segment for the six months ended June 30, 2012 amounted to RMB2,495 million. The Group anticipates that capital expenditures for the Marketing segment for 2012 will amount to RMB16,600 million. The amount is expected to be used primarily for the construction and expansion of sales networks in effective markets.

Natural Gas and Pipeline

Capital expenditures for the Natural Gas and Pipeline segment for the six months ended June 30, 2012 amounted to RMB30,768 million. The Group anticipates that capital expenditures for the Natural Gas and Pipeline segment for 2012 will amount to RMB63,600 million. The amount is expected to be used primarily for the construction of key oil and gas transmission pipelines such as those of the Second West-East Gas Pipeline, the Third West-East Gas Pipeline, Zhongwei-Guiyang Gas Pipeline, associated LNG projects and city gas facilities.

Head Office and Other

Capital expenditures for the Head Office and Other segment for the six months ended June 30, 2012 were RMB130 million. The Group anticipates that capital expenditures for the Head Office and Other segment for 2012 will amount to RMB3,000 million. The amount is expected to be used primarily for scientific research and the establishment of information systems.

2) The financial data set out below is extracted from the consolidated financial statements of the Group prepared under CAS

- Principal operations by segment under CAS

	Income from principal operations for the first half of 2012	Cost of principal operations for the first half of 2012	Gross margin*	Change in income from principal operations over the same period of the preceding year	Change in cost of principal operations over the same period of the preceding year	Increase/ (decrease) in gross margin
	RMB million	RMB million	(%)	(%)	(%)	(Percentage points)
Exploration and Production	385,309	188,883	33.9	3.7	3.5	2.0
Refining and Chemicals	429,841	384,239	(2.3)	3.0	5.9	(2.0)
Marketing	894,917	860,393	3.7	12.9	13.9	(0.8)
Natural Gas and Pipeline	97,104	94,733	1.6	20.1	41.2	(14.4)
Head Office and Other	162	81	-	37.3	55.8	-
Inter-segment elimination	(777,795)	(777,424)	-	-	-	-
Total	1,029,538	750,905	15.1	9.9	16.8	(2.6)

* 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 RMB34,809 million.

• Principal operations by region under CAS

Operating income	First half of 2012 RMB million	First half of 2011 RMB million	Changes over the same period of the preceding year (%)
Mainland China	713,942	687,021	3.9
Other	332,719	265,226	25.4
Total	1,046,661	952,247	9.9

(3) Business Prospects for the Second Half of the Year

The road to global economic recovery will remain sluggish and tortuous in the second half of 2012. The worsening Euro debt crisis will continue to spread. Developed economies lack the growth momentum whilst emerging economies are expected to grow at a slower pace. It is also expected that the trend of slowing down in the growth of Chinese economy will remain in existence. The Group will keep enhancing its analysis of the situation and integrate its near-term operation with its long-term development goal. The Group will also continue to reinforce the preparedness and flexibility in policy making, maintain a faster but steady development in its production and its business operation, and seek to accomplish the production targets for the year.

In respect of exploration and production, the Group will continue with the "Peak Growth in Oil and Gas Reserves" Program. In doing so, the Group will focus on large basins, key regions and new oilfields. The Group will also strengthen oil exploration, with an emphasis on gas exploration. The Group will also deepen its tracking analysis of the key zone/plates, including those in Jiyuan of Erdos Basin, Northern Tarim Basin and South-western Qaidam Basin. To gain stronger footholds in locations such as Sichuan Basin, Junggar Basin and Songliao Basin, the Group will strengthen the three aspects of target selection, zone/plate preparation and field relay in a bid to secure new strategic discoveries. With a scientifically structured operation for crude oil production, the Group will continue to promote fine water-injection in oilfields and management projects specific to water injection. In relation to natural gas operation, the Group will strike a balance between locally produced gas and imported gas and will strengthen the coordination between production, transmission and marketing. The Group will also enhance its efforts in tight gas exploration and development whilst accelerating the pace of increasing both the reserve and the production of coal seam gas, as well as exploring a series of shale gas development technologies backed by adequate supporting facilities.

In respect of refining and chemicals, the Group will, according to market changes, seek to reduce losses and increase profitability by means of the following five measures: (i) optimising resources allocation towards best oil processing practices; (ii) optimising and rationalising the processing loads amongst refineries; (iii) optimising the product structure by rationalising production plans to increase product competitiveness and value-add; (iv) optimising the arrangements for maintenance and repair work to ensure stable production of refining equipment; and (v) optimising product sales through enhanced efforts in new markets development and raising the ratio between production and sales of chemical products by way of increasing the sales of such products.

In respect of marketing, the Group will put more emphasis on market analysis, scientifically implement sales and marketing, optimising flow of resources and enhance sales in self-produced petrochemical products. Meanwhile, the Group will proceed with the development of its operations in fuel oil, lubricants and non-oil business in an orderly and effective manner. At the same time, the Group will enhance the development of the jet fuel market so as to raise profitability. The Group will also boost the development of service stations and construction of key storage facilities in order to optimise its sales and distribution network and strengthen its market position.

In respect of natural gas and pipelines, the Group will continue to strengthen the development of high-margin markets and vigorously develop the markets surrounding oil and gas fields. The Group will also vigorously target existing users in Sichuan, Chongqing, the Bohai Rim and the Yangtze River Delta in an effort to raise sales in traditional markets. The Group will carry on with the commissioning of the eastern section of the Second West-East Gas Pipeline, Dashen Pipeline, Qinshen Pipeline's trunk line and related branch lines to promote sales to new users and raise the contributions of new markets to sales volume. Market development will be enhanced for newly built pipelines with an aim to signing natural gas offtake agreements with major users for the Zhonggui and Guangxi pipeline networks during the year. The Group will develop the downstream businesses such as city gas and compressed natural gas orderly, so as to realise a double value creation for the natural gas business.

In respect of international operations, the Group will consolidate, leverage on and expand the outcome of the overseas operations and strengthen its efforts in deploying and implementing overseas venture explorations. The Group will also strengthen its efforts to increase the output of the projects in Rumaila and Halfaya in Iraq, as part of its plan for consistent production expansion in overseas operations. All these will assist in laying a good foundation for long-term development. With a view to building a competitive international trading system, the Group will also step up the development of its international trading operations by further expanding its scale.

2. Projects not funded by proceeds from fund raising

Unit: RMB million

Name of project	Total project amount	Progress of project	Project return
Sichuan 10 million tons crude oil per year refinery project	16,313	Project near completion	Evaluations show that the projects meet the Company's return benchmarks. Actual return of the project to be confirmed only upon commissioning.
Sichuan project with an ethylene output of 0.8 million tons per year	18,658	Project near completion	
Fushun Petrochemical 0.8 million tons per year ethylene expansion project	15,059	Project near completion	
Second West-East Gas Pipeline	142,243	The trunk completed and the branches in progress	
Third West-East Gas Pipeline	130,400	West section project in progress	

By order of the Board
Jiang Jiemin
Chairman

Beijing, PRC
August 23, 2012

SIGNIFICANT EVENTS

1. Governance of the Company

During the reporting period, the Company has been operating in accordance with domestic and overseas regulatory requirements. With reference to the status quo of the Company and in accordance with the Articles of Association of the Company (the "Articles of Association") and related laws, regulations and listing rules, the Company has been constantly adopting, improving and effectively implementing work systems and related work processes for the Board and its various specialised committees. In order for the Company to be more adaptive to the changes in regulatory requirements, the Company is further improving and refining the system on which its corporate governance is founded. During the reporting period, through the co-ordination and checks and balances among 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 further standardised and the level of its corporate governance has been continually enhanced.

2. Compliance with the Code on Corporate Governance Practices

For the six months ended June 30, 2012, the Company has complied with all the code provisions under the Code on Corporate Governance Practices set out in Appendix 14 to the HKEx Listing Rules (and the new code provisions since April 1, 2012 when the amendments to the Code on Corporate Governance Practices became effective), except that:

After prudent consideration of the laws and regulations of the places where the shares of the Company are listed, the background of the industry to which the Company belongs as well as the current corporate structure, the Company has not set up a nomination committee as at the end of the reporting period. Nonetheless, the requirements for nomination of directors are set out in detail in the Articles of Association. Shareholders holding three percent or above of the voting shares of the Company may put forward a provisional written proposal to the general meeting in relation to the intention to nominate a candidate for the Director and the candidate's willingness to accept such nomination prior to such meeting. Directors of the Company shall be elected at general meeting of the Company for a term of office of not more than three years. Upon expiration of his term, the Director shall be entitled to be re-appointed.

3. Formulation and Implementation of the Cash Dividends Policy

Since its listing in Hong Kong in 2000, the Company has been in strict conformance with the relevant undertakings in the prospectus, with a consistent dividends policy adopted. Currently, the Company pays dividends to its shareholders on the basis of 40 to 50% of its net annual profits. The Company's consistent and proactive dividends policy is well received by shareholders as it well preserves the interests of small to medium sized shareholders.

It is clearly stated in the Articles of Association that dividends payment be made twice a year. Payment of the final dividends shall be approved by a general meeting by way of an ordinary resolution, whilst payment of the interim dividends may be approved by the Board of Directors receiving a mandate from a general meeting by way of an ordinary resolution. Over the years, the Company has been implementing the dividends policy in strict compliance with the Articles of Association and the relevant regulatory requirements.

The Company endeavours to create good value for shareholders by delivering strong results.

4. Final Dividends for 2011 and Interim Dividends for 2012 and Closure of Register of Members

(1) Final Dividends for 2011

Final dividends in respect of 2011 of RMB0.16462 per share (inclusive of tax) amounted to a total of RMB30,129 million were approved by the shareholders at the annual general meeting of the Company on May 23, 2012 and were paid on July 12, 2012.

(2) Interim Dividends for 2012 and Closure of Register of Members

The Board was authorised by the shareholders to approve the distribution of an interim dividend for 2012 at the annual general meeting of the Company on May 23, 2012. The Board has resolved to declare and pay to all shareholders of the Company interim dividends of RMB0.15250 per share (inclusive of tax) for the six months ended June 30, 2012 on the basis of a total of 183,020,977,818 shares of the Company as at June 30, 2012. The total amount of the interim dividends payable is RMB27,912 million.

The interim dividends of the Company will be paid to shareholders whose names appear on the register of members of the Company on September 12, 2012. The register of members of H shares will be closed from September 7, 2012 to September 12, 2012 (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 6, 2012. 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 12, 2012 will be eligible for the interim dividends.

In accordance with the relevant provisions of the Articles of Association, dividends payable to the shareholders of the Company 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 to be calculated on the basis of the average of the mid-point exchange rates for Renminbi to Hong Kong Dollar as announced by the People's Bank of China for the week prior to the declaration of the interim dividends by the Board of Directors.

According to the Law on Corporate Income Tax of the People's Republic of China and the relevant implementing rules which came into effect on January 1, 2008, the Company is required to withhold corporate income tax at the rate of 10% before distributing dividends to non-resident enterprise shareholders whose names appear on the register of members of H share of the Company. Any H shares registered in the name of non-Individual H Shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organisations will be treated as being held by non-resident enterprise shareholders and therefore will be subject to the withholding of the corporate income tax. Should any holder of H shares wish to change their shareholder status, please consult their agent or trust institution over the relevant procedure. The Company will withhold payment of the corporate income tax strictly in accordance with the relevant laws or requirements of the relevant governmental departments and strictly based on what will have been registered on the Company's H share register of members on September 12, 2012.

According to the regulation promulgated by the State Administration of Taxation of the PRC (Guo Shui Han [2011] No.348), the Company is required to withhold and pay the individual income tax for the Individual H Shareholders and the Individual H Shareholders are entitled to certain tax preferential treatments according to the tax agreements between those countries where the Individual H Shareholders are residents and China and the provisions in respect of tax arrangements between the mainland China and Hong Kong (Macau). The Company would withhold and pay the individual income tax at the tax rates of 10% on behalf of the Individual H Shareholders who are Hong Kong residents, Macau residents or residents of those countries having agreements with China for personal income tax rates in respect of dividend of 10%. For Individual H Shareholders who are residents of those countries having agreements with China for personal income tax rates in respect of dividend of lower than 10%, the Company would make applications on their behalf to seek entitlement of the relevant agreed preferential treatments pursuant to the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124) （《國家稅務總局關於印發＜非居民享受稅收協議待遇管理辦法（試行）＞的通知》（國稅發[2009]124號））. For Individual H Shareholders who are residents of those countries having agreements with China for personal income tax rates in respect of dividend of higher than 10% but lower than 20%, the Company would withhold the individual income tax at the agreed-upon effective tax rate. For Individual H Shareholders who are residents of those countries without any taxation agreements with China or having agreements with China for personal income tax in respect of dividend of 20% and other situations, the Company would withhold the individual income tax at a tax rate of 20%.

The Company will determine the country of domicile of the Individual H Shareholders based on the registered address as recorded in the register of members of the Company (the "Registered Address") on September 12, 2012 and will accordingly withhold and pay the individual income tax. If the country of domicile of the Individual H Shareholder is not the same as the Registered Address, the Individual H Shareholder shall notify the share registrar of the Company's H shares and provide relevant supporting documents on or before 4:30 p.m., September 6, 2012 and the correspondence details are as follow: Hong Kong Registrars Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. If the Individual H Shareholders do not provide the relevant supporting documents to the share registrar of the Company's H shares within the time period stated above, the Company will determine the country of domicile of the Individual H Shareholders based on the recorded Registered Address on September 12, 2012.

The Company will not entertain any claims arising from and assumes no liability whatsoever in respect of any delay in, or inaccurate determination of, the status of the shareholders of the Company or any disputes over the withholding and payment of tax.

5. Material litigation and arbitration events

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

6. External Investments

(1) Interests in other listed securities held by the Company

As at the end of the reporting period, interests in other listed securities held by the Group were as follow:

Unit: HK$ million

Stock code	Stock short name	Initial investment amount	Number of shares held	Shareholding (%)	Book value as at the end of the reporting period	Profit or loss for the reporting period	Changes in equity during the reporting period	Classification in accounts	Source of shareholding
135	KUNLUN ENERGY[(1)]	742	4,708,302,133	58.65	25,758	-	-	Long-term equity investments	Acquisition and further share issuance

Note: (1) The Group held the shares in Kunlun Energy Limited, a company whose shares are listed on the Hong Kong Stock Exchange, through Sun World Limited (an overseas wholly-owned subsidiary of the Group).

(2) Shareholding of the Company in commercial banks, securities companies, insurance companies, trust companies, future companies and other financial corporations

Unit: RMB million

Name of investment target	Initial investment amount	Number of shares held	Shareholding (%)	Book value as at the end of the reporting period	Profit or loss for the reporting period	Changes in equity during the reporting period	Classification in accounts	Source of shareholding
China Petroleum Finance Co., Ltd.	9,917	2,666,000,000	49.00	14,143	1,031	140	Long-term equity investments	Injection of capital

(3) Investment in securities

During the reporting period, no disclosure is required to be made.

7. Acquisition, Sale of Assets and Restructuring of Assets

Unit: RMB million

Counterparty and assets acquired	Purchase date	Acquisition price	Net profit contributed to the Group from the purchase date to the end of the reporting period	Net profit contributed to the Group from the beginning of this year to the end of the reporting period	Connected transaction	Title of the assets involved has been entirely transferred	Rights and obligations involved have been entirely transferred
Acquisition of 20% mineral interests in the Groundbirch shale gas project	January 31, 2012	8,205	Not applicable	Not applicable	No	Yes	Not applicable

On January 31, 2012, the Group (through its wholly-owned subsidiary Phoenix Energy Holdings Ltd.) acquired a 20% mineral interests in the Groundbirch shale gas project for a consideration of 1,304 million Canadian dollars (approximately RMB8,205 million) from Royal Dutch Shell PLC in Canada.

The acquisition will not affect the business continuity and management stability of the Group, and is beneficial to the Group maintaining a positive performance in its future financial position and operating results.

8. Material connected transactions

(1) One-off connected transaction

Formation of a joint venture company

On January 4, 2012, the Company entered into the Capital Contribution Agreement with CNPC pursuant to which the two parties have agreed to set up a captive insurance company with the registered capital of RMB5 billion. Upon completion of the Capital Contribution Agreement, the equity interests in such captive insurance company would be held as to 51% by CNPC and as to 49% by the Company according to their respective capital contributions. CNPC is the controlling shareholder of the Company. Pursuant to the HKEx Listing Rules and the listing rules of the Shanghai Stock Exchange (the "SSE Listing Rules"), CNPC is a connected person of the Company and the formation of the Joint Venture Company constitutes a connected transaction of the Company. Details of the agreement were published on the website of the Hong Kong Stock Exchange on January 4, 2012 and on the website of the Shanghai Stock Exchange on January 5, 2012. As at the end of the reporting period, such captive insurance company was not yet established.

(2) Continuing connected transactions

Connected transactions with CNPC

Pursuant to the HKEx Listing Rules and the SSE Listing Rules, CNPC is the controlling shareholder of the Company, and the transactions between the Group and CNPC as well as the jointly-held entities constitute connected transactions of the Company. The Group and CNPC as well as the jointly-held entities continue to carry out certain existing continuing connected transactions. The Company has obtained independent directors' and independent shareholders' approval at the Second Meeting of the Fifth Session of the Board of Directors held on August 24 to 25, 2011 and the general meeting held on October 20, 2011 for a renewal of the existing continuing connected transactions and the new continuing connected transactions, and the proposed new caps for existing continuing connected transactions and the new continuing connected transactions for the period from January 1, 2012 to December 31, 2014.

The Group and CNPC as well as the jointly-held entities will continue to carry out the existing continuing connected transactions referred to in the following agreements:

1) Comprehensive Products and Services Agreement
2) Land Use Rights Leasing Contract and an agreement supplementary thereto
3) Buildings Leasing Contract (as amended)
4) Intellectual Property Licensing Contracts
5) Contract for the Transfer of Rights under Production Sharing Contracts
6) Debts Guarantee Contract

Details of the above agreements were set out in the section headed "Connected Transactions" of the 2011 annual report of the Company published on the website of the Shanghai Stock Exchange on March 30, 2012. Details of the Comprehensive Products and Services Agreement, the Supplementary Agreement to the Land Use Rights Leasing Contract and the Buildings Leasing Contract (as amended) were published on the websites of the Hong Kong Stock Exchange and the Shanghai Stock Exchange on August 25 and 26, 2011 respectively, and were also set out in the information published on the website of the Shanghai Stock Exchange in respect of the Extraordinary General Meeting of the Company in 2011.

(3) Performance of the Continuing Connected Transactions during the Reporting Period

During the reporting period, in accordance with the CAS, the total transaction amounts of the connected transactions incurred between the Group and its connected parties were RMB168,793 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 RMB41,617 million, representing 3.98% of the amount of similar transactions 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 RMB127,176 million, representing 13.87% of the amount of similar transactions of the Group. The balance of the capital provided by the connected parties to the Group amounted to RMB275,684 million.

(4) Details of the connected transactions during the reporting period have been set out in Note 52 to the financial statements of the Group prepared under CAS and Note 18 to the consolidated condensed financial statements of the Group prepared under IFRS.

9. Material Contracts and Performance

(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) The Group had no material guarantee during the reporting period.

(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) The Company had no material external entrustment loans during the reporting period.

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

10. Performance of Commitments

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

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 June 30, 2012, CNPC had obtained formal land use right certificates in relation to 28,065 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 not completed all 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.
	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.	Currently, CNPC owns the following businesses which are identical or similar to the core businesses of the Group: 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. As the laws of the country where ADS are listed prohibit its 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.
	On May 25, 2011, CNPC increased its shareholdings in the Company via the trading system of the Shanghai Stock Exchange. CNPC intends to continue to increase its shareholdings in the Company, either in its own name or through parties acting in concert with it, via the secondary market within 12 months from May 25, 2011 in an aggregated amount not exceeding 2% of the total issued share capital of the Company (the "Further Acquisition Plan"). CNPC undertakes that it will not sell any shares in the Company during the period of the implementation of the Further Acquisition Plan and within the statutory period. As at May 24, 2012, CNPC completed the Further Acquisition Plan, with the increased shareholdings in an aggregated amount of approximately 0.22% of the total issued share capital of the Company.	During the reporting period, CNPC did not breach any relevant undertakings.

11. Penalties on the Company and its Directors, Supervisors, senior management, controlling shareholder and de facto controller and remedies thereto

During the reporting period, none of the Directors, Supervisors, senior management, controlling shareholder or de facto controller was subject to any investigation, administrative penalty, denial of participation in the securities market or deemed unsuitable to act as directors by the China Securities Regulatory Commission, nor was there any administrative penalty by other administrative authorities or public condemnation by stock exchanges.

12. Repurchase, Sale or Redemption of Securities

The Group did not sell any other securities of the Company, nor did it repurchase or redeem any of the securities of the Company during the six months ended June 30, 2012.

13. Interests of Directors and Supervisors in the Share Capital of the Company

As at June 30, 2012, 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.

14. Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the HKEx Listing Rules (the “Model Code”) in respect of dealing in 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 during the reporting period.

15. Audit Committee

The Audit Committee of the Company formed pursuant to Appendix 14 of the HKEx Listing Rules comprises Mr Franco Bernabè, Mr Cui Junhui, Mr Chen Zhiwu and Mr Wang Guoliang.

The Audit Committee of the Company has reviewed and confirmed the interim results for the six months ended June 30, 2012.

16. Disclosure of Other Information

Save as disclosed above, there have been no material changes in the information disclosed in the annual report of the Group for the year ended December 31, 2011 in respect of matters required to be disclosed under paragraph 46(3) of Appendix 16 to the HKEx Listing Rules.

17. Index of Information Disclosure

Matter	Names of newspaper of publication	Date of publication (or the time of release through the website of the Hong Kong Stock Exchange or the Shanghai Stock Exchange, if the disclosure was not published)	Website of release
Price Sensitive Information	China Securities Journal, Shanghai Securities News and Securities Times	January 6, 2012	Website of the Hong Kong Stock Exchange
Announcement	China Securities Journal, Shanghai Securities News and Securities Times	January 6, 2012	Website of the Shanghai Stock Exchange
Notice of Board Meeting		March 1, 2012	Website of the Hong Kong Stock Exchange
H Share Announcement		March 2, 2012	Website of the Shanghai Stock Exchange
2011 Work Report of Independent Directors		March 30, 2012	Website of the Hong Kong Stock Exchange
2011 Work Report of Independent Directors		March 30, 2012	Website of the Shanghai Stock Exchange
Reports on the Occupancy of Funds by the Controlling Shareholder and other Related Parties		March 30, 2012	Website of the Hong Kong Stock Exchange
Reports on the Occupancy of Funds by the Controlling Shareholder and other Related Parties		March 30, 2012	Website of the Shanghai Stock Exchange
Internal Control and Audit Report		March 30, 2012	Website of the Hong Kong Stock Exchange
Internal Control and Audit Report		March 30, 2012	Website of the Shanghai Stock Exchange
Internal Control Evaluation Report of 2011		March 30, 2012	Website of the Hong Kong Stock Exchange
Internal Control Evaluation Report of 2011		March 30, 2012	Website of the Shanghai Stock Exchange
Summary of Annual Report (Results Announcement)	China Securities Journal, Shanghai Securities News and Securities Times	March 30, 2012	Website of the Hong Kong Stock Exchange
Summary of Annual Report (Results Announcement)	China Securities Journal, Shanghai Securities News and Securities Times	March 30, 2012	Website of the Shanghai Stock Exchange
Overseas Regulatory Announcement		March 29, 2012	Website of the Hong Kong Stock Exchange
2011 Annual Report (A Share)		March 30, 2012	Website of the Shanghai Stock Exchange
Announcement on the Resolution(s) Passed at the Fifth Meeting of the Fifth Session of the Supervisory Committee	China Securities Journal, Shanghai Securities News and Securities Times	March 30, 2012	Website of the Hong Kong Stock Exchange
Announcement on the Resolution(s) Passed at the Fifth Meeting of the Fifth Session of the Supervisory Committee	China Securities Journal, Shanghai Securities News and Securities Times	March 30, 2012	Website of the Shanghai Stock Exchange
Announcement on the Resolution(s) Passed at the Fourth Meeting of the Fifth Session of the Board of Directors	China Securities Journal, Shanghai Securities News and Securities Times	March 30, 2012	Website of the Hong Kong Stock Exchange
Announcement on the Resolution(s) Passed at the Fourth Meeting of the Fifth Session of the Board of Directors	China Securities Journal, Shanghai Securities News and Securities Times	March 30, 2012	Website of the Shanghai Stock Exchange
Report on Sustainable Development of 2011	China Securities Journal, Shanghai Securities News and Securities Times	March 30, 2012	Website of the Hong Kong Stock Exchange
Report on Sustainable Development of 2011	China Securities Journal, Shanghai Securities News and Securities Times	March 30, 2012	Website of the Shanghai Stock Exchange
Articles of Association		March 30, 2012	Website of the Hong Kong Stock Exchange

Matter	Names of newspaper of publication	Date of publication (or the time of release through the website of the Hong Kong Stock Exchange or the Shanghai Stock Exchange, if the disclosure was not published)	Website of release
Rules of Procedure of the Audit Committee		March 30, 2012	Website of the Hong Kong Stock Exchange
Rules of Procedure of the Examination and Remuneration Committee		March 30, 2012	Website of the Hong Kong Stock Exchange
List of Directors and their Roles and Functions		March 30, 2012	Website of the Hong Kong Stock Exchange
Circular (General Mandate to Issue Shares)		April 5, 2012	Website of the Hong Kong Stock Exchange
Notice of Annual General Meeting for the Year 2011	China Securities Journal, Shanghai Securities News and Securities Times	April 6, 2012	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
2011 Annual Report (H Share)		April 16, 2012	Website of the Hong Kong Stock Exchange
Notice of Board Meeting		April 17, 2012	Website of the Hong Kong Stock Exchange
H Share Announcement		April 18, 2012	Website of the Shanghai Stock Exchange
Announcement on the Resolution(s) Passed at the Extraordinary Meeting of the Board of Directors	China Securities Journal, Shanghai Securities News and Securities Times	April 27, 2012	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
First Quarterly Report	China Securities Journal, Shanghai Securities News and Securities Times	April 27, 2012	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Documentation for 2011 Annual General Meeting		May 15, 2012	Website of the Shanghai Stock Exchange
Written Legal Opinion for 2011 Annual General Meeting		May 24, 2012	Website of the Shanghai Stock Exchange
Announcement on the Resolution(s) Passed at 2011 Annual General Meeting	China Securities Journal, Shanghai Securities News and Securities Times	May 24, 2012	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Announcement regarding an Update on Shareholding Increase in the Company by the Controlling Shareholder	China Securities Journal, Shanghai Securities News and Securities Times	May 29, 2012	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Announcement regarding an Update on Payment of 2011 Final Dividends to Holders of A Shares	China Securities Journal, Shanghai Securities News and Securities Times	June 1, 2012	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Written Legal Opinion on Shareholding Increase in the Company by CNPC		June 25, 2012	Website of the Hong Kong Stock Exchange
		June 26, 2012	Website of the Shanghai Stock Exchange

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Change of Directors, Supervisors and Senior Management of the Company

There have been no changes during the reporting period.

2. Basic Particulars of the current Directors, Supervisors and other Senior Management

Directors

Name	Gender	Age	Position
Jiang Jiemin	Male	56	Chairman of the Board
Zhou Jiping	Male	60	Vice Chairman of the Board, President
Li Xinhua	Male	59	Non-executive Director
Liao Yongyuan	Male	49	Executive Director, Vice-President
Wang Guoliang	Male	59	Non-executive Director
Wang Dongjin	Male	49	Non-executive Director
Yu Baocai	Male	47	Non-executive Director
Ran Xinquan	Male	47	Executive Director, Vice-President
Liu Hongru	Male	81	Independent Non-executive Director
Franco Bernabè	Male	63	Independent Non-executive Director
Li Yongwu	Male	68	Independent Non-executive Director
Cui Junhui	Male	66	Independent Non-executive Director
Chen Zhiwu	Male	49	Independent Non-executive Director

Supervisors

Name	Gender	Age	Position
Wang Lixin	Male	56	Chairman of the Supervisory Committee
Guo Jinping	Male	55	Supervisor
Wen Qingshan	Male	53	Supervisor
Sun Xianfeng	Male	59	Supervisor
Wang Guangjun	Male	48	Employee Supervisor
Yao Wei	Male	56	Employee Supervisor
Liu Hehe	Male	49	Employee Supervisor
Wang Daocheng	Male	72	Independent Supervisor

Particulars of other Senior Management

Name	Gender	Age	Position
Sun Longde	Male	50	Vice President
Liu Hongbin	Male	49	Vice President
Zhou Mingchun	Male	45	Chief Financial Officer
Li Hualin	Male	49	Vice President and Secretary to the Board of Directors
Zhao Zhengzhang	Male	55	Vice President
Bo Qiliang	Male	49	Vice President
Sun Bo	Male	52	Vice President
Huang Weihe	Male	54	Vice President
Xu Fugui	Male	54	Vice President
Lin Aiguo	Male	54	Chief Engineer
Wang Daofu	Male	56	Chief Geologist

3. Shareholdings of the Directors, Supervisors and Senior Management

During the reporting period, there is no issue required to be disclosed in this respect.

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED AND COMPANY BALANCE SHEETS
AS OF JUNE 30, 2012

(All amounts in RMB millions unless otherwise stated)

ASSETS	Notes	June 30, 2012 The Group	December 31, 2011 The Group	June 30, 2012 The Company	December 31, 2011 The Company
Current assets					
Cash at bank and on hand	7	92,804	64,299	55,178	38,794
Notes receivable	8	11,548	12,688	8,891	9,821
Accounts receivable	9a	62,304	53,822	6,585	3,297
Advances to suppliers	10	60,376	39,296	42,623	23,599
Other receivables	9b	13,000	8,576	56,907	22,322
Inventories	11	214,603	182,253	162,970	143,498
Other current assets		25,767	24,486	23,433	17,642
Total current assets		480,402	385,420	356,587	258,973
Non-current assets					
Available-for-sale financial assets	12	1,801	1,788	471	439
Long-term equity investments	13	76,331	70,275	236,282	228,742
Fixed assets	14	449,920	456,085	355,185	360,843
Oil and gas properties	15	643,426	644,605	434,146	438,378
Construction in progress	17	303,381	261,361	221,070	192,066
Construction materials	16	7,535	9,610	5,879	8,265
Intangible assets	18	48,358	47,600	37,305	36,373
Goodwill	19	7,372	7,282	119	119
Long-term prepaid expenses	20	22,321	21,793	19,427	19,010
Deferred tax assets	33	1,781	505	-	-
Other non-current assets		8,805	11,204	678	368
Total non-current assets		1,571,031	1,532,108	1,310,562	1,284,603
TOTAL ASSETS		2,051,433	1,917,528	1,667,149	1,543,576

Chairman	Vice Chairman and President	Chief Financial Officer
Jiang Jiemin	Zhou Jiping	Zhou Mingchun

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED AND COMPANY BALANCE SHEETS
AS OF JUNE 30, 2012 (CONTINUED)

(All amounts in RMB millions unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	June 30, 2012 The Group	December 31, 2011 The Group	June 30, 2012 The Company	December 31, 2011 The Company
Current liabilities					
Short-term borrowings	22	159,500	99,827	151,875	110,562
Notes payable	23	1,609	2,458	-	-
Accounts payable	24	218,197	232,618	120,713	129,183
Advances from customers	25	30,641	34,130	21,252	24,033
Employee compensation payable	26	10,047	5,991	8,309	4,771
Taxes payable	27	55,478	119,740	38,493	80,308
Other payables	28	37,922	21,995	28,492	15,892
Current portion of non-current liabilities	30	4,822	37,871	4,124	35,121
Other current liabilities		34,474	5,408	30,671	2,470
Total current liabilities		552,690	560,038	403,929	402,340
Non-current liabilities					
Long-term borrowings	31	203,034	112,928	178,085	87,140
Debentures payable	32	67,747	67,747	67,500	67,500
Provisions	29	72,384	68,702	47,960	45,343
Deferred tax liabilities	33	19,290	20,671	3,064	3,935
Other non-current liabilities		5,127	4,876	3,704	3,521
Total non-current liabilities		367,582	274,924	300,313	207,439
Total liabilities		920,272	834,962	704,242	609,779
Shareholders' equity					
Share capital	34	183,021	183,021	183,021	183,021
Capital surplus	35	115,232	112,878	128,171	128,019
Special reserve		12,211	9,107	9,231	6,474
Surplus reserves	36	151,280	151,280	140,180	140,180
Undistributed profits	37	583,536	551,598	502,304	476,103
Currency translation differences		(4,309)	(4,999)	-	-
Equity attributable to equity holders of the Company		1,040,971	1,002,885	962,907	933,797
Minority interests	38	90,190	79,681	-	-
Total shareholders' equity		1,131,161	1,082,566	962,907	933,797
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,051,433	1,917,528	1,667,149	1,543,576

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

Chairman Jiang Jiemin	Vice Chairman and President Zhou Jiping	Chief Financial Officer Zhou Mingchun

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED AND COMPANY INCOME STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2012

(All amounts in RMB millions unless otherwise stated)

Items	Notes	For the six months ended June 30, 2012 The Group	For the six months ended June 30, 2011 The Group	For the six months ended June 30, 2012 The Company	For the six months ended June 30, 2011 The Company
Operating income	39	1,046,661	952,247	644,915	621,316
Less: Cost of sales	39	(767,155)	(656,752)	(476,504)	(441,194)
Taxes and levies on operations	40	(124,319)	(129,370)	(91,333)	(94,245)
Selling expenses	41	(26,324)	(24,476)	(19,828)	(18,268)
General and administrative expenses	42	(38,354)	(38,459)	(29,242)	(30,101)
Finance expenses	43	(8,052)	(4,998)	(8,400)	(5,172)
Asset impairment losses	44	(1,455)	(4,402)	(1,224)	(4,195)
Add: Investment income	45	5,203	5,742	35,862	37,977
Operating profit		86,205	99,532	54,246	66,118
Add: Non-operating income	46a	4,616	1,484	4,143	1,135
Less: Non-operating expenses	46b	(3,230)	(2,765)	(2,924)	(2,448)
Profit before taxation		87,591	98,251	55,465	64,805
Less: Taxation	47	(17,763)	(24,554)	835	(7,117)
Net profit		69,828	73,697	56,300	57,688
Attributable to:					
Equity holders of the Company		62,024	66,006	56,300	57,688
Minority interests		7,804	7,691	-	-
Earnings per share					
Basic earnings per share (RMB Yuan)	48	0.34	0.36	0.31	0.32
Diluted earnings per share (RMB Yuan)	48	0.34	0.36	0.31	0.32
Other comprehensive income/ (loss)	49	1,224	51	152	(11)
Total comprehensive income		71,052	73,748	56,452	57,677
Attributable to:					
Equity holders of the Company		62,855	66,572	56,452	57,677
Minority interests		8,197	7,176	-	-

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

Chairman Jiang Jiemin	Vice Chairman and President Zhou Jiping	Chief Financial Officer Zhou Mingchun

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2012

(All amounts in RMB millions unless otherwise stated)

Items	Notes	For the six months ended June 30, 2012 The Group	For the six months ended June 30, 2011 The Group	For the six months ended June 30, 2012 The Company	For the six months ended June 30, 2011 The Company
Cash flows from operating activities					
Cash received from sales of goods and rendering of services		1,207,041	1,086,351	744,426	718,094
Refund of taxes and levies		977	489	941	489
Cash received relating to other operating activities		3,732	909	937	16,052
Sub-total of cash inflows		1,211,750	1,087,749	746,304	734,635
Cash paid for goods and services		(825,131)	(699,895)	(496,290)	(476,718)
Cash paid to and on behalf of employees		(45,558)	(39,437)	(33,446)	(27,744)
Payments of taxes and levies		(266,247)	(189,452)	(175,313)	(129,541)
Cash paid relating to other operating activities		(26,808)	(29,946)	(52,601)	(16,791)
Sub-total of cash outflows		(1,163,744)	(958,730)	(757,650)	(650,794)
Net cash flows from operating activities	50a	48,006	129,019	(11,346)	83,841
Cash flows from investing activities					
Cash received from disposal of investments		72	3,448	-	3,039
Cash received from returns on investments		5,619	2,349	35,492	37,781
Net cash received from disposal of fixed assets, oil and gas properties, intangible assets and other long-term assets		266	423	226	301
Sub-total of cash inflows		5,957	6,220	35,718	41,121
Cash paid to acquire fixed assets, oil and gas properties, intangible assets and other long-term assets		(131,814)	(104,433)	(92,552)	(75,002)
Cash paid to acquire investments		(21,954)	(2,066)	(21,501)	(12,697)
Sub-total of cash outflows		(153,768)	(106,499)	(114,053)	(87,699)
Net cash flows from investing activities		(147,811)	(100,279)	(78,335)	(46,578)

Chairman	Vice Chairman and President	Chief Financial Officer
Jiang Jiemin	Zhou Jiping	Zhou Mingchun

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2012 (CONTINUED)

(All amounts in RMB millions unless otherwise stated)

Items	Notes	For the six months ended June 30, 2012 The Group	For the six months ended June 30, 2011 The Group	For the six months ended June 30, 2012 The Company	For the six months ended June 30, 2011 The Company
Cash flows from financing activities					
Cash received from capital contributions		9,125	1,247	-	-
Including: Cash received from minority shareholders' capital contributions to subsidiaries		9,125	1,247	-	-
Cash received from borrowings		291,848	220,124	188,361	140,792
Cash received relating to other financing activities		167	121	143	78
Sub-total of cash inflows		301,140	221,492	188,504	140,870
Cash repayments of borrowings		(175,271)	(137,267)	(87,225)	(80,942)
Cash payments for interest expenses and distribution of dividends or profits		(14,422)	(43,093)	(10,079)	(39,846)
Including: Subsidiaries' cash payments for distribution of dividends or profits to minority shareholders		(3,617)	(2,531)	-	-
Cash payments relating to other financing activities		(139)	(68)	(135)	(39)
Sub-total of cash outflows		(189,832)	(180,428)	(97,439)	(120,827)
Net cash flows from financing activities		111,308	41,064	91,065	20,043
Effect of foreign exchange rate changes on cash and cash equivalents		676	612	-	-
Net increase in cash and cash equivalents	50b	12,179	70,416	1,384	57,306
Add: Cash and cash equivalents at beginning of the period		61,172	45,709	38,794	25,336
Cash and cash equivalents at end of the period	50c	73,351	116,125	40,178	82,642

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

Chairman Jiang Jiemin	Vice Chairman and President Zhou Jiping	Chief Financial Officer Zhou Mingchun

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2012

(All amounts in RMB millions unless otherwise stated)

	Shareholders' equity attributable to the Company							
Items	Share capital	Capital surplus	Special reserve	Surplus reserves	Undist-ributed profits	Currency translation differences	Minority interests	Total share-holders' equity
Balance at January 1, 2011	183,021	115,845	8,491	138,637	494,146	(1,097)	71,058	1,010,101
Changes in the six months ended June 30, 2011								
Total comprehensive income	-	-	-	-	66,006	566	7,176	73,748
Special reserve - Safety Fund								
Appropriation	-	-	2,444	-	-	-	16	2,460
Utilisation	-	-	(263)	-	114	-	(7)	(156)
Profit distribution								
Distribution to shareholders	-	-	-	-	(33,597)	-	(2,789)	(36,386)
Other equity movement								
Acquisition of subsidiaries	-	-	-	-	-	-	60	60
Purchase of minority interests in subsidiaries	-	(136)	-	-	-	-	(448)	(584)
Capital contribution from minority interests	-	-	-	-	-	-	1,247	1,247
Disposal of subsidiaries	-	-	-	-	-	-	(28)	(28)
Other	-	81	-	-	-	-	(86)	(5)
Balance at June 30, 2011	183,021	115,790	10,672	138,637	526,669	(531)	76,199	1,050,457
Balance at January 1, 2012	183,021	112,878	9,107	151,280	551,598	(4,999)	79,681	1,082,566
Changes in the six months ended June 30, 2012								
Total comprehensive income	-	141	-	-	62,024	690	8,197	71,052
Special reserve - Safety Fund								
Appropriation	-	-	3,460	-	-	-	30	3,490
Utilisation	-	-	(356)	-	45	-	(14)	(325)
Profit distribution								
Distribution to shareholders	-	-	-	-	(30,129)	-	(4,594)	(34,723)
Other equity movement								
Acquisition of subsidiaries	-	-	-	-	-	-	132	132
Purchase of minority interests in subsidiaries	-	(26)	-	-	-	-	(73)	(99)
Capital contribution from minority interests	-	2,276	-	-	-	-	6,849	9,125
Other	-	(37)	-	-	(2)	-	(18)	(57)
Balance at June 30, 2012	183,021	115,232	12,211	151,280	583,536	(4,309)	90,190	1,131,161

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

Chairman Jiang Jiemin	Vice Chairman and President Zhou Jiping	Chief Financial Officer Zhou Mingchun

PETROCHINA COMPANY LIMITED
UNAUDITED COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2012

(All amounts in RMB millions unless otherwise stated)

Items	Share capital	Capital surplus	Special reserve	Surplus reserves	Undistributed profits	Total shareholders' equity
Balance at January 1, 2011	183,021	127,987	5,963	127,537	425,345	869,853
Changes in the six months ended June 30, 2011						
Total comprehensive income	-	(11)	-	-	57,688	57,677
Special reserve - Safety Fund						
Appropriation	-	-	2,014	-	-	2,014
Utilisation	-	-	(204)	-	49	(155)
Profit distribution						
Distribution to shareholders	-	-	-	-	(33,597)	(33,597)
Balance at June 30, 2011	183,021	127,976	7,773	127,537	449,485	895,792
Balance at January 1, 2012	183,021	128,019	6,474	140,180	476,103	933,797
Changes in the six months ended June 30, 2012						
Total comprehensive income	-	152	-	-	56,300	56,452
Special reserve - Safety Fund						
Appropriation	-	-	3,046	-	-	3,046
Utilisation	-	-	(289)	-	7	(282)
Profit distribution						
Distribution to shareholders	-	-	-	-	(30,129)	(30,129)
Other	-	-	-	-	23	23
Balance at June 30, 2012	183,021	128,171	9,231	140,180	502,304	962,907

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

Chairman Jiang Jiemin	Vice Chairman and President Zhou Jiping	Chief Financial Officer Zhou Mingchun

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 former State Economic and Trade Commission of the People's Republic of China ("China" or "PRC"). CNPC restructured ("the Restructuring") and injected its core business 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 (i) the exploration, development and production and marketing of crude oil and natural gas; (ii) the refining of crude oil and petroleum products, production and marketing of primary petrochemical products, derivative petrochemical products and other chemical products; (iii) the marketing of refined products and trading business; and (iv) the transmission of natural gas, crude oil and refined products and the sale of natural gas. The principal subsidiaries of the Group are listed in Note 6(1).

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 unaudited consolidated and the Company's financial statements for the six months ended June 30, 2012 truly and completely present the financial position of the Group and the Company as of June 30, 2012 and their financial performance and their cash flows for the six months then ended in compliance with the Accounting Standards for Business Enterprises.

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.

(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) Measurement Properties

Generally are measured at historical cost unless otherwise stated at fair value, net realisable value or present value of the estimated future cash flow expected to be derived.

(4) 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 profit or loss except for those arising from foreign currency specific borrowings for the acquisition, construction of qualifying assets in connection with capitalisation of borrowing costs. 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. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(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 approximate exchange rates at the date of the transactions. The currency translation differences resulted from the above-mentioned translations are recognised as a separate component of equity. The cash flows of overseas operations are translated into RMB at the approximate exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(5) Cash and Cash Equivalents

Cash and cash equivalents refer to all cash on hand and deposit held at call with banks, 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.

(6) Financial Instruments

(a) Financial assets

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, 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 has principally receivables, available-for-sale financial assets and limited financial assets at fair value through profit or loss. The detailed accounting policies for receivables, available-for-sale financial assets and financial assets at fair value through profit or loss held by the Group are set out below:

(i) Receivables

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.

(ii) 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.

(iii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are mainly financial assets held for the purpose of selling in the short term. They are presented as financial assets held for trading on the balance sheet. Derivatives are also categorized as held for trading unless they are designated as hedges.

(iv) 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 financial assets at fair value through profit or loss are recorded in profit or loss when acquired. Related transaction costs of 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.

Financial assets at fair value through profit or loss and 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. Receivables are stated at amortised costs using the effective interest method.

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 profit or loss. The interest of the available-for-sale debt instruments calculated using the effective interest method is recognised as investment income. The cash dividends declared by the investee on available-for-sale investments in equity instruments are recognised as investment income, which is recognised in profit or loss for the period.

(v) Impairment of financial assets

The Group assesses the carrying amount of receivables and available-for-sale 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 flows (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.

When there is objective evidence that available-for-sale financial assets is impaired, 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 profit or loss. For available-for-sale on which impairment losses have been recognised, any subsequent increases in its fair value shall be directly recognised in equity.

(b) Financial liabilities

Financial liabilities are classified into the following categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. Financial liabilities of the Group primarily comprise payables, loans and debentures payable classified as other financial liabilities.

Payables, including accounts payable, other payables, etc. are initially recognised at fair value, and subsequently measured at amortised costs using the effective interest method.

Loans and debentures payables are initially recognised at fair value less transaction costs, and subsequently measured at amortised costs using the effective interest method.

Other financial liabilities with terms of one year or less than one year are presented as current liabilities; other financial liabilities with terms more than one year but due within one year (including one year) from the balance sheet date are presented as current portion of non-current liabilities; others are presented as non-current liabilities.

A financial liability may not be derecognised, in all or in part, until the present obligations of financial liabilities are all, or partly, dissolved. The difference between the carrying amount of the financial liability at the point of derecognition and the consideration paid shall be included in profit or loss.

(c) Determination of financial instruments' fair value

Regarding financial instruments, for which there is an active market, the quotations in the active market shall be used to determine fair value. If there is no active market for a financial instrument, valuation techniques shall be adopted to determine the fair value. The valuation techniques include the prices employed by the parties, who are familiar with each other, in the latest market transactions upon their own free will, the current fair value obtained by referring to other financial instruments of essentially the same nature, and the discounted cash flow method, etc. When adopting any valuation technique, one shall employ, where possible, all the market parameters observable, and try to avoid using the parameters that relate particularly to the Group.

(7) Inventories

Inventories include crude oil and other raw materials, work in progress, finished goods and turnover materials, and are measured 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 crude oil, other raw materials, direct labour and production overheads allocated based on normal operating capacity. Turnover materials include low cost consumables and packaging materials. Low cost consumables are amortised with graded amortisation method and packaging materials are expensed off in full.

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.

(8) 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.

Long-term equity investments acquired through business combinations: For a long-term equity investment acquired through a business combination under common control, the proportionate share of the carrying value of shareholders' equity of the combined entity shall be treated as cost of the investment on the acquisition date. For a long-term equity investment acquired through a business combination not under common control, the acquisition costs paid shall be treated as the cost of the investment on acquisition date.

Long-term equity investments acquired through other than business combinations: For an acquisition settled in cash, the initial cost of investment shall be the actual cash consideration paid. For an acquisition settled by the issuance of equity securities, the initial cost of investment shall be the fair value of equity securities issued.

(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 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 the income statement.

A listing of the Group's principal subsidiaries is set out in Note 6(1).

(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 term "joint control" refers to the contractually agreed sharing of control over an economic activity. The joint control cannot exist without the unanimous consent of the investors who share the control, and unanimous consent is required when making important financial and operating decisions that relate to the above-mentioned economic activity.

The term "significant influence" refers to the power to participate in the formulation of financial and operating policies of an enterprise, but not the power to control, or jointly control, the formulation of such policies with other parties.

The investments in jointly controlled entities and associates are 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 profit or loss 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' owner'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.

(All amounts in RMB millions unless otherwise stated)

(c) Impairment of long-term equity investments

For investments in subsidiaries, jointly controlled entities and associates, if the recoverable amount is lower than its carrying amount, the carrying amount shall be written down to the recoverable amount (Note 4(15)). If other long-term equity investment, for which there is no quotation in the active market, and for which a fair value cannot be reliably measured, suffers from any impairment, the difference between the carrying amount of the long-term equity investment and the current value of the future cash flow of similar financial assets, capitalised based on the returns ratio of the market at the same time, shall be recognised as an impairment loss. After an impairment loss has been recognised, it shall not be reversed in future accounting periods for the part whose value has been recovered.

(9) 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 profit or loss 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 to 11.9
Equipment and Machinery	4 to 30 years	3 to 5	3.2 to 24.3
Motor Vehicles	4 to 14 years	5	6.8 to 23.8
Other	5 to 12 years	5	7.9 to 19.0

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(15)).

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 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 profit or loss in the disposal period.

(10) 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 profit or loss.

Oil and gas exploration costs include drilling exploration costs and the non-drilling exploration costs. The drilling exploration costs are capitalised pending determination of whether the wells find proved oil and gas reserves. The non-drilling exploration costs are recorded in profit or loss 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.

The oil and gas properties are amortised at the field level based on the unit of production method except for the mineral interests in unproved properties which are not subjected to depletion. Unit of production rates are based on oil and gas reserves estimated to be recoverable from existing facilities based on the current terms of production licenses.

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(15)).

(11) 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 profit or loss. 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 profit or loss. 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 recorded in profit or loss. 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, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulation before the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether the estimate is a deterministic estimate or probabilistic estimate.

(12) Intangible Assets

Intangible assets include land use rights and patents, etc., and are initially recorded at cost. The intangible assets injected by the 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 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 over their estimated useful lives.

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(15)). 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.

(13) Research and Development

Research expenditure incurred is recognised as an expense. Costs incurred on development projects shall not be capitalised unless they satisfy the following conditions simultaneously:

- In respect of the technology, it is feasible to finish the intangible asset for use or sale;
- It is intended by management to finish and use or sell the intangible asset;
- It is able to prove the ways whereby the intangible asset is to generate economic benefits;
- With the support of sufficient technologies, financial resources and other resources, it is able to finish the development of the intangible asset, and it is able to use or sell the intangible asset; and
- The costs attributable to the development of the intangible asset can be reliably measured.

Costs incurred on development projects not satisfying the above conditions shall be recorded in profit or loss of the current period. Costs incurred on development recorded in profit or loss in previous accounting periods shall not be re-recognised as asset in future accounting periods. Costs incurred on development already capitalised shall be listed as development expenditure in the balance sheet, which shall be transferred to intangible asset from the date when the expected purposes of use are realised.

(14) 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.

(15) Impairment of Non-current Assets

Fixed assets, oil and gas properties except for mineral interests in unproved properties, intangible assets with finite useful life 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 goodwill presented separately in financial statements should be subject to impairment assessment at least on an annual basis regardless whether there exists any indicators of impairment. Where the impairment assessment indicates that, for the cash-generating unit (that includes the allocated goodwill), the recoverable amount is lower than the carrying value, then an impairment loss will be recorded.

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

(16) Borrowing Costs

Borrowing costs incurred that are directly attributable to the acquisition and construction of fixed assets and oil and gas properties, 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.

For a borrowing taken specifically for the acquisition or construction activities for preparing fixed asset and oil and gas property eligible for capitalisation, the to-be-capitalised amount of interests shall be determined according to the actual costs incurred less any income earned on the unused borrowing fund as a deposit in the bank or as a temporary investment.

Where a general borrowing is used for the acquisition or construction of fixed asset and oil and gas property eligible for capitalisation, the enterprise shall calculate and determine the to-be-capitalised amount of interests on the general borrowing by multiplying the part of the accumulative asset disbursements in excess of the weighted average asset disbursement for the specifically borrowed fund by the weighted average actual rate of the general borrowing used. The actual rate is the rate used to discount the future cash flow of the borrowing during the expected existing period or the applicable shorter period to the originally recognised amount of the borrowing.

(17) Employee Compensation

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

Except for severance pay, 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.

(18) Provisions

Provisions for product guarantee, quality onerous 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 flows. 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 profit or loss when occurred.

(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 profits (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 liabilities are recognised for taxable 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. Deferred tax assets are recognised for deductible temporary differences arising from investments in subsidiaries, associates and jointly controlled entities, to the extent that, and only to the extent that, it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities which meet the following conditions shall be presented on a net basis:

- Deferred tax assets and liabilities are related to the income tax of the same entity within the Group levied by the same authority;
- This entity is legally allowed to settle its current tax assets and liabilities on a net basis.

(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 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 method. Under the percentage-of-completion method, revenue is recognised based on the costs incurred to date as a percentage of the total estimated costs to be incurred.

(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; other leases are operating leases. The Group had no significant finance lease.

Payments made under operating leases are charged to profit or loss 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 a resolution of shareholders' general meeting.

(23) Business Combination

(a) Business combination under common control

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 profit or loss when incurred. The transaction costs of the equity securities or debt securities issued which are attributable to the business combination are recorded in the initial recognition costs when acquired.

(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 profit or loss.

Costs which are directly attributable to the business combination are recorded in profit or loss when incurred. The transaction costs of the equity securities or debt securities issued which are attributable to the business combination are recorded in the initial recognition costs when acquired.

(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. Subsidiaries acquired through business combination under common control are consolidated from the day when they are under common control with the Company of the ultimate controlling party, and their net profit earned before the combination date shall be presented separately in the consolidated income statement.

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.

All material intercompany balances, transactions and unrealised gains within the Group are eliminated upon consolidation. The portion of the shareholders' equity or net profit of the subsidiaries that is not attributable to the Company is treated as minority interests and presented separately within shareholders' equity in the consolidated balance sheet or within net profit in the consolidated income statement.

(25) Segment Reporting

The Group determines its operating segments based on its organisational structure, management requirements and internal reporting system. On the basis of these operating segments, the Group determines the reporting and disclosure of segmental information.

An operating segment refers to a component of the Group that simultaneously meet the following criteria: (1) the component can generate revenue and incur expenses in ordinary activities; (2) the component's operating results can be regularly reviewed by the Group's management to make decisions about resource allocation to the component and assess its performance; (3) the Group can obtain financial information relating to the financial position, operating results and cash flows, etc. of the component. When two or more operating segments exhibit similar economic characteristics and meet certain requirements, the Group may aggregate these operating segments into a single operating segment.

The Group also discloses total external revenue derived from other regions outside mainland China and the total non-current assets located in other regions outside mainland China.

(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

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 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. 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, etc.

(All amounts in RMB millions unless otherwise stated)

(b) Estimation of impairment of fixed assets and oil and gas properties

Fixed assets and 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 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 taking into account current economic conditions. Favourable changes to some assumptions may allow the Group to avoid the need to impair any assets, 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 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 the estimation of the economic lives of oil and gas properties and estimates of discount rates. 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.

5 TAXATION

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

Types of taxes	Tax rate	Tax basis and method
Value Added Tax (the "VAT")	13% or 17%	Based on taxable value added amount. Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less current period's deductible VAT input.
Resource Tax	5%	Based on the revenue from sales of crude oil and natural gas.
Business Tax	3%	Based on income generated from transportation of crude oil and natural gas.
Consumption Tax	Based on quantities	Based on sales quantities of taxable products. RMB 1.0 yuan per litre for unleaded gasoline, RMB 0.8 yuan per litre for diesel, RMB 1.0 yuan per litre for naphtha, solvent oil and lubricant and RMB 0.8 yuan per litre for fuel oil.
Corporate Income Tax	15% or 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 Gain Levy	20% to 40%	Based on the sales of domestic crude oil at prices higher than a specific level.
City Maintenance and Construction Tax	1%, 5% or 7%	Based on the actual paid business tax, VAT and consumption tax.

Pursuant to the Circular jointly issued by the MOF, the General Administration of Customs of the PRC and the State Administration of Taxation of the PRC (the "SAT") on Issues Concerning a Proportionate Refund of VAT on Imported Natural Gas between 2011 and 2020 as well as Natural Gas Imported from Central Asia before the end of 2010 (Cai Guan Shui [2011] No.39), if the price of imported natural gas under any state-sanctioned natural gas import program is higher than the selling price fixed by the State, the VAT as paid by the Group on imported natural gas (including LNG) under the above program is refunded on a pro-rata basis by reference to the extent of the import price above the selling price fixed by the State.

Pursuant to Order 605 of the State Council in respect of its Decision on the Amendments of the Provisional Regulations Governing Resource Tax of the PRC, resource tax on crude oil and natural gas payable by entities or individuals who extract crude oil and natural gas in the territory and waters over which the PRC has jurisdiction shall be imposed on ad valorem basis at 5% to 10% with effect from November 1, 2011. Pursuant to Order 66 jointly issued by the MOF and SAT in respect of the Implementation Rules under the Provisional Regulations Governing Resource Tax of the PRC, the tax rate applicable to crude oil and natural gas shall be 5%.

In accordance with the Circular jointly issued by the MOF, the General Administration of Customs of the PRC and the SAT on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategy (Cai Shui [2011] No. 58), the corporate income tax for the enterprises engaging in the encouraged industries in the Western China Region is charged at a preferential corporate income tax rate of 15% from January 1, 2011 to December 31, 2020. Certain branches and subsidiaries of the Company in the Western China Region obtained the approval for the use of the preferential corporate income tax rate of 15%.

Pursuant to the Notice from the MOF on the Increase of the Threshold of the Crude Oil Special Gain Levy (Cai Qi [2011] No. 480), the threshold of the crude oil special gain levy shall be increased to US$55, with effect from November 1, 2011. Notwithstanding such adjustment, the crude oil special gain levy continues to have 5 levels and is calculated and charged according to the progressive and valorem rates on the excess amounts.

(All amounts in RMB millions unless otherwise stated)

6 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

(1) Principal subsidiaries

Company name	Type of subsidiary	Acquisition method	Country of incorporation	Registered capital	Principal activities	Type of Legal Entity	Legal representative	Closing effective investment cost	Attributable equity interest %	Attributable voting rights %	Consolidated or not
Daqing Oilfield Company Limited	Direct	Established	PRC	47,500	Exploration, production and sale of crude oil and natural gas	Limited liability company	Wang Yongchun	66,720	100.00	100.00	Yes
CNPC Exploration and Development Company Limited	Direct	Business combination under common control	PRC	16,100	Exploration, production and sale of crude oil and natural gas in and outside the PRC	Limited liability company	Bo Qiliang	23,778	50.00	57.14	Yes
PetroChina Hong Kong Limited	Direct	Established	HK	HK Dollar ("HKD") 7,592 million	Investment holding. The principal acti-vities of its subsidiaries, associates and jointly controlled entities are the exploration, production and sale of crude oil in and outside the PRC as well as natural gas sale and transmission in the PRC	Limited liability company	N/A	25,590	100.00	100.00	Yes
PetroChina International Investment Company Limited	Direct	Established	PRC	31,314	Investment holding. The principal acti-vities of its subsidiaries and jointly controlled entities are the exploration, development and production of crude oil, natural gas, oilsands and coalbed methane outside the PRC	Limited liability company	Bo Qiliang	31,314	100.00	100.00	Yes
PetroChina International Company Limited	Direct	Established	PRC	14,000	Marketing of refined products and trading of crude oil and petrochemical products, storage, investment in refining, chemical engineering, storage facilities, service station, and transportation facilities and related business in and outside the PRC	Limited liability company	Wang Dongjin	14,857	100.00	100.00	Yes

(All amounts in RMB millions unless otherwise stated)

(2) Exchange rates of international operations' major financial statement items

	Assets and liabilities	
Company name	June 30, 2012	December 31, 2011
PetroKazakhstan Inc.	USD 1=RMB 6.3249 yuan	USD 1=RMB 6.3009 yuan
PetroChina Hong Kong Limited	HKD 1=RMB 0.8152 yuan	HKD 1=RMB 0.8107 yuan
Singapore Petroleum Company Limited	SGD 1=RMB 4.9870 yuan	SGD 1=RMB 4.8582 yuan

Equity items except for the retained earnings, revenue, expense and cash flows items are translated into RMB at the approximate exchange rates at the date of the transactions.

7 CASH AT BANK AND ON HAND

	June 30, 2012	December 31, 2011
Cash on hand	74	82
Cash at bank	91,044	63,472
Other cash balances	1,686	745
	92,804	64,299

The Group's cash at bank and on hand include the following foreign currencies as of June 30, 2012:

	Foreign currency	Exchange rate	RMB equivalent
USD	2,971	6.3249	18,791
HKD	12,519	0.8152	10,205
Tenge	29,012	0.0425	1,233
Other			1,686
			31,915

The Group's cash at bank and on hand included the following foreign currencies as of December 31, 2011:

	Foreign currency	Exchange rate	RMB equivalent
USD	2,932	6.3009	18,474
HKD	1,242	0.8107	1,007
Tenge	10,729	0.0425	456
Other			2,536
			22,473

The Group's cash at bank and on hand in foreign currencies mainly comprise cash at bank.

As of June 30, 2012, time deposits of USD 630 million are impawned as collateral for long-term borrowings of USD 630 million (Note 31).

(All amounts in RMB millions unless otherwise stated)

8 NOTES RECEIVABLE

Notes receivable represents mainly bills of acceptance issued by banks for the sale of goods and products.

As of June 30, 2012, all notes receivable of the Group are due within one year.

9 ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

(a) Accounts receivable

	Group		Company	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Accounts receivable	63,138	54,672	7,259	3,984
Less: Provision for bad debts	(834)	(850)	(674)	(687)
	62,304	53,822	6,585	3,297

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

	Group					
	June 30, 2012			December 31, 2011		
	Amount	Percentage of total balance %	Provision for bad debts	Amount	Percentage of total balance %	Provision for bad debts
Within 1 year	61,809	98	-	53,622	98	(17)
1 to 2 years	384	1	(17)	98	-	(1)
2 to 3 years	28	-	-	21	-	-
Over 3 years	917	1	(817)	931	2	(832)
	63,138	100	(834)	54,672	100	(850)

	Company					
	June 30, 2012			December 31, 2011		
	Amount	Percentage of total balance %	Provision for bad debts	Amount	Percentage of total balance %	Provision for bad debts
Within 1 year	6,470	90	-	3,199	81	-
1 to 2 years	31	-	-	15	-	-
2 to 3 years	9	-	-	8	-	-
Over 3 years	749	10	(674)	762	19	(687)
	7,259	100	(674)	3,984	100	(687)

(All amounts in RMB millions unless otherwise stated)

As of June 30, 2012, accounts receivable of the Group from shareholders who hold 5% or more of the voting rights in the Company amounted to RMB 12,006 (December 31, 2011: RMB 9,725).

As of June 30, 2012, the top five debtors of accounts receivable of the Group amounted to RMB 23,990, representing 38% of total accounts receivable.

During the six months ended June 30, 2012 and the six months ended June 30, 2011, the Group had no significant write-off of the provision for bad debts of accounts receivable.

(b) Other receivables

	Group		Company	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Other receivables	15,640	11,224	57,747	23,167
Less: Provision for bad debts	(2,640)	(2,648)	(840)	(845)
	13,000	8,576	56,907	22,322

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

	Group					
	June 30, 2012			December 31, 2011		
	Amount	Percentage of total balance %	Provision for bad debts	Amount	Percentage of total balance %	Provision for bad debts
Within 1 year	11,307	73	(4)	6,751	60	(5)
1 to 2 years	822	5	(6)	1,223	11	(4)
2 to 3 years	538	3	(4)	303	3	(1)
Over 3 years	2,973	19	(2,626)	2,947	26	(2,638)
	15,640	100	(2,640)	11,224	100	(2,648)

	Company					
	June 30, 2012			December 31, 2011		
	Amount	Percentage of total balance %	Provision for bad debts	Amount	Percentage of total balance %	Provision for bad debts
Within 1 year	56,138	97	(1)	21,631	94	(3)
1 to 2 years	369	1	(5)	469	2	(4)
2 to 3 years	228	-	-	69	-	-
Over 3 years	1,012	2	(834)	998	4	(838)
	57,747	100	(840)	23,167	100	(845)

(All amounts in RMB millions unless otherwise stated)

As of June 30, 2012, other receivables of the Group from shareholders who hold 5% or more of the voting rights in the Company amounted to RMB 259 (December 31, 2011: RMB 546).

As of June 30, 2012, the top five debtors of other receivables of the Group amounted to RMB 4,754, representing 30% of total other receivables.

During the six months ended June 30, 2012 and the six months ended June 30, 2011, the Group had no significant write-off of the provision for bad debts of other receivable.

10 ADVANCES TO SUPPLIERS

	June 30, 2012	December 31, 2011
Advances to suppliers	60,389	39,308
Less: Provision for bad debts	(13)	(12)
	60,376	39,296

As of June 30, 2012 and December 31, 2011, advances to suppliers of the Group are mainly aged within one year.

As of June 30, 2012, advances to suppliers from shareholders who hold 5% or more of the voting rights in the Company amounted to RMB 35,529 (December 31, 2011: RMB 19,161).

11 INVENTORIES

	June 30, 2012	December 31, 2011
Cost		
Crude oil and other raw materials	70,368	61,601
Work in progress	16,966	16,924
Finished goods	128,354	104,545
Turnover materials	52	43
	215,740	183,113
Less: Write down in inventories	(1,137)	(860)
Net book value	214,603	182,253

(All amounts in RMB millions unless otherwise stated)

12 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30, 2012	December 31, 2011
Available-for-sale debenture	4	4
Available-for-sale equity instrument	2,176	2,163
Less: Provision for impairment	(379)	(379)
	1,801	1,788

13 LONG-TERM EQUITY INVESTMENTS

	Group			
	December 31, 2011	Addition	Reduction	June 30, 2012
Associates and jointly controlled entities (a)	70,465	9,244	(3,188)	76,521
Less: Provision for impairment (b)	(190)			(190)
	70,275			76,331

	Company			
	December 31, 2011	Addition	Reduction	June 30, 2012
Subsidiaries (c)	212,935	6,564	(76)	219,423
Associates and jointly controlled entities	15,990	1,538	(449)	17,079
Less: Provision for impairment	(183)			(220)
	228,742			236,282

As of June 30, 2012, the above-mentioned investments are not subject to restriction on conversion into cash or remittance of investment income.

(All amounts in RMB millions unless otherwise stated)

(a) Principal associates and jointly controlled entities of the Group

	Country of incorporation	Principal activities	Registered capital	Interest held %	Voting rights %	June 30, 2012 Total assets	June 30, 2012 Total liabilities	June 30, 2012 Total net assets	For the six months ended June 30, 2012 Revenues	For the six months ended June 30, 2012 Net profit
Dalian West Pacific Petrochemical Co., Ltd.	PRC	Production and sale of petroleum and petrochemical products	USD 258 million	28.44	28.44	12,781	15,433	(2,652)	19,523	(1,233)
China Marine Bunker (PetroChina) Co., Ltd.	PRC	Oil import and export trade and transportation, sale and storage	1,000	50.00	50.00	12,799	9,600	3,199	28,484	25
China Petroleum Finance Co., Ltd.	PRC	Deposits, loans, settlement, lending, bills acceptance discounting, guarantee and other banking business	5,441	49.00	49.00	571,399	543,245	28,154	7,145	2,105
Arrow Energy Holdings Pty Ltd.	Australia	Exploration, development and sale of coal seam gas	AUD 2	50.00	50.00	58,579	23,038	35,541	530	(1,572)

(All amounts in RMB millions unless otherwise stated)

Investments in principal associates and jointly controlled entities are listed below

	Investment cost	December 31, 2011	Addition	Reduction	Share of profit of investees under equity method	Cash dividend declared	Currency translation differences	Associates transferred to subsidiaries	June 30, 2012
Dalian West Pacific Petrochemical Co., Ltd.	566	-	-	-	-	-	-	-	-
China Marine Bunker (PetroChina) Co., Ltd.	740	1,531	18	-	7	(49)	1	-	1,508
China Petroleum Finance Co., Ltd.	9,917	12,972	148	-	1,031	-	(8)	-	14,143
Arrow Energy Holdings Pty Ltd.	18,821	18,021	410	(3)	(786)	-	121	-	17,763

(b) Provision for impairment

	June 30, 2012	December 31, 2011
Associates and jointly controlled entities		
PetroChina Shouqi Sales Company Limited	(60)	(60)
PetroChina Beiqi Sales Company Limited	(49)	(49)
Other	(81)	(81)
	(190)	(190)

(All amounts in RMB millions unless otherwise stated)

(c) Subsidiaries

Principal subsidiaries of the Company:

	June 30, 2012		For the six months ended June 30, 2012	
	Total assets	Total liabilities	Revenue	Net profit
Daqing Oilfield Company Limited	199,197	79,876	102,430	32,523
CNPC Exploration and Development Company Limited	131,973	34,902	30,617	10,113
PetroChina HongKong Limited	80,268	32,931	12,893	4,084
PetroChina International Investment Company Limited	61,866	27,474	4,072	(58)
PetroChina International Company Limited	132,589	101,119	412,863	1,897

Investment in subsidiaries:

	Investment cost	December 31, 2011	Additional investment	Disposal or deduction of capital	Transferred to branch	June 30, 2012
Daqing Oilfield Company Limited	66,720	66,720	-	-	-	66,720
CNPC Exploration and Development Company Limited	23,778	23,778	-	-	-	23,778
PetroChina HongKong Limited	25,590	25,590	-	-	-	25,590
PetroChina International Investment Company Limited	31,314	31,314	-	-	-	31,314
PetroChina International Company Limited	14,857	10,857	4,000	-	-	14,857
Other		54,676	2,564	(67)	(9)	57,164
Total		212,935	6,564	(67)	(9)	219,423

(All amounts in RMB millions unless otherwise stated)

14 FIXED ASSETS

	December 31, 2011	Addition	Reduction	June 30, 2012
Cost				
Buildings	146,674	3,064	(509)	149,229
Equipment and Machinery	620,039	15,640	(1,575)	634,104
Motor Vehicles	26,819	665	(151)	27,333
Other	14,184	238	(43)	14,379
Total	807,716	19,607	(2,278)	825,045
Accumulated depreciation				
Buildings	(42,321)	(3,586)	226	(45,681)
Equipment and Machinery	(262,532)	(19,253)	1,173	(280,612)
Motor Vehicles	(13,134)	(1,084)	137	(14,081)
Other	(5,473)	(467)	33	(5,907)
Total	(323,460)	(24,390)	1,569	(346,281)
Fixed assets, net				
Buildings	104,353			103,548
Equipment and Machinery	357,507			353,492
Motor Vehicles	13,685			13,252
Other	8,711			8,472
Total	484,256			478,764
Provision for impairment				
Buildings	(3,644)	(61)	39	(3,666)
Equipment and Machinery	(24,379)	(918)	267	(25,030)
Motor Vehicles	(50)	-	-	(50)
Other	(98)	(2)	2	(98)
Total	(28,171)	(981)	308	(28,844)
Net book value				
Buildings	100,709			99,882
Equipment and Machinery	333,128			328,462
Motor Vehicles	13,635			13,202
Other	8,613			8,374
Total	456,085			449,920

(All amounts in RMB millions unless otherwise stated)

Depreciation provided on fixed assets for the six months ended June 30, 2012 was RMB 23,989. Cost transferred from construction in progress to fixed assets was RMB 17,587.

As of June 30, 2012, the Group's fixed assets under operating leases are mainly equipment and machinery, the net book value of which amounted to RMB 710.

As of June 30, 2012, fixed assets of a net book value of RMB 13 are pledged as collateral for the Group's short-term borrowings of RMB 10 (Note 22).

15 OIL AND GAS PROPERTIES

	December 31, 2011	Addition	Reduction	June 30, 2012
Cost				
Mineral interests in proved properties	6,865	12,103	(128)	18,840
Mineral interests in unproved properties	9,578	17	(473)	9,122
Wells and related facilities	1,139,463	34,188	(3,157)	1,170,494
Total	1,155,906	46,308	(3,758)	1,198,456
Accumulated depletion				
Mineral interests in proved properties	(353)	(337)	-	(690)
Wells and related facilities	(498,712)	(45,733)	2,295	(542,150)
Total	(499,065)	(46,070)	2,295	(542,840)
Oil and gas properties, net				
Mineral interests in proved properties	6,512			18,150
Mineral interests in unproved properties	9,578			9,122
Wells and related facilities	640,751			628,344
Total	656,841			655,616
Provision for impairment				
Mineral interests in proved properties	-	-	-	-
Mineral interests in unproved properties	-	-	-	-
Wells and related facilities	(12,236)	-	46	(12,190)
Total	(12,236)	-	46	(12,190)
Net book value				
Mineral interests in proved properties	6,512			18,150
Mineral interests in unproved properties	9,578			9,122
Wells and related facilities	628,515			616,154
Total	644,605			643,426

Depletion provided on oil and gas properties for the six months ended June 30, 2012 was RMB 46,007.

As of June 30, 2012, the asset retirement obligations capitalised in the cost of oil and gas properties amounted to RMB 59,687. Related depletion charge for the six months ended June 30, 2012 was RMB 2,678.

(All amounts in RMB millions unless otherwise stated)

16 CONSTRUCTION MATERIALS

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

17 CONSTRUCTION IN PROGRESS

Project Name	Budget	December 31, 2011	Addition	Transferred to fixed assets or oil and gas properties	Other Reduction	June 30, 2012	Proportion of construction compared to budget %	Capitalised interest expense	Including: capitalised interest expense for current year	Source of fund
Second West-East Gas Pipeline	142,243	26,349	14,462	-	-	40,811	67	2,714	478	Self & Loan
Third Shanxi-Beijing Pipeline	10,989	2,256	302	(253)	-	2,305	84	375	47	Self & Loan
Fushun Petrochemical 0.8 million tons per year ethylene expansion project	15,059	11,860	385	-	-	12,245	81	599	139	Self & Loan
PetroChina Sichuan project with an ethylene output of 0.8 million tons per year	18,658	10,402	1,530	(1)	-	11,931	65	55	55	Self & Loan
Sichuan 10 million tons crude oil per year refinery project	16,313	7,813	328	-	-	8,141	50	-	-	Self
Other		202,806	83,357	(50,439)	(7,654)	228,070		5,533	1,642	
		261,486	100,364	(50,693)	(7,654)	303,503		9,276	2,361	
Less: Provision for impairment		(125)				(122)				
		261,361				303,381				

For the six months ended June 30, 2012, the capitalised interest expense amounted to RMB 2,361 (for the six months ended June 30, 2011: RMB 1,576). The annual interest rates used to determine the capitalised amount are from 5.985% to 6.210%.

(All amounts in RMB millions unless otherwise stated)

18 INTANGIBLE ASSETS

	December 31, 2011	Addition	Reduction	June 30, 2012
Cost				
Land use rights	38,337	1,632	(77)	39,892
Patents	3,186	83	-	3,269
Other (i)	19,177	760	(187)	19,750
Total	60,700	2,475	(264)	62,911
Accumulated amortisation				
Land use rights	(4,770)	(562)	3	(5,329)
Patents	(2,039)	(103)	-	(2,142)
Other	(5,594)	(795)	1	(6,388)
Total	(12,403)	(1,460)	4	(13,859)
Intangible assets, net				
Land use rights	33,567			34,563
Patents	1,147			1,127
Other	13,583			13,362
Total	48,297			49,052
Provision for impairment	(697)	-	3	(694)
Net book value	47,600			48,358

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

Amortisation provided on intangible assets for the six months ended June 30, 2012 was RMB 1,439.

Research and development expenditures for the six months ended June 30, 2012 amounted to RMB 5,848 (for the six months ended June 30, 2011: RMB 8,493), which have been recognised in profit or loss.

19 GOODWILL

Goodwill primarily relates to the acquisition of Singapore Petroleum Company and INEOS Refining Limited, completed in 2009 and 2011 respectively.

20 LONG-TERM PREPAID EXPENSES

	December 31, 2011	Addition	Reduction	June 30, 2012
Advance lease payments (i)	15,190	1,542	(1,115)	15,617
Other	6,603	955	(854)	6,704
Total	21,793	2,497	(1,969)	22,321

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

(All amounts in RMB millions unless otherwise stated)

Amortisation provided on long-term prepaid expenses for six months ended June 30, 2012 was RMB 1,630.

21 PROVISION FOR ASSETS

	December 31, 2011	Addition	Reduction		June 30, 2012
			Reversal	Write-off	
Bad debts provision	3,510	3	(21)	(5)	3,487
Including: Bad debts provision for accounts receivable	850	2	(18)	-	834
Bad debts provision for other receivables	2,648	-	(3)	(5)	2,640
Bad debts provision for advances to suppliers	12	1	-	-	13
Provision for declines in the value of inventories	860	529	(35)	(217)	1,137
Provision for impairment of available-for-sale financial assets	379	-	-	-	379
Provision for impairment of long-term equity investments	190	-	-	-	190
Provision for impairment of fixed assets	28,171	981	-	(308)	28,844
Provision for impairment of oil and gas properties	12,236	-	-	(46)	12,190
Provision for impairment of construction in progress	125	-	-	(3)	122
Provision for impairment of intangible assets	697	-	-	(3)	694
Total	46,168	1,513	(56)	(582)	47,043

22 SHORT-TERM BORROWINGS

	June 30, 2012	December 31, 2011
Guarantee - RMB	158	260
Pledge - RMB	10	22
Unsecured - RMB	99,326	58,342
Unsecured - USD	55,351	36,686
Unsecured - JPY	3,769	3,561
Unsecured - Other	886	956
	159,500	99,827

As of June 30, 2012, the above-mentioned guaranteed borrowings which were guaranteed by CNPC and its subsidiaries amounted to RMB 50.

As of June 30, 2012, the above-mentioned pledged borrowings were secured by fixed assets of a net book value of RMB 13 (December 31, 2011: fixed assets of a net book value of RMB 15 and intangible assets with a net book value of RMB 1) as collateral.

The weighted average interest rate for short-term borrowings as of June 30, 2012 is 3.95% per annum (December 31, 2011: 3.81%).

(All amounts in RMB millions unless otherwise stated)

23 NOTES PAYABLE

As of June 30, 2012 and December 31, 2011, notes payable represented bank and trade accepted notes. All notes are matured within one year.

24 ACCOUNTS PAYABLE

As of June 30, 2012, accounts payable included amounts payable to shareholders who hold 5% or more of the voting rights in the Company RMB 69,755 (December 31, 2011: RMB 61,418).

As of June 30, 2012, accounts payable aged over one year amounted to RMB 18,845 (December 31, 2011: RMB 19,860), and mainly comprised of payables to several suppliers and were not settled.

25 ADVANCES FROM CUSTOMERS

As of June 30, 2012, advances from customers included amount payable to shareholders who hold 5% or more of the voting rights in the Company RMB 1,229 (December 31, 2011: RMB 1,658).

26 EMPLOYEE COMPENSATION PAYABLE

	December 31, 2011	Addition	Reduction	June 30, 2012
Wages, salaries and allowances	3,278	32,471	(30,338)	5,411
Staff Welfare	2	3,670	(2,249)	1,423
Social security contributions	799	10,150	(10,029)	920
Including: Medical insurance	543	2,657	(2,599)	601
Basic endowment insurance	135	5,268	(5,256)	147
Unemployment insurance	36	500	(497)	39
Work-related injury insurance	29	259	(258)	30
Maternity insurance	14	136	(136)	14
Housing provident funds	67	2,996	(2,977)	86
Labour union funds and employee education funds	1,747	1,189	(825)	2,111
Other	98	28	(30)	96
	5,991	50,504	(46,448)	10,047

As of June 30, 2012, employee benefits payable did not contain any balance in arrears.

(All amounts in RMB millions unless otherwise stated)

27 TAXES PAYABLE

	June 30, 2012	December 31, 2011
Income tax payable	809	18,310
Consumption tax payable	7,212	18,793
Crude oil special gain levy payable	22,231	51,493
Other	25,226	31,144
	55,478	119,740

28 OTHER PAYABLES

As of June 30, 2012, other payables included amounts payable to shareholders who hold 5% or more of the voting rights in the Company RMB 3,618 (December 31, 2011: RMB 1,864).

As of June 30, 2012, other payables mainly comprised deposits and payments made on behalf, and other payables aged over one year amounted to RMB 7,153 (December 31, 2011: RMB 6,768).

29 PROVISIONS

	December 31, 2011	Addition	Reduction	June 30, 2012
Assets retirement obligations	68,702	3,774	(92)	72,384
	68,702	3,774	(92)	72,384

Assets retirement obligations are related to oil and gas properties.

30 CURRENT PORTION OF NON-CURRENT LIABILITIES

	June 30, 2012	December 31, 2011
Long-term borrowings due within one year		
Guarantee – RMB	109	3
Guarantee – Other	18	22
Pledge – RMB	-	2
Unsecured – RMB	4,560	5,181
Unsecured – USD	109	2,625
Unsecured – Other	26	38
	4,822	7,871
Debentures payable due within one year	-	30,000
	4,822	37,871

The above-mentioned guaranteed borrowings due within one year were mainly guaranteed by CNPC and its subsidiaries.

(All amounts in RMB millions unless otherwise stated)

The five largest long-term borrowings due within one year:

	Starting date	Termination date	Currency	Rate	June 30, 2012 Foreign currency	June 30, 2012 RMB	December 31, 2011 Foreign currency	December 31, 2011 RMB
China Petroleum Finance Co.,Ltd.	March 14, 2010	March 14, 2013	RMB	4.32%	-	4,000	-	-
China Petroleum Finance Co.,Ltd.	May 17, 2010	May 17, 2013	RMB	5.12%	-	100	-	-
The World Bank	December 14, 1994	May 15, 2014	USD	LIBOR plus 0.50%	12	75	11	70
China Petroleum Finance Co.,Ltd.	April 19, 2010	April 19, 2013	RMB	5.12%	-	45	-	-
China Petroleum Finance Co.,Ltd.	April 15, 2010	April 15, 2013	RMB	4.48%	-	30	-	-
						4,250		70

31 LONG-TERM BORROWINGS

	June 30, 2012	December 31, 2011
Guarantee – RMB	3,159	3,253
Guarantee – Other	127	143
Pledge – RMB	-	14
Impawn – USD	3,985	-
Unsecured – RMB	185,031	94,655
Unsecured – USD	15,304	19,525
Unsecured – CAD	-	2,936
Unsecured – Other	250	273
	207,856	120,799
Less: Long-term borrowings due within one year (Note 30)	(4,822)	(7,871)
	203,034	112,928

The above-mentioned Impawned borrowings were impawned by time deposit of USD 630 million.

The above-mentioned guaranteed borrowings were mainly guaranteed by CNPC and its subsidiaries.

(All amounts in RMB millions unless otherwise stated)

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

	June 30, 2012	December 31, 2011
Between one and two years	18,606	12,943
Between two and five years	105,401	91,029
After five years	79,027	8,956
	203,034	112,928

The weighted average interest rate for long-term borrowings as of June 30, 2012 is 4.68% (December 31, 2011: 4.38%).

The fair values of long-term borrowings amounted to RMB 207,945 (December 31, 2011: RMB 119,975). The fair values are based on discounted cash flows using applicable discount rates based upon the prevailing market rates as at balance sheet date of the Group's availability of financial instruments (terms and characteristics similar to the above-mentioned borrowings).

The five largest long-term borrowings:

					June 30, 2012		December 31, 2011	
	Starting date	Termination date	Currency	Rate	Foreign currency	RMB	Foreign currency	RMB
Bank of Kunlun Co., Ltd	March 19, 2012	March 14, 2022	RMB	4.84%	-	20,000	-	-
China Petroleum Finance Co.,Ltd.	April 22, 2011	March 21, 2014	RMB	4.55%	-	10,000	-	10,000
China Petroleum Finance Co., Ltd.	October 22, 2011	October 22, 2015	RMB	3.95%	-	10,000	-	10,000
China Petroleum Finance Co., Ltd.	October 22, 2011	October 22, 2015	RMB	4.16%	-	10,000	-	10,000
China Petroleum Finance Co., Ltd.	April 22, 2011	March 21, 2016	RMB	4.94%	-	10,000	-	10,000
						60,000		40,000

(All amounts in RMB millions unless otherwise stated)

32 DEBENTURES PAYABLE

Debentures' Name	Issue date	Term of Debentures	Annual interest rate%	December 31, 2011	Addition	Reduction	June 30, 2012
2003 PetroChina Company Limited Corporate debentures	October 28, 2003	10 - year	4.11	1,500	-	-	1,500
2009 PetroChina Company Limited first tranche medium-term notes	January 13, 2009	3 - year	2.70	15,000	-	(15,000)	-
2009 PetroChina Company Limited second tranche medium-term notes	March 19, 2009	3 - year	2.28	15,000	-	(15,000)	-
2009 PetroChina Company Limited third tranche medium-term notes	May 26, 2009	5 - year	3.35	15,000	-	-	15,000
2010 PetroChina Company Limited first tranche medium-term notes	February 5, 2010	7 - year	4.60	11,000	-	-	11,000
2010 PetroChina Company Limited second tranche medium-term notes (i)	May 19, 2010	7 - year	3.97	20,000	-	-	20,000
2010 PetroChina Company Limited third tranche medium-term notes	May 19, 2010	5 - year	3.97	20,000	-	-	20,000
Other				247	-	-	247
				97,747	-	(30,000)	67,747
Less: Debentures payable due within one year				(30,000)			-
				67,747			67,747

(i) The second tranche medium-term notes has a term of 7 years, with an option to determine the interest rate for the issuer and a put option for the investors at the end of the fifth year.

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

The fair values of the debentures amounted to RMB 67,960 (December 31, 2011: RMB 95,354). The fair values are 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 above-mentioned borrowings).

(All amounts in RMB millions unless otherwise stated)

33 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities before offset are listed as below:

(a) Deferred tax assets

	June 30, 2012		December 31, 2011	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Provision for impairment of assets	6,119	27,125	6,086	26,913
Wages and welfare	1,289	5,976	847	3,857
Carry forward of losses	364	1,442	358	1,423
Other	14,413	58,930	12,985	53,365
	22,185	93,473	20,276	85,558

(b) Deferred tax liabilities

	June 30, 2012		December 31, 2011	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Depreciation and depletion of fixed assets and oil and gas properties	35,805	146,614	36,999	147,638
Other	3,889	24,797	3,443	19,385
	39,694	171,411	40,442	167,023

Deferred tax assets and liabilities after offset are listed as below:

	June 30, 2012	December 31, 2011
Deferred tax assets	1,781	505
Deferred tax liabilities	19,290	20,671

(All amounts in RMB millions unless otherwise stated)

34 SHARE CAPITAL

	June 30, 2012	December 31, 2011
H shares	21,099	21,099
A shares	161,922	161,922
	183,021	183,021

The assets and liabilities injected by CNPC in 1999 had been valued by China Enterprise Appraisal Co., The 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 Commision, 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.

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.

The Company issued 4,000,000,000 A shares with a par value of RMB 1.00 yuan per share on October 31, 2007. 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.

(All amounts in RMB millions unless otherwise stated)

35 CAPITAL SURPLUS

	December 31, 2011	Addition	Reduction	June 30, 2012
Capital premium	70,679	2,276	-	72,955
Other capital surplus				
Capital surplus under the old CAS	40,955	-	-	40,955
Changes in fair values of available-for-sale financial assets	133	10	-	143
Other	1,111	131	(63)	1,179
	112,878	2,417	(63)	115,232

36 SURPLUS RESERVES

	December 31, 2011	Addition	Reduction	June 30, 2012
Statutory Surplus Reserves	151,240	-	-	151,240
Discretionary Surplus Reserves	40	-	-	40
	151,280	-	-	151,280

Pursuant to the Company Law of PRC, the Company's Articles of Association and the resolution of Board of Directors, 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 Board of Directors' 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 has not extracted Discretionary Surplus Reserves for the six months ended June 30, 2012 (for the six months ended June 30, 2011: None).

(All amounts in RMB millions unless otherwise stated)

37 UNDISTRIBUTED PROFITS

	For the six months ended June 30, 2012
Undistributed profits at beginning of the period	551,598
Add: Net profit attributable to equity holders of the Company	62,024
Special reserve - Safety Fund	45
Less: Ordinary share dividends payable	(30,129)
Other	(2)
Undistributed profits at end of the period	583,536

Authorised by May 23, 2012 shareholders' meeting, the Board of Directors decided to distribute interim dividend of RMB 0.15250 yuan per share, amounting to a total of RMB 27,912, according to the issued 183,021 million shares.

38 MINORITY INTERESTS

Minority interests attributable to minority shareholders of subsidiaries

	June 30, 2012	December 31, 2011
CNPC Exploration and Development Company Limited	43,766	41,577
PetroKazakhstan Inc.	4,233	4,172
KunLun Energy Company Limited	15,451	9,361
Other	26,740	24,571
	90,190	79,681

(All amounts in RMB millions unless otherwise stated)

39 OPERATING INCOME AND COST OF SALES

	Group	
	For the six months ended June 30, 2012	For the six months ended June 30, 2011
Income from principal operations (a)	1,029,538	937,092
Income from other operations (b)	17,123	15,155
	1,046,661	952,247

	Group	
	For the six months ended June 30, 2012	For the six months ended June 30, 2011
Cost of sales from principal operations (a)	750,905	643,139
Cost of sales from other operations (b)	16,250	13,613
	767,155	656,752

Income from the Group's five largest customers for the six months ended June 30, 2012 was RMB 110,169, representing 11% of the Group's total operating income.

	Company	
	For the six months ended June 30, 2012	For the six months ended June 30, 2011
Income from principal operations (a)	632,625	610,368
Income from other operations (b)	12,290	10,948
	644,915	621,316

	Company	
	For the six months ended June 30, 2012	For the six months ended June 30, 2011
Cost of sales from principal operations (a)	464,847	431,366
Cost of sales from other operations (b)	11,657	9,828
	476,504	441,194

Income from the Company's five largest customers for the six months ended June 30, 2012 was RMB 59,074, representing 9% of the Company's total operating income.

(All amounts in RMB millions unless otherwise stated)

(a) Income and cost of sales from principal operations

	Group			
	For the six months ended June 30, 2012		For the six months ended June 30, 2011	
	Income	Cost	Income	Cost
Exploration and Production	385,309	188,883	371,600	182,528
Refining and Chemicals	429,841	384,239	417,230	362,934
Marketing	894,917	860,393	792,606	755,466
Natural gas and Pipeline	97,104	94,733	80,867	67,071
Head Office and Other	162	81	118	52
Intersegment elimination	(777,795)	(777,424)	(725,329)	(724,912)
Total	1,029,538	750,905	937,092	643,139

	Company			
	For the six months ended June 30, 2012		For the six months ended June 30, 2011	
	Income	Cost	Income	Cost
Exploration and Production	302,399	201,022	289,627	198,283
Refining and Chemicals	429,637	384,130	417,460	363,292
Marketing	433,449	407,236	410,760	383,665
Natural gas and Pipeline	66,778	71,149	55,319	46,452
Head Office and Other	60	58	33	36
Intersegment elimination	(599,698)	(598,748)	(562,831)	(560,362)
Total	632,625	464,847	610,368	431,366

(b) Income and cost of sales from other operations

	Group			
	For the six months ended June 30, 2012		For the six months ended June 30, 2011	
	Income	Cost	Income	Cost
Sale of materials	4,091	3,899	3,049	2,720
Other	13,032	12,351	12,106	10,893
Total	17,123	16,250	15,155	13,613

(All amounts in RMB millions unless otherwise stated)

	Company			
	For the six months ended June 30, 2012		For the six months ended June 30, 2011	
	Income	Cost	Income	Cost
Sale of materials	2,363	2,170	1,489	1,141
Other	9,927	9,487	9,459	8,687
Total	12,290	11,657	10,948	9,828

40 TAX AND LEVIES ON OPERATIONS

	For the six months ended June 30, 2012	For the six months ended June 30, 2011
Business tax	814	847
City maintenance and construction tax	6,660	6,697
Educational surcharge	4,541	4,300
Consumption tax	49,223	49,829
Resource tax	14,144	9,098
Crude oil special gain levy	42,612	51,076
Other	6,325	7,523
	124,319	129,370

41 SELLING EXPENSES

	For the six months ended June 30, 2012	For the six months ended June 30, 2011
Employee compensation costs	8,346	7,045
Depreciation, depletion and amortisation	3,133	2,662
Transportation expense	6,923	7,125
Lease, packing and warehouse storage expenses	2,972	2,611
Other	4,950	5,033
	26,324	24,476

(All amounts in RMB millions unless otherwise stated)

42 GENERAL AND ADMINISTRATIVE EXPENSES

	For the six months ended June 30, 2012	For the six months ended June 30, 2011
Employee compensation cost	11,769	12,139
Depreciation, depletion and amortisation	3,020	2,809
Repair expense	4,564	3,953
Lease, packing and warehouse storage expenses	2,044	1,731
Safety Fund	3,535	2,574
Other Taxes	3,771	3,331
Technology service expense	2,479	5,673
Other	7,172	6,249
	38,354	38,459

43 FINANCE EXPENSES

	For the six months ended June 30, 2012	For the six months ended June 30, 2011
Interest expense	8,565	5,423
Less: Interest income	(992)	(1,195)
Exchange losses	1,566	1,344
Less: Exchange gains	(1,373)	(814)
Other	286	240
	8,052	4,998

44 ASSET IMPAIRMENT LOSSES

	For the six months ended June 30, 2012	For the six months ended June 30, 2011
Impairment losses for bad debts provision	(20)	(33)
Impairment losses for declines in the value of inventories	494	351
Impairment losses for fixed assets and oil and gas properties	981	4,084
	1,455	4,402

(All amounts in RMB millions unless otherwise stated)

45 INVESTMENT INCOME

	Group	
	For the six months ended June 30, 2012	For the six months ended June 30, 2011
Gain on available-for-sale financial assets	323	183
Share of profit of associates and jointly controlled entities	4,739	5,551
Loss on disposal of associates and jointly controlled entities	(2)	-
Gain on disposal of subsidiaries	-	37
Other	143	(29)
	5,203	5,742

For the six months ended June 30, 2012 the investment income from the top 5 long-term equity investments accounted for using the equity method which accounted for the highest proportion of the Group's profit before taxation was RMB 4,474 (for the six months ended June 30, 2011: RMB 4,685).

	Company	
	For the six months ended June 30, 2012	For the six months ended June 30, 2011
Gain on available-for-sale financial assets	26	10
Share of profit of associates and jointly controlled entities	1,235	1,182
Dividends declared by subsidiaries	34,607	36,785
Loss on disposal of associates and jointly controlled entities	(2)	-
Loss on disposal of subsidiaries	(1)	-
Other	(3)	-
	35,862	37,977

For the six months ended June 30, 2012 the investment income from the top 5 long-term equity investments accounted for using the equity method which accounted for the highest proportion of the Company's profit before taxation was RMB 1,191(for the six months ended June 30, 2011: RMB 1,083).

(All amounts in RMB millions unless otherwise stated)

46 NON-OPERATING INCOME AND EXPENSES

(a) Non-operating income

	For the six months ended June 30, 2012	For the six months ended June 30, 2011	Amounts included in non-recurring Profit/Loss Items for the six months ended June 30, 2012
Gains on disposal of fixed assets and oil and gas properties	89	221	89
Government grants	3,929	866	607
Other	598	397	598
	4,616	1,484	1,294

(b) Non-operating expenses

	For the six months ended June 30, 2012	For the six months ended June 30, 2011	Amounts included in non-recurring Profit/Loss Items for the six months ended June 30, 2012
Loss on disposal of fixed assets and oil and gas properties	1,184	885	1,184
Fines	53	12	53
Donation	53	110	53
Extraordinary loss	70	82	70
Other	1,870	1,676	1,870
	3,230	2,765	3,230

47 TAXATION

	For the six months ended June 30, 2012	For the six months ended June 30, 2011
Income taxes	20,444	28,568
Deferred taxes	(2,681)	(4,014)
	17,763	24,554

(All amounts in RMB millions unless otherwise stated)

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:

	For the six months ended June 30, 2012	For the six months ended June 30, 2011
Profit before taxation	87,591	98,251
Tax calculated at a tax rate of 25%	21,898	24,563
Prior year tax return adjustment	1,101	785
Effect of income taxes from international operations in excess of taxes at the PRC statutory tax rate	1,911	815
Effect of preferential tax rate	(6,463)	(248)
Tax effect of income not subject to tax	(2,495)	(2,571)
Tax effect of expenses not deductible for tax purposes	1,811	1,210
Taxation	17,763	24,554

48 EARNINGS PER SHARE

Basic and diluted earnings per share for the six months ended June 30, 2012 and June 30, 2011 have been computed by dividing profit attributable to owners of the Company by the 183,021 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.

49 OTHER COMPREHENSIVE INCOME

	For the six months ended June 30, 2012	For the six months ended June 30, 2011
Fair value (loss) /gain from available-for-sale financial assets, net of tax	(5)	5
Share of the other comprehensive income/ (loss) of associates and joint ventures accounted for using the equity method	131	(5)
Sub-total	126	-
Currency translation differences	1,098	51
Other comprehensive income	1,224	51

(All amounts in RMB millions unless otherwise stated)

50 NOTES TO CONSOLIDATED AND COMPANY CASH FLOWS

(a) Reconciliation from the net profit to the cash flow operating activities

	Group		Company	
	For the six months ended June 30, 2012	For the six months ended June 30, 2011	For the six months ended June 30, 2012	For the six months ended June 30, 2011
Net profit	69,828	73,697	56,300	57,688
Add: Impairment of asset, net	1,455	4,402	1,224	4,195
Depreciation and depletion of fixed assets and oil and gas properties	69,996	59,860	46,191	43,363
Amortisation of intangible assets	1,439	1,165	1,192	954
Amortisation of long-term prepaid expenses	1,630	1,393	1,399	1,173
Loss on disposal of fixed assets, oil and gas properties, intangible assets and other long-term assets	1,105	671	1,099	699
Capitalised exploratory costs charged to expense	7,810	10,257	7,242	8,969
Safety Fund Reserve	3,434	2,477	2,933	1,976
Finance expense	7,573	4,228	8,328	3,636
Investment income	(5,203)	(5,742)	(35,862)	(37,977)
Decrease in deferred taxation	(2,681)	(4,014)	(873)	(3,753)
Increase in inventories	(32,894)	(40,194)	(19,692)	(34,885)
(Increase) /decrease in operating receivables	(23,867)	(35,293)	(51,534)	1,826
(Decrease) /increase in operating payables	(51,619)	56,112	(29,293)	35,977
Net cash from operating activities	48,006	129,019	(11,346)	83,841

(b) Net increase in cash and cash equivalents

	Group		Company	
	For the six months ended June 30, 2012	For the six months ended June 30, 2011	For the six months ended June 30, 2012	For the six months ended June 30, 2011
Cash at end of the period	73,351	116,125	40,178	82,642
Less: Cash at beginning of the period	(61,172)	(45,709)	(38,794)	(25,336)
Add: Cash equivalents at end of the period	-	-	-	-
Less: Cash equivalents at beginning of the period	-	-	-	-
Increase in cash and cash equivalents	12,179	70,416	1,384	57,306

(All amounts in RMB millions unless otherwise stated)

(c) Cash and cash equivalents

	Group		Company	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Cash at bank and on hand	92,804	64,299	55,178	38,794
Less: Time deposits with maturities over 3 months	(19,453)	(3,127)	(15,000)	-
Cash and cash equivalents at end of the period	73,351	61,172	40,178	38,794

51 SEGMENT REPORTING

The Group is principally engaged in a broad range of petroleum related products, services and activities. The Group's operating segments comprise: Exploration and Production, Refining and Chemicals, Marketing, and Natural Gas and Pipeline. On the basis of these operating segments, the management of the Company assesses the segmental operating results and allocates resources. Sales between operating segments are conducted principally at market prices. Additionally, the Group has presented geographical information based on entities located in regions with similar risk profile.

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

The Refining and Chemicals segment is engaged in the refining of crude oil and petroleum products, production and marketing of primary petrochemical products, and derivative petrochemical products and other chemical products.

The Marketing segment is engaged in the marketing of refined products and trading business.

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

The Head Office and Other segment relates to cash management and financing activities, the corporate center, research and development, and other business services supporting the operating business segments of the Group.

The accounting policies of the operating segments are the same as those described in Note 4 - "Principal Accounting Policies and Accounting Estimates".

(All amounts in RMB millions unless otherwise stated)

(1) Operating segments

(a) Segment information as of and for the six months ended June 30, 2012 is as follows:

	Exploration and Production	Refining and Chemicals	Marketing	Natural Gas and Pipeline	Head Office and Other	Total
Revenue	392,460	433,149	900,111	98,062	674	1,824,456
Less: Intersegment revenue	(312,390)	(343,150)	(111,691)	(10,494)	(70)	(777,795)
Revenue from external customers	80,070	89,999	788,420	87,568	604	1,046,661
Segment expenses (i)	(205,880)	(161,101)	(554,845)	(27,659)	(6,667)	(956,152)
Segment result	115,021	(27,157)	10,344	(1,661)	(6,038)	90,509
Unallocated expenses						(4,304)
Operating profit						86,205
Segment assets	1,031,244	350,362	371,849	382,375	1,486,730	3,622,560
Other assets						1,781
Elimination of intersegment balances (ii)						(1,572,908)
Total assets						2,051,433
Segment liabilities	355,802	144,454	224,540	167,632	642,586	1,535,014
Other liabilities						74,768
Elimination of intersegment balances (ii)						(689,510)
Total liabilities						920,272
Depreciation, depletion and amortisation	50,623	7,868	4,969	8,990	615	73,065
Asset impairment losses	(9)	1,147	319	(2)	-	1,455
Capital expenditure	69,006	9,279	2,495	30,768	130	111,678

(All amounts in RMB millions unless otherwise stated)

(b) Segment information as of and for the six months ended June 30, 2011 is as follows:

	Exploration and Production	Refining and Chemicals	Marketing	Natural Gas and Pipeline	Head Office and Other	Total
Revenue	377,804	420,665	796,945	81,606	556	1,677,576
Less: Intersegment revenue	(296,993)	(324,333)	(95,887)	(8,084)	(32)	(725,329)
Revenue from external customers	80,811	96,332	701,058	73,522	524	952,247
Segment expenses (i)	(199,264)	(150,737)	(466,107)	(22,778)	(10,171)	(849,057)
Segment result	104,095	(16,605)	14,775	10,603	(9,678)	103,190
Unallocated expenses						(3,658)
Operating profit						99,532
Segment assets	929,317	337,731	311,191	286,398	1,371,541	3,236,178
Other assets						388
Elimination of intersegment balances (ii)						(1,427,310)
Total assets						1,809,256
Segment liabilities	315,319	141,367	193,056	136,494	525,557	1,311,793
Other liabilities						91,189
Elimination of intersegment balances (ii)						(644,183)
Total liabilities						758,799
Depreciation, depletion and amortisation	41,690	8,299	4,480	7,390	559	62,418
Asset impairment losses	(22)	4,126	298	-	-	4,402
Capital expenditure	37,516	10,530	3,923	18,632	467	71,068

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

(ii) Elimination of intersegment balances represents elimination of intersegment accounts and investments.

(2) Geographical information

Revenue from external customers	For the six months ended June 30, 2012	For the six months ended June 30, 2011
Mainland China	713,942	687,021
Other	332,719	265,226
	1,046,661	952,247

Non-current assets (i)	June 30, 2012	June 30, 2011
Mainland China	1,400,074	1,231,564
Other	167,375	141,093
	1,567,449	1,372,657

(i) Non-current assets mainly include non-current assets other than financial instruments and deferred tax assets.

52 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) Parent Company

(a) General information of parent company

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.

	Type of Legal Entity	Place of incorporation	Legal representative	Principal activities
China National Petroleum Corporation	State-owned and state-controlled enterprises	PRC	Jiang Jiemin	Oil and gas exploration and development, refining and petrochemical, oil product marketing, oil and gas storage and transportation, oil trading, engineering and technical services and petroleum equipment manufacturing

(b) Equity interest and voting rights of parent company

	June 30, 2012		December 31, 2011	
	Equity interest %	Voting rights %	Equity interest %	Voting rights %
China National Petroleum Corporation	86.51	86.51	86.51	86.51

(2) Subsidiaries

Details about subsidiaries and related information are disclosed in Note 6(1).

(3) 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	Associate
China Marine Bunker (Petrochina) Co., Ltd	Jointly controlled entity
Arrow Energy Holdings Pty Ltd.	Jointly controlled entity
CNPC Bohai Drilling Engineering Co., Ltd	Fellow subsidiary of CNPC
CNPC Oriental Geophysical Exploration Co., Ltd	Fellow subsidiary of CNPC
CNPC Chuanqing Drilling Engineering Co., Ltd	Fellow subsidiary of CNPC
Daqing Petroleum Administrative Bureau	Fellow subsidiary of CNPC
Liaohe Petroleum Exploration Bureau	Fellow subsidiary of CNPC
China Petroleum Pipeline Bureau	Fellow subsidiary of CNPC
CNPC Transportation Co., Ltd	Fellow subsidiary of CNPC
CNPC Material Company	Fellow subsidiary of CNPC
China Petroleum Finance Co., Ltd (the "CP Finance")	Fellow subsidiary of CNPC
China National Oil and Gas Exploration and Development Corporation	Fellow subsidiary of CNPC
China National United Oil Corporation	Fellow subsidiary of CNPC

(4) Summary of Significant Related Party transactions

(a) Related party transactions with CNPC and its subsidiaries:

On August 25, 2011, on the basis of Comprehensive Product and Services Agreement amended in 2008, the Company and CNPC entered into a new Comprehensive Products and Services Agreement ("the Comprehensive Products and Services Agreement") for a period of three years which took effect on January 1, 2012. The Comprehensive Products and Services Agreement provides for a range of products and services which may be required and requested by either party. The products and services to be provided by the CNPC and its subsidiaries to the Group 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 required and requested by either party are provided in accordance with (1) government-prescribed prices; or (2) where there is no government-prescribed price, with reference to relevant market prices; or (3) where neither (1) nor (2) is applicable, the actual cost incurred or the agreed contractual price.

On August 25, 2011, based on the Land Use Rights Leasing Contract signed in 2000, the Company and CNPC entered into a Supplemental Land Use Rights Leasing Contract which took effect on January 1, 2012. The Supplemental Land Use Rights Leasing Contract provides for the lease of land covering an aggregate area of approximately 1,783 million square meters located throughout the PRC at a maximum annual fee of RMB 3,892. The Supplemental Land Use Rights Leasing Contract will expire at the same time as the Land Use Rights Leasing Contract. The area and total fee payable for the lease of all such property may, after three years, be adjusted with the Company's operating needs and by reference to market price.

On August 25, 2011, based on the Buildings Leasing Contract and Supplemental Building Leasing Agreement, the Company and CNPC entered into a Revised Buildings Leasing Contract which took effective thereafter. Under this contract, buildings covering an aggregate area of 734,316 square meters were leased at an average annual fee of RMB 1,049 yuan per square meter. The Revised Building Leasing Contract will expire at the same time as the Building Leasing Agreement. The area and total fee payable for the lease of all such property may, after three years, be adjusted with the Company's operating needs and by reference to market price which the adjusted prices will not exceed.

(All amounts in RMB millions unless otherwise stated)

	Notes	For the six months ended June 30, 2012	For the six months ended June 30, 2011
Sales of goods and services rendered to CNPC and its subsidiaries	(1)	34,809	27,575
Purchase of goods and services from CNPC and its subsidiaries:			
Fees paid for construction and technical services	(2)	48,601	36,367
Fees for production services	(3)	63,268	43,840
Social services charges	(4)	1,421	1,243
Ancillary services charges	(5)	1,899	1,800
Material supply services	(6)	3,138	953
Financial services			
Interest income	(7)	214	231
Interest expense	(8)	5,723	2,363
Other financial service expense	(9)	492	367
Rental paid to CNPC	(10)	1,219	1,043
Purchases of assets from CNPC and its subsidiaries	(11)	123	1,928

Notes:

(1) Primarily crude oil, natural gas, refined products, chemical products and the supply of water, electricity, gas, heat, measurement, quality inspection, etc.

(2) Construction and technical services comprise geophysical survey, drilling, well cementing, logging, well testing, oil testing, oilfield construction, refineries and chemical plants construction, engineering design and supervision, repair of equipment, etc.

(3) Production services comprise the repair of machinery and equipments, supply of water, electricity and gas, 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.

(4) Social services comprise mainly security service, education, hospitals, preschool, etc.

(5) Ancillary services comprise mainly property management and provision of training centres, guesthouses, canteens, public shower rooms, etc.

(6) Material supply services comprise mainly purchase of materials, quality control, storage of materials and delivery of materials, etc.

(7) The bank deposits in CNPC and fellow CNPC subsidiaries as of June 30, 2012 were RMB 32,089 (December 31, 2011: RMB 20,103).

(8) The loans from CNPC and fellow CNPC subsidiaries including short-term borrowings, long-term borrowings due within one year and long-term borrowings as of June 30, 2012 were RMB 275,684 (December 31,2011: RMB 134,161).

(9) Other financial service expense primarily refers to expense of insurance and other services.

(10) 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.

(11) Purchases of assets principally represent the purchases of manufacturing equipment, office equipment and transportation equipment.

(All amounts in RMB millions unless otherwise stated)

(b) Related party transactions with associates and jointly controlled entities:

The transactions between the Group and its associates and jointly controlled entities are conducted at government-prescribed prices or market prices.

	For the six months ended June 30, 2012	For the six months ended June 30, 2011
(a) Sales of goods		
- Crude Oil	69	2,025
- Refined products	6,385	6,472
- Chemical products	331	119
(b) Sales of services	23	198
(c) Purchases of goods	7,344	3,836
(d) Purchases of services	163	529

(5) Commissioned loans

The Company and its subsidiaries commissioned CP Finance and other financial institutions to provide loans to each other, charging interest in accordance with the prevailing interest rates. Loans between the Company and its subsidiaries have been eliminated in the consolidated financial statements. As of June 30, 2012, the eliminated commissioned loans totalled RMB 48,359, including short-term loans of RMB 36,924, loans due within one year of RMB 327 and long-term loans of RMB 11,108.

(6) Guarantees

As of June 30, 2012, borrowings of associates of RMB 5 were guaranteed by the Group.

CNPC provided guarantees of loans for the Group, see Note 22, Note 30 and Note 31.

(7) Receivables and payables with related parties

(a) Receivables from related parties

	June 30, 2012	December 31, 2011
CNPC and its subsidiaries		
Accounts receivable	12,006	9,725
Other receivables	259	546
Advances to suppliers	35,529	19,161
Associates and jointly controlled entities		
Accounts receivable	807	1,152
Other receivables	83	6
Advances to suppliers	9	2
Other non-current assets	7,203	5,064

As of June 30, 2012, the provisions for bad debts of the receivables from related parties amounted RMB 131 (December 31, 2011: RMB 130).

As of June 30, 2012, the receivables from related parties represented 38% (December 31, 2011: 32%) of total receivables.

(b) Payables to related parties

	June 30, 2012	December 31, 2011
CNPC and its subsidiaries		
Accounts payable	69,755	61,418
Other payables	3,618	1,864
Advances from customers	1,229	1,658
Notes payable	155	306
Associates and jointly controlled entities		
Accounts payable	2,785	2,589
Other payables	193	1,802
Advances from customers	65	280

As of June 30, 2012, the payables to related parties represented 27% (December 31, 2011: 24%) of total payables.

(8) Key management personnel compensation

	For the six months ended June 30, 2012 RMB'000	For the six months ended June 30, 2011 RMB'000
Key management personnel compensation	5,953	5,154

53 CONTINGENT LIABILITIES

(1) Bank and other guarantees

At June 30, 2012, borrowings of associates of RMB 5 (December 31, 2011: RMB 5) from CP Finance were guaranteed by the Group. The Group had contingent liabilities in respect of the guarantees from which it is anticipated that no material liabilities will arise.

(All amounts in RMB millions unless otherwise stated)

(2) Environmental liabilities

China has adopted extensive environmental laws and regulations that affect the operation of the oil and gas industry. Under existing legislation, however, management believes that there are no probable liabilities, except for the amounts which have already been reflected in the consolidated financial statements, which may have a material adverse effect on the financial position of the Group.

(3) Legal contingencies

Notwithstanding certain insignificant lawsuits as well as other proceedings outstanding, management believes that any resulting liabilities will not have a material adverse effect on the financial position of the Group.

(4) Group insurance

The Group has insurance coverage for vehicles and certain assets that are subject to significant operating risks, third-party liability insurance against claims relating to personal injury, property and environmental damages that result from accidents and also employer liabilities insurance. The potential effect on the financial position of the Group of any liabilities resulting from future uninsured incidents cannot be estimated by the Group at present.

54 COMMITMENTS

(1) Operating lease commitments

Operating lease commitments of the Group are mainly for leasing of land, buildings and equipment. Leases range from one to fifty years and usually do not contain renewal options. Future minimum lease payments as of June 30, 2012 and December 31, 2011 under non-cancellable operating leases are as follows:

	June 30, 2012	December 31, 2011
Within one year	6,960	7,072
Between one and two years	4,638	4,506
Between two and three years	4,596	4,284
Thereafter	87,712	88,228
	103,906	104,090

Operating lease expenses for six months ended June 30, 2012 was RMB 4,389 (For six months ended June 30, 2011: RMB 3,688).

(All amounts in RMB millions unless otherwise stated)

(2) Capital commitments

As of June 30, 2012, the Group's capital commitments contracted but not provided for were RMB 43,574 (December 31, 2011: RMB 49,550).

The operating lease and capital commitments above are transactions mainly with CNPC and its fellow subsidiaries.

(3) 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. No payments were incurred for six months ended June 30, 2012 (for six months ended June 30, 2011: Nil).

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

	June 30, 2012
2012	1,000
2013	1,000
2014	1,000
2015	1,000
2016	1,000

(All amounts in RMB millions unless otherwise stated)

FINANCIAL STATEMENTS SUPPLEMENTARY INFORMATION

1 NON-RECURRING PROFIT/LOSS ITEMS

	For the six months ended June 30, 2012	For the six months ended June 30, 2011
Net loss on disposal of non-current assets	(1,107)	(633)
Government grants recognised in the income statement	607	377
Net gain on disposal of available-for-sale financial assets	-	3
Reversal of provisions for bad debts against receivables	21	36
Other non-operating income and expenses	(1,438)	(1,477)
	(1,917)	(1,694)
Tax impact of non-recurring profit/loss items	418	436
Impact of minority interests	22	58
Total	(1,477)	(1,200)

2 SIGNIFICANT DIFFERENCES BETWEEN IFRS AND CAS

The consolidated net profit for the period under IFRS and CAS were RMB 69,829 and RMB 69,828 respectively, with a difference of RMB 1; the consolidated shareholders' equity at end of period under IFRS and CAS were RMB 1,131,142 and RMB 1,131,161 respectively, with a difference of RMB 19. These differences under the different accounting standards were primarily due to the revaluation of assets other than fixed assets and oil and gas properties revalued in 1999.

During the Restructuring in 1999, a valuation was carried out in 1999 for assets and liabilities injected by CNPC. Valuation results other than fixed assets and oil and gas properties were not recognised in the financial statements prepared under IFRS.

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2012 and June 30, 2011

(Amounts in millions)

	Notes	Six months ended June 30	
		2012	2011
		RMB	RMB
TURNOVER	4	1,046,661	952,247
OPERATING EXPENSES			
Purchases, services and other		(658,111)	(556,595)
Employee compensation costs		(49,612)	(45,054)
Exploration expenses, including exploratory dry holes		(13,905)	(18,088)
Depreciation, depletion and amortisation		(74,046)	(66,502)
Selling, general and administrative expenses		(33,645)	(34,024)
Taxes other than income taxes	5	(128,686)	(133,262)
Other income/ (expenses), net		1,963	(1,264)
TOTAL OPERATING EXPENSES		(956,042)	(854,789)
PROFIT FROM OPERATIONS		90,619	97,458
FINANCE COSTS			
Exchange gain		1,373	814
Exchange loss		(1,566)	(1,344)
Interest income		992	1,195
Interest expense		(8,565)	(5,423)
TOTAL NET FINANCE COSTS		(7,766)	(4,758)
SHARE OF PROFIT OF ASSOCIATES AND JOINTLY CONTROLLED ENTITIES		4,739	5,551
PROFIT BEFORE INCOME TAX EXPENSE	6	87,592	98,251
INCOME TAX EXPENSE	7	(17,763)	(24,554)
PROFIT FOR THE PERIOD		69,829	73,697
OTHER COMPREHENSIVE INCOME:			
Currency translation differences		1,098	51
Fair value (loss) /gain from available-for-sale financial assets, net of tax		(5)	5
Share of the other comprehensive income/ (loss) of associates and joint ventures accounted for using the equity method		131	(5)
OTHER COMPREHENSIVE INCOME, NET OF TAX		1,224	51
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		71,053	73,748
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		62,026	66,007
Non-controlling interests		7,803	7,690
		69,829	73,697
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		62,857	66,573
Non-controlling interests		8,196	7,175
		71,053	73,748
BASIC AND DILUTED EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY (RMB)	8	0.34	0.36

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

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As of June 30, 2012 and December 31, 2011

(Amounts in millions)

	Notes	June 30, 2012 RMB	December 31, 2011 RMB
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,404,928	1,372,007
Investments in associates and jointly controlled entities		76,776	70,739
Available-for-sale financial assets		1,845	1,832
Advance operating lease payments		49,657	48,229
Intangible and other non-current assets		36,103	38,854
Deferred tax assets		1,783	505
Time deposits with maturities over one year		3,985	2,709
TOTAL NON-CURRENT ASSETS		1,575,077	1,534,875
CURRENT ASSETS			
Inventories	11	214,603	182,253
Accounts receivable	12	62,304	53,822
Prepaid expenses and other current assets		99,143	72,358
Notes receivable		11,548	12,688
Time deposits with maturities over three months but within one year		15,468	418
Cash and cash equivalents		73,351	61,172
TOTAL CURRENT ASSETS		476,417	382,711
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	13	332,890	302,600
Income taxes payable		809	18,310
Other taxes payable		54,669	101,430
Short-term borrowings	14	164,322	137,698
TOTAL CURRENT LIABILITIES		552,690	560,038
NET CURRENT LIABILITIES		(76,273)	(177,327)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,498,804	1,357,548
EQUITY			
Equity attributable to owners of the Company:			
Share capital		183,021	183,021
Retained earnings		588,657	556,717
Reserves		269,155	263,007
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		1,040,833	1,002,745
Non-controlling interests		90,309	79,801
TOTAL EQUITY		1,131,142	1,082,546
NON-CURRENT LIABILITIES			
Long-term borrowings	14	270,781	180,675
Asset retirement obligations		72,384	68,702
Deferred tax liabilities		19,370	20,749
Other long-term obligations		5,127	4,876
TOTAL NON-CURRENT LIABILITIES		367,662	275,002
TOTAL EQUITY AND NON-CURRENT LIABILITIES		1,498,804	1,357,548

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

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2012 and June 30, 2011

(Amounts in millions)

	Six months ended June 30	
	2012	2011
	RMB	RMB
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	69,829	73,697
Adjustments for:		
Income tax expense	17,763	24,554
Depreciation, depletion and amortisation	74,046	66,502
Capitalised exploratory costs charged to expense	7,810	10,257
Safety fund reserve	3,434	2,477
Share of profit of associates and jointly controlled entities	(4,739)	(5,551)
Reversal of provision for impairment of receivables, net	(20)	(33)
Write down in inventories, net	494	351
Loss on disposal of property, plant and equipment	1,095	664
Loss on disposal of other non-current assets	12	5
Dividend income	(323)	(180)
Interest income	(992)	(1,195)
Interest expense	8,565	5,423
Changes in working capital:		
Accounts receivable and prepaid expenses and other current assets	(23,851)	(35,011)
Inventories	(32,894)	(40,194)
Accounts payable and accrued liabilities	(34,278)	55,202
CASH FLOWS GENERATED FROM OPERATIONS	85,951	156,968
Income taxes paid	(37,945)	(27,949)
NET CASH FLOWS FROM OPERATING ACTIVITIES	48,006	129,019

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

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2012 and June 30, 2011

(Amounts in millions)

	Six months ended June 30	
	2012	2011
	RMB	RMB
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(127,223)	(99,642)
Acquisition of investments in associates and jointly controlled entities	(5,438)	(856)
Acquisition of available-for-sale financial assets	(15)	(6)
Advance payments on long-term operating leases	(3,032)	(3,415)
Acquisition of intangible assets and other non-current assets	(1,559)	(1,376)
Purchase of non-controlling interests	(99)	(584)
Acquisition of subsidiaries	(23)	(26)
Proceeds from disposal of property, plant and equipment	238	391
Proceeds from disposal of other non-current assets	33	79
Interest received	992	1,117
Dividends received	4,627	1,232
(Increase) /decrease in time deposits with maturities over three months	(16,312)	2,807
NET CASH FLOWS USED FOR INVESTING ACTIVITIES	(147,811)	(100,279)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(129,751)	(134,771)
Repayments of long-term borrowings	(45,520)	(2,496)
Interest paid	(10,805)	(6,965)
Dividends paid to non-controlling interests	(3,617)	(2,531)
Dividends paid to owners of the Company	-	(33,597)
Increase in short-term borrowings	189,383	182,828
Increase in long-term borrowings	102,465	37,296
Capital contribution from non-controlling interests	9,125	1,247
Increase in other long-term obligations	28	53
NET CASH FLOWS FROM FINANCING ACTIVITIES	111,308	41,064
TRANSLATION OF FOREIGN CURRENCY	676	612
Increase in cash and cash equivalents	12,179	70,416
Cash and cash equivalents at beginning of the period	61,172	45,709
Cash and cash equivalents at end of the period	73,351	116,125

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

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2012 and June 30, 2011

(Amounts in millions)

	Attributable to owners of the Company				Non-controlling interests	Total Equity
	Share Capital	Retained Earnings	Reserves	Subtotal		
	RMB	RMB	RMB	RMB	RMB	RMB
Balance at January 1, 2011	183,021	499,288	256,617	938,926	71,203	1,010,129
Total comprehensive income for the six months ended June 30, 2011	-	66,007	566	66,573	7,175	73,748
Special Reserve-Safety Fund Reserve	-	114	2,181	2,295	9	2,304
Dividends	-	(33,597)	-	(33,597)	(2,789)	(36,386)
Acquisition of subsidiaries	-	-	-	-	60	60
Purchase of non-controlling interests in subsidiaries	-	-	(136)	(136)	(448)	(584)
Capital contribution from non-controlling interests	-	-	-	-	1,247	1,247
Disposal of subsidiaries	-	-	-	-	(28)	(28)
Other	-	-	81	81	(86)	(5)
Balance at June 30, 2011	183,021	531,812	259,309	974,142	76,343	1,050,485
Balance at January 1, 2012	183,021	556,717	263,007	1,002,745	79,801	1,082,546
Total comprehensive income for the six months ended June 30, 2012	-	62,026	831	62,857	8,196	71,053
Special Reserve-Safety Fund Reserve	-	45	3,104	3,149	16	3,165
Dividends	-	(30,129)	-	(30,129)	(4,594)	(34,723)
Acquisition of subsidiaries	-	-	-	-	132	132
Purchase of non-controlling interests in subsidiaries	-	-	(26)	(26)	(73)	(99)
Capital contribution from non-controlling interests	-	-	2,276	2,276	6,849	9,125
Other	-	(2)	(37)	(39)	(18)	(57)
Balance at June 30, 2012	183,021	588,657	269,155	1,040,833	90,309	1,131,142

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

1 ORGANISATION AND PRINCIPAL ACTIVITIES

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 former State Economic and Trade Commission of the People's Republic of China ("China" or "PRC"). CNPC restructured ("the Restructuring") and injected its core business 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 (i) the exploration, development and production and marketing of crude oil and natural gas; (ii) the refining of crude oil and petroleum products, production and marketing of primary petrochemical products, derivative petrochemical products and other chemical products; (iii) the marketing of refined products and trading business; and (iv) the transmission of natural gas, crude oil and refined products and the sale of natural gas (Note 15).

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited consolidated interim condensed financial statements ("interim financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" ("IAS 34").

The accounting policies and methods of computation applied in the preparation of the interim financial statements are consistent with those of the consolidated financial statements for the year ended December 31, 2011, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The interim financial statements as of June 30, 2012 and for the six month periods ended June 30, 2012 and June 30, 2011 included herein are unaudited but reflect, in the opinion of the Board of Directors, all adjustments (which generally includes only normal recurring adjustments) necessary to properly prepare the interim financial statements, in all material respects, in accordance with IAS 34. The results of operations for the six months ended June 30, 2012 are not necessarily indicative of the results of operations expected for the year ending December 31, 2012.

Costs that are incurred unevenly during the financial year are accrued or deferred in the interim 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 interim 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 consolidated 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. 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, etc.

(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 taking into account current economic conditions. Favourable changes to some assumptions may allow the Group to avoid the need to impair any assets, 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 amount of the provision recognised is 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 levels, 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 and estimates of discount rates. 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.

(Amounts in millions unless otherwise stated)

4 TURNOVER

Turnover represents revenues from the sale of crude oil, natural gas, refined products and petrochemical products and from the transmission of crude oil, refined products and natural gas. Analysis of turnover by segment is shown in Note 15.

5 TAXES OTHER THAN INCOME TAXES

	Six months ended June 30	
	2012	2011
	RMB	RMB
Crude oil special gain levy	42,612	51,076
Consumption tax	49,223	49,829
Resource tax	14,144	9,098
Other	22,707	23,259
	128,686	133,262

In accordance with PRC current tax rules and regulations, the threshold above which crude oil special gain levy was imposed (with the five-level progressive tax rates varying from 20% to 40% remaining) was raised from US$ 40 per barrel to US$ 55 per barrel. Resource tax on domestic sales of crude oil and natural gas, assessed based on value instead of volume (with rates from 5% to 10% and the resource tax rate applicable to the Group up to 5%), was implemented nationally. Both changes in tax regulations were effective from November 1, 2011.

(Amounts in millions unless otherwise stated)

6 PROFIT BEFORE INCOME TAX EXPENSE

	Six months ended June 30	
	2012	2011
	RMB	RMB
Items credited and charged in arriving at the profit before income tax expense include:		
Credited		
Dividend income from available-for-sale financial assets	323	180
Reversal of provision for impairment of receivables	21	34
Reversal of write down in inventories	35	7
Charged		
Amortisation of intangible and other assets	1,496	1,277
Cost of inventories recognised as expense	753, 250	638,664
Provision for impairment of receivables	1	1
Interest expense (Note (i))	8,565	5,423
Loss on disposal of property, plant and equipment	1,095	664
Operating lease expenses	4,944	4,087
Research and development expenses	5,848	8,493
Write down in inventories	529	358
Note (i): Interest expense		
Interest expense	10,926	6,999
Less: Amount capitalised	(2,361)	(1,576)
	8,565	5,423

7 INCOME TAX EXPENSE

	Six months ended June 30	
	2012	2011
	RMB	RMB
Current taxes	20,444	28,568
Deferred taxes	(2,681)	(4,014)
	17,763	24,554

In accordance with the relevant PRC income tax rules and regulations, the PRC corporate income tax rate applicable to the Group is principally 25%. Operations of the Group in western regions in China qualified for certain tax incentives in the form of a preferential income tax rate of 15% through the year 2020.

(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, 2012 and June 30, 2011 have been computed by dividing profit attributable to owners of the Company by the 183,021 million shares issued and outstanding during the period.

There are no potentially dilutive ordinary shares.

9 DIVIDENDS

	Six months ended June 30	
	2012	2011
	RMB	RMB
Interim dividends attributable to owners of the Company for 2012 (note a)	27,912	-
Interim dividends attributable to owners of the Company for 2011 (note c)	-	29,703

(a) As authorised by shareholders in the Annual General Meeting on May 23, 2012, the Board of Directors resolved to distribute interim dividends attributable to owners of the Company in respect of 2012 of RMB 0.15250 yuan per share amounting to a total of RMB 27,912. This dividend is not recognised as liability at the end of the reporting period, as it was not declared until after the date of the statement of financial position.

(b) Final dividends attributable to owners of the Company in respect of 2011 of RMB 0.16462 yuan per share amounting to a total of RMB 30,129 were approved by the shareholders in the Annual General Meeting on May 23, 2012 and were paid on July 12, 2012.

(c) Interim dividends attributable to owners of the Company in respect of 2011 of RMB 0.16229 yuan per share amounting to a total of RMB 29,703 were paid on October 21, 2011.

(d) Final dividends attributable to owners of the Company in respect of 2010 of RMB 0.18357 yuan per share amounting to a total of RMB 33,597 were approved by the shareholders in the Annual General Meeting on May 18, 2011 and were paid on June 30, 2011.

(Amounts in millions unless otherwise stated)

10 PROPERTY, PLANT AND EQUIPMENT

	RMB
Cost	
At January 1, 2012	2,234,859
Additions	113,770
Disposals or write offs	(13,833)
Currency translation differences	206
At June 30, 2012	2,335,002
Accumulated depreciation and impairment	
At January 1, 2012	(862,852)
Charge for the period	(71,381)
Disposals or write offs	4,222
Currency translation differences	(63)
At June 30, 2012	(930,074)
Net book value	
At June 30, 2012	1,404,928

	RMB
Cost	
At January 1, 2011	1,979,408
Additions	72,639
Disposals or write offs	(13,669)
Currency translation differences	(1,632)
At June 30, 2011	2,036,746
Accumulated depreciation and impairment	
At January 1, 2011	(740,809)
Charge for the period	(64,415)
Disposals or write offs	2,239
Currency translation differences	630
At June 30, 2011	(802,355)
Net book value	
At June 30, 2011	1,234,391

The depreciation charge of the Group for the six months ended June 30, 2012 included impairment losses of RMB 981 (six months ended June 30, 2011: RMB 4,084 primarily related to certain of the Group's oil and gas properties and refining and chemical production assets) related to certain of the Group's chemical production facilities in respect of which the selling prices of the petrochemical products produced have been continually depressed. The carrying values of these assets were written down to their recoverable values.

(Amounts in millions unless otherwise stated)

11 INVENTORIES

	June 30, 2012	December 31, 2011
	RMB	RMB
Crude oil and other raw materials	70,368	61,601
Work in progress	16,966	16,924
Finished goods	128,354	104,545
Spare parts and consumables	52	43
	215,740	183,113
Less: Write down in inventories	(1,137)	(860)
	214,603	182,253

12 ACCOUNTS RECEIVABLE

	June 30, 2012	December 31, 2011
	RMB	RMB
Accounts receivable	63,138	54,672
Less: Provision for impairment of receivables	(834)	(850)
	62,304	53,822

The aging analysis of accounts receivable (net of impairment of accounts receivable) at June 30, 2012 and December 31, 2011 is as follows:

	June 30, 2012	December 31, 2011
	RMB	RMB
Within 1 year	61,809	53,605
Between 1 and 2 years	367	97
Between 2 and 3 years	28	21
Over 3 years	100	99
	62,304	53,822

The Group offers its customers credit terms up to 180 days.

(Amounts in millions unless otherwise stated)

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

	Six months ended June 30	
	2012	2011
	RMB	RMB
At beginning of the period	850	1,052
Provision for impairment of accounts receivable	1	1
Receivables written off as uncollectible	-	(7)
Reversal of provision for impairment of accounts receivable	(18)	(23)
Other	1	8
At end of the period	834	1,031

13 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2012	December 31, 2011
	RMB	RMB
Trade payables	108,980	113,411
Advances from customers	30,641	34,130
Salaries and welfare payable	10,047	5,991
Accrued expenses	17,767	380
Dividends payable	33,583	2,464
Interest payable	608	2,560
Construction fee and equipment cost payables	109,217	119,207
Other payables	22,047	24,457
	332,890	302,600

Other payables consist primarily of customer deposits.

The aging analysis of trade payables at June 30, 2012 and December 31, 2011 is as follows:

	June 30, 2012	December 31, 2011
	RMB	RMB
Within 1 year	104,821	110,063
Between 1 and 2 years	2,762	2,118
Between 2 and 3 years	627	479
Over 3 years	770	751
	108,980	113,411

(Amounts in millions unless otherwise stated)

14 BORROWINGS

	June 30, 2012	December 31, 2011
	RMB	RMB
Short-term borrowings excluding current portion of long-term borrowings	159,500	99,827
Current portion of long-term borrowings	4,822	37,871
	164,322	137,698
Long-term borrowings	270,781	180,675
	435,103	318,373

The movements in borrowings can be analysed as follows:

	RMB
Balance at January 1, 2012	318,373
Increase in borrowings	291,868
Repayments of borrowings	(175,313)
Currency translation differences	175
Balance at June 30, 2012	435,103

The following table sets out the borrowings' remaining contractual maturities at the date of the statement of financial position, which are based on contractual undiscounted cash flows including principal and interest, and the earliest contractual maturity date:

	June 30, 2012	December 31, 2011
	RMB	RMB
Within 1 year	178,674	147,442
Between 1 and 2 years	46,885	21,759
Between 2 and 5 years	176,338	155,611
After 5 years	83,005	25,378
	484,902	350,190

15 SEGMENT INFORMATION

The Group is principally engaged in a broad range of petroleum related products, services and activities. The Group's operating segments comprise: Exploration and Production, Refining and Chemicals, Marketing, and Natural Gas and Pipeline. On the basis of these operating segments, the management of the Company assesses the segmental operating results and allocates resources. Sales between operating segments are conducted principally at market prices. Additionally, the Group presents geographical information based on entities located in regions with a similar risk profile.

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

The Refining and Chemicals segment is engaged in the refining of crude oil and petroleum products, production and marketing of primary petrochemical products, and derivative petrochemical products and other chemical products.

The Marketing segment is engaged in the marketing of refined products and the trading of crude oil and petrochemical products.

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

The Head Office and Other segment relates to cash management and financing activities, the corporate center, research and development, and other business services supporting the operating business segments of the Group.

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

(Amounts in millions unless otherwise stated)

The segment information for the operating segments for the six months ended June 30, 2012 and 2011 are as follows:

Six months ended June 30, 2012	Exploration and Production	Refining and Chemicals	Marketing	Natural Gas and Pipeline	Head Office and Other	Total
	RMB	RMB	RMB	RMB	RMB	RMB
Turnover	392,460	433,149	900,111	98,062	674	1,824,456
Less: intersegment sales	(312,390)	(343,150)	(111,691)	(10,494)	(70)	(777,795)
Turnover from external customers	80,070	89,999	788,420	87,568	604	1,046,661
Depreciation, depletion and amortisation	(50,623)	(8,849)	(4,969)	(8,990)	(615)	(74,046)
Profit/ (loss) from operations	113,792	(28,875)	10,001	1,637	(5,936)	90,619
Finance costs:						
Exchange gain						1,373
Exchange loss						(1,566)
Interest income						992
Interest expense						(8,565)
Total net finance costs						(7,766)
Share of profit of associates and jointly controlled entities	3,146	4	431	86	1,072	4,739
Profit before income tax expense						87,592
Income tax expense						(17,763)
Profit for the period						69,829
Segment assets	983,434	349,459	360,847	379,516	1,472,587	3,545,843
Other assets						1,783
Investments in associates and jointly controlled entities	47,962	819	10,993	2,859	14,143	76,776
Elimination of intersegment balances (a)						(1,572,908)
Total assets						2,051,494
Segment capital expenditure	69,006	9,279	2,495	30,768	130	111,678
Segment liabilities	355,802	144,454	224,540	167,632	642,586	1,535,014
Other liabilities						74,848
Elimination of intersegment balances (a)						(689,510)
Total liabilities						920,352

(Amounts in millions unless otherwise stated)

Six months ended June 30, 2011	Exploration and Production	Refining and Chemicals	Marketing	Natural Gas and Pipeline	Head Office and Other	Total
	RMB	RMB	RMB	RMB	RMB	RMB
Turnover	377,804	420,665	796,945	81,606	556	1,677,576
Less: intersegment sales	(296,993)	(324,333)	(95,887)	(8,084)	(32)	(725,329)
Turnover from external customers	80,811	96,332	701,058	73,522	524	952,247
Depreciation, depletion and amortisation	(41,691)	(12,361)	(4,501)	(7,390)	(559)	(66,502)
Profit/ (loss) from operations	103,684	(20,993)	13,594	10,730	(9,557)	97,458
Finance costs:						
Exchange gain						814
Exchange loss						(1,344)
Interest income						1,195
Interest expense						(5,423)
Total net finance costs						(4,758)
Share of profit of associates and jointly controlled entities	4,089	22	512	7	921	5,551
Profit before income tax expense						98,251
Income tax expense						(24,554)
Profit for the period						73,697
Segment assets	880,690	336,818	304,248	285,714	1,359,414	3,166,884
Other assets						388
Investments in associates and jointly controlled entities	48,842	826	6,934	684	12,127	69,413
Elimination of intersegment balances (a)						(1,427,310)
Total assets						1,809,375
Segment capital expenditure	37,516	10,530	3,923	18,632	467	71,068
Segment liabilities	315,319	141,367	193,056	136,494	525,557	1,311,793
Other liabilities						91,280
Elimination of intersegment balances (a)						(644,183)
Total liabilities						758,890

(Amounts in millions unless otherwise stated)

Geographical information

	Turnover		Non-current assets (b)	
Six months ended June 30,	2012	2011	2012	2011
	RMB	RMB	RMB	RMB
Mainland China	713,942	687,021	1,399,770	1,231,254
Other	332,719	265,226	167,694	141,478
	1,046,661	952,247	1,567,464	1,372,732

(a) Elimination of intersegment balances represents elimination of intersegment accounts and investments.

(b) Non-current assets mainly include non-current assets other than financial instruments and deferred tax assets.

16 CONTINGENT LIABILITIES

(a) Bank and other guarantees

At June 30, 2012, borrowings of associates of RMB 5 (December 31, 2011: RMB 5) from China Petroleum Finance Company Limited ("CP Finance", a subsidiary of CNPC) were guaranteed by the Group. The Group had contingent liabilities in respect of the guarantees from which it is anticipated that no material liabilities will arise.

(b) Environmental liabilities

China has adopted extensive environmental laws and regulations that affect the operation of the oil and gas industry. Under existing legislation, however, management believes that there are no probable liabilities, except for the amounts which have already been reflected in the interim financial statements, which may have a material adverse effect on the financial position of the Group.

(c) Legal contingencies

Notwithstanding certain insignificant lawsuits as well as other proceedings outstanding, management believes that any resulting liabilities will not have a material adverse effect on the financial position of the Group.

(d) Group insurance

The Group has insurance coverage for vehicles and certain assets that are subject to significant operating risks, third-party liability insurance against claims relating to personal injury, property and environmental damages that result from accidents and also employer liabilities insurance. The potential effect on the financial position of the Group of any liabilities resulting from future uninsured incidents cannot be estimated by the Group at present.

(Amounts in millions unless otherwise stated)

17 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 fifty years and usually do not contain renewal options. Future minimum lease payments as of June 30, 2012 and December 31, 2011 under non-cancellable operating leases are as follows:

	June 30, 2012	December 31, 2011
	RMB	RMB
No later than 1 year	6,960	7,072
Later than 1 year and no later than 5 years	18,501	17,466
Later than 5 years	78,445	79,552
	103,906	104,090

(b) Capital commitments

At June 30, 2012, the Group's capital commitments contracted but not provided for mainly relating to property, plant and equipment were RMB 43,574 (December 31, 2011: RMB 49,550).

The operating lease and capital commitments above are transactions mainly with CNPC and its fellow subsidiaries.

(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. No payments were incurred for the six months ended June 30, 2012 (six months ended June 30, 2011: RMB nil).

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

	June 30, 2012
	RMB
2012	1,000
2013	1,000
2014	1,000
2015	1,000
2016	1,000

18 RELATED PARTY TRANSACTIONS

CNPC, the controlling shareholder of the Company, is a state-controlled enterprise directly controlled by the PRC government. The PRC government is the Company's ultimate controlling party.

Related parties include CNPC and its fellow subsidiaries, their associates and jointly controlled entities, other state-owned enterprises and their subsidiaries which the PRC government has control, joint control or significant influence over and enterprises which the Group is able to control, jointly control or exercise significant influence over, key management personnel of the Company and CNPC and their close family members.

(a) Transactions with CNPC and its fellow subsidiaries, associates and jointly controlled entities of the Group

The Group has extensive transactions with other companies in CNPC and its fellow subsidiaries. Due to these relationships, it is possible that the terms of the transactions between the Group and other members of CNPC and its fellow subsidiaries are not the same as those that would result from transactions with other related parties or wholly unrelated parties.

The principal related party transactions with CNPC and its fellow subsidiaries, associates and jointly controlled entities of the Group which were carried out in the ordinary course of business, are as follows:

On August 25, 2011, based on the terms of the Comprehensive Product and Services Agreement amended in 2008, the Company and CNPC entered into a new Comprehensive Products and Services Agreement ("the Comprehensive Products and Services Agreement") for a period of three years which took effect on January 1, 2012. The Comprehensive Products and Services Agreement provides for a range of products and services which may be required and requested by either party. The products and services to be provided by CNPC and its fellow subsidiaries to the Group 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 required and requested by either party are provided in accordance with (1) government-prescribed prices; or (2) where there is no government-prescribed price, with reference to relevant market prices; or (3) where neither (1) nor (2) is applicable, the actual cost incurred or the agreed contractual price.

· Sales of goods represent the sale of crude oil, refined products, chemical products and natural gas, etc. The total amount of these transactions amounted to RMB 36,986 for the six months ended June 30, 2012 (six months ended June 30, 2011: RMB 32,243).

· Sales of services principally represent the provision of services in connection with the transportation of crude oil and natural gas, etc. The total amount of these transactions amounted to RMB 4,631 for the six months ended June 30, 2012 (six months ended June 30, 2011: RMB 4,146).

(Amounts in millions unless otherwise stated)

· Purchases of goods and services principally represent construction and technical services, production services, social services, ancillary services and material supply services, etc. The total amount of these transactions amounted to RMB 125,834 for the six months ended June 30, 2012 (six months ended June 30, 2011: RMB 88,568).

· Purchase of assets principally represent the purchases of manufacturing equipment, office equipment and transportation equipment, etc. The total amount of these transactions amounted to RMB 123 for the six months ended June 30, 2012 (six months ended June 30, 2011: RMB 1,928).

· Amounts due from and to CNPC and its fellow subsidiaries, associates and jointly controlled entities of the Group included in the following accounts captions are summarised as follows:

	June 30, 2012	December 31, 2011
	RMB	RMB
Accounts receivable	12,686	10,750
Prepayments and other receivables	35,876	19,712
Other non-current assets	7,203	5,064
Accounts payable and accrued liabilities	77,985	70,023

· Interest income represents interests from deposits placed with CNPC and its fellow subsidiaries. The total interest income amounted to RMB 214 for the six months ended June 30, 2012 (six months ended June 30, 2011: RMB 231). The balance of deposits at June 30, 2012 was RMB 32,089 (December 31, 2011: RMB 20,103).

· Purchases of financial services principally represents interest charged on the loans from CNPC and its fellow subsidiaries, insurance fees, etc. The total amount of these transactions amounted to RMB 6,215 for the six months ended June 30, 2012 (six months ended June 30, 2011: RMB 2,730).

· The borrowings from CNPC and its fellow subsidiaries at 30 June 2012 were RMB 275,684 (December 31, 2011: RMB 134,161).

On August 25, 2011, based on the Land Use Rights Leasing Contract signed in 2000, the Company and CNPC entered into a Supplemental Land Use Rights Leasing Contract which took effect on January 1, 2012. The Supplemental Land Use Rights Leasing Contract provides for the lease of land covering an aggregate area of approximately 1,783 million square meters located throughout the PRC at a maximum annual fee of RMB 3,892. The Supplemental Land Use Rights Leasing Contract will expire at the same time as the Land Use Rights Leasing Contract. The area and total fee payable for the lease of all such property may, after three years, be adjusted with the Company's operating needs and by reference to market price.

(Amounts in millions unless otherwise stated)

On August 25, 2011, based on the Buildings Leasing Contract and Supplemental Building Leasing Agreement, the Company and CNPC entered into a Revised Buildings Leasing Contract which took effective thereafter. Under this contract, buildings covering an aggregate area of 734,316 square meters were leased at an average annual fee of RMB 1,049 yuan per square meter. The Revised Building Leasing Contract will expire at the same time as the Building Leasing Agreement. The area and total fee payable for the lease of all such property may, after three years, be adjusted with the Company's operating needs and by reference to market price which the adjusted prices will not exceed.

(b) Key management compensation

	Six months ended June 30	
	2012	2011
	RMB'000	RMB'000
Emoluments and other benefits	5,578	4,825
Contribution to retirement benefit scheme	375	329
	5,953	5,154

(c) Transactions with other state-controlled entities in the PRC

Apart from transactions with CNPC and its fellow subsidiaries, associates and jointly controlled entities of the Group, the Group has transactions with other state-controlled entities include but not limited to the following:

- Sales and purchases of goods and services,
- Purchases of assets,
- Lease of assets; and
- Bank deposits and borrowings

These transactions are conducted in the ordinary course of the Group's business.

DOCUMENTS AVAILABLE FOR INSPECTION

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

1. The original of the interim report for 2012 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 copies of the documents and announcements of the Company published in the newspaper designated by the China Securities Regulatory Commission during the reporting period.

4. The Articles of Association of the Company.

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 Directors and senior management of PetroChina Company Limited, we have carefully reviewed the interim report for 2012 and concluded that this interim report truly, objectively and completely represents the business performance of the Company in the first half of 2012, 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:

Jiang Jiemin	Zhou Jiping	Li Xinhua	Liao Yongyuan	Wang Guoliang
Wang Dongjin	Yu Baocai	Ran Xinquan	Liu Hongru	Franco Bernabè
Li Yongwu	Cui Junhui	Chen Zhiwu	Sun Longde	Liu Hongbin
Zhou Mingchun	Li Hualin	Zhao Zhengzhang	Bo Qiliang	Sun Bo
Huang Weihe	Xu Fugui	Lin Aiguo	Wang Daofu	

August 23, 2012

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

PetroChina

Designer: Petroleum Colour Image Center 010–80427356 64435201

This report is printed on recycled paper
made in the People's Republic of China.