2019 INTERIM REPORT

PETROCHINA COMPANY LIMITED

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

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

2019

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 to future events and are not a guarantee for future performance, nor do these statements constitute substantial undertakings to investors by the Group. Actual results may differ from the information contained in the forward-looking statements. Investors shall be aware of the risks relating to investments.

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IMPORTANT NOTICE

The board of directors (the "Board" or "Board of Directors"), supervisory committee ("Supervisory Committee") and all directors ("Directors"), supervisors ("Supervisors") and senior management ("Senior Management") of PetroChina Company Limited (the "Company") warrant the truthfulness, accuracy and completeness of the information contained in this interim report and that there are no material omissions from, misrepresentation or misleading statements contained in the interim report, and severally and jointly accept full responsibility hereof. No substantial shareholder of the Company has obtained any funds from the Company from non-operating activities. This interim report was approved at the fourth meeting of the Board in 2019. Mr. Zhang Wei, Vice Chairman and a non-executive Director, and Mr. Duan Liangwei, a non-executive Director, were absent from the fourth meeting of the Board of Directors in 2019 due to certain reasons, but had respectively authorised Mr. Liu Yuezhen, a non-executive Director and Mr. Hou Qijun, an executive Director and President in writing to attend the meeting by proxy and to exercise his voting rights on his behalf. Mr. Wang Yilin, Chairman of the Board, Mr. Hou Qijun, Director and President, and Mr. Chai Shouping, Chief Financial Officer, warrant the truthfulness, accuracy and completeness of the financial statements included in this 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.

In overall consideration of the good fundamentals of the Company's development, financial condition and cash flow, to improve returns for the shareholders, the Board has resolved to declare a special interim dividend of RMB0.00777 yuan per share (inclusive of applicable tax) for 2019 in addition to an interim dividend of RMB0.06988 yuan per share (inclusive of applicable tax) based on the dividend distribution of 45% of net profit attributable to owners of the Company under IFRS, namely, to declare and pay to all shareholders of the Company an interim dividend of RMB0.07765 yuan per share (inclusive of applicable tax) for the six months ended June 30, 2019 on the basis of a total of 183,020,977,818 shares of the Company as at June 30, 2019. The total amount of the interim dividends payable is RMB14,212 million.

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 (the Chinese name has been changed from 中國石油天然氣集團公司 to 中國石油天然氣集團有限公司 , the abbreviation of which is "CNPC" before and after the change of name).

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 principally engages in, among others, the exploration, development, production and sales of crude oil and natural gas; the refining of crude oil and petroleum products; the production and sales of basic and derivative chemical products and other chemical products; the marketing 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, The Stock Exchange of Hong Kong Limited (the "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:	Wang Yilin
Secretary to the Board:	Wu Enlai
Address:	No. 9 Dongzhimen North Street Dongcheng District Beijing, PRC
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Representative on Securities Matters:	Liang Gang
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Address:	Suite 3705, Tower 2, Lippo Centre 89 Queensway, Hong Kong
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Email Address:	hko@petrochina.com.hk
Legal Address of the Company:	World Tower,16 Andelu Dongcheng District Beijing, PRC
Postal Code:	100011
Office Address of the Company:	No. 9 Dongzhimen North Street Dongcheng District Beijing, PRC
Postal Code:	100007
Website:	http://www.petrochina.com.cn
Company's Email Address:	zxy@petrochina.com.cn

Newspapers for information disclosure:
A shares: China Securities Journal, Shanghai Securities News and Securities Times
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:	PetroChina
Stock Code:	601857
H shares:	Hong Kong Stock Exchange
Stock Name:	PETROCHINA
Stock Code:	857
ADSs:	The New York Stock Exchange
Symbol:	PTR

Other Related Information:

Auditors of the Company:	
Domestic Auditors:	KPMG Huazhen LLP
Address:	8th Floor, KPMG Tower, Oriental Plaza, 1 East Chang'an Avenue, Dongcheng District, Beijing, PRC
Overseas Auditors:	KPMG Certified Public Accountants
Address:	8th Floor, Prince's Building, 10 Chater Road 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	2,637,490	2,440,877	8.1
Equity attributable to owners of the Company	1,226,684	1,213,783	1.1
Items	The reporting period	Same period of the preceding year	Changes over the same period of the preceding year (%)
Revenue	1,196,259	1,119,637	6.8
Net profit attributable to owners of the Company	28,423	27,441	3.6
Net cash flows from operating activities	134,425	147,867	(9.1)
Basic earnings per share (RMB Yuan)	0.155	0.150	3.6
Diluted earnings per share (RMB Yuan)	0.155	0.150	3.6
Return on net assets (%)	2.32	2.26	0.06 percentage point

Note: In the first half of 2019, due to the implementation of the new leasing standards, and the acquisition of the equity of Dalian West Pacific Petrochemical Co., Ltd. consolidated for accounting treatment under the same control, the relevant indicators of the beginning of the year and the same period of the previous year were retrospectively adjusted by the Group.

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	2,637,779	2,441,169	8.1
Equity attributable to equity holders of the Company	1,226,965	1,214,067	1.1
Items	**The reporting period**	**Same period of the preceding year**	**Changes over the same period of the preceding year (%)**
Operating income	1,196,259	1,119,637	6.8
Net profit attributable to equity holders of the Company	28,420	27,439	3.6
Net profit after deducting non-recurring profit items attributable to equity holders of the Company	30,386	30,580	(0.6)
Basic earnings per share (RMB Yuan)	0.155	0.150	3.6
Diluted earnings per share (RMB Yuan)	0.155	0.150	3.6
Weighted average return on net assets (%)	2.33	2.28	0.05 percentage point
Net cash flows from operating activities	134,425	147,867	(9.1)

3. Non-recurring Profit/Loss Items

Unit: RMB million

Non-recurring profit/loss items	For the six months ended June 30, 2019
Net losses on disposal of non-current assets	(1,446)
Government grants recognised in the income statement	483
Reversal of provisions for bad debts against receivables	292
Net profit or loss arising from disposal of the subsidiary	125
Other non-operating income and expenses	(2,034)
Sub-total	(2,580)
Tax impact of non-recurring profit/loss items	600
Impact of non-controlling interests	14
Total	(1,966)

4. Significant Differences between CAS and IFRS

The consolidated net profit of the Group under IFRS and CAS were RMB39,138 million and RMB39,135 million, respectively, with a difference of RMB3 million. The consolidated shareholders' equity under IFRS and CAS were RMB1,425,835 million and RMB1,426,117 million, respectively, with a difference of RMB282 million. These differences under the different accounting standards were primarily due to the revaluation for 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. 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 or structure of shares of the Company arising from bonus issues or placings or otherwise.

2. Shareholdings of Substantial Shareholders

The total number of shareholders of the Company as at June 30, 2019 was 576,319, including 569,845 holders of A shares and 6,474 holders of H shares (including 162 holders of 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	147,597,442,436 (1)	80.65	-413,223,100	0	0
HKSCC Nominees Limited (2)	Overseas legal person	20,884,116,178 (3)	11.41	2,110,316	0	0
CNPC-CSC-17 CNPC E2 Pledge and Trust Special Account	State-owned legal person	3,819,987,625	2.09	-12,375	0	3,819,987,625
CNPC-CSC-17 CNPC EB Pledge and Trust Special Account	State-owned legal person	2,051,488,603	1.12	0	0	2,051,488,603
China Securities Finance Corporation Limited	State-owned legal person	1,139,138,704	0.62	0	0	0
Beijing Chengtong Financial Holding Investment Co., Ltd.	State-owned legal person	829,766,176	0.45	-142,996,470	0	0
Guoxin Investment Co., Ltd.	State-owned legal person	797,794,036	0.44	0	0	0
China Baowu Steel Group Corporation Limited	State-owned legal person	624,000,000	0.34	0	0	0
Ansteel Group Corporation	State-owned legal person	440,000,000	0.24	0	0	0
Hong Kong Securities Clearing Company Limited (4)	Overseas legal person	235,245,632	0.13	12,459,974	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. On May 10, 2019, CNPC exchanged 413,223,100 shares held by it in the Company for units of corresponding market value in ICBC Credit Suisse CSI 300 ETC Securities Investment Fund. After the completion of the exchange, CNPC holds 147,597,442,436 A shares, representing 80.65% of the total share capital of the Company. The details are set out in the announcements of the Company published on the websites of the Shanghai Stock Exchange (No. Lin 2019-016) and the Hong Kong Stock Exchange on May 17, 2019.

(2) HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited and acts as the nominee on behalf of other corporate or individual shareholders to hold the H shares of the Company.

(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.

(4) Hong Kong Securities Clearing Company Limited is a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited and acts as the nominee on behalf of investors of Hong Kong Stock Exchange to hold the A shares of the Company listed on Shanghai Stock Exchange.

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

Unit: Shares

Ranking	Name of shareholders	Number of shares held	Type of shares
1	CNPC	147,597,442,436 (1)	A shares
2	HKSCC Nominees Limited	20,884,116,178	H shares
3	CNPC-CSC-17 CNPC E2 Pledge and Trust Special Account	3,819,987,625	A shares
4	CNPC-CSC-17 CNPC EB Pledge and Trust Special Account	2,051,488,603	A shares
5	China Securities Finance Corporation Limited	1,139,138,704	A shares
6	Beijing Chengtong Financial Holding Investment Co., Ltd.	829,766,176	A shares
7	Guoxin Investment Co., Ltd.	797,794,036	A shares
8	China Baowu Steel Group Corporation Limited	624,000,000	A shares
9	Ansteel Group Corporation	440,000,000	A shares
10	Hong Kong Securities Clearing Company Limited	235,245,632	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.

Statement on related parties or parties acting in concert among the above-mentioned shareholders: Except for the fact that HKSCC Nominees Limited and Hong Kong Securities Clearing Company Limited are subsidiaries of Hong Kong Exchanges and Clearing Limited, the Company is not aware of any connection among or between the above top ten shareholders or that they are parties acting in concert as provided for in the Measures for the Administration of Acquisitions by Listed Companies.

(3) Disclosure of substantial shareholders under the Securities and Futures Ordinance of Hong Kong

As at June 30, 2019, so far as the Directors are aware, the persons other than a Director, Supervisor or Senior Management of the Company who had 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 were 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	147,597,442,436 (L)	Beneficial Owner	91.15	80.65
	H Shares	291,518,000 (L)[1]	Interest of Corporation Controlled by the Substantial Shareholder	1.38	0.16
BlackRock, Inc. [2]	H Shares	1,900,571,466 (L)	Interest of Corporation Controlled by the Substantial Shareholder	9.01	1.04
The Bank of New York Mellon Corporation [3]	H Shares	1,130,224,788 (L)	Interest of Corporation Controlled by the Substantial Shareholder / Approved Lending Agent	5.36	0.62
		808,462,500 (S)		3.83	0.44
		271,211,324 (LP)		1.29	0.15
Citigroup Inc.[4]	H Shares	1,101,430,221 (L)	Person having a security interest in shares/Interest of Corporation Controlled by the Substantial Shareholder/ Approved Lending Agent	5.22	0.60
		50,906,550 (S)		0.24	0.03
		934,405,871 (LP)		4.42	0.51

(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) BlackRock, Inc., through various subsidiaries, had an interest in the H shares of the Company, of which 1,900,571,466 H shares (long position) were held in the capacity as interest of corporation controlled by the substantial shareholder.

(3) The Bank of New York Mellon Corporation, through its wholly-owned subsidiary, the Bank of New York Mellon, had an interest in the H shares of the Company, of which 1,130,224,788 H shares (long position) and 808,462,500 H shares (short position) were held in the capacity of corporation controlled by the substantial shareholder, and 271,211,324 H shares were held in the capacity of approved lending agent.

(4) Citigroup Inc., through various subsidiaries, had an interest in the H shares of the Company, of which 28,424,457 H shares (long position) were held in its capacity as person having a security interest in shares; 138,599,893 H shares (long position) and 50,906,550 H shares (short position) were held in its capacity as interest in corporation controlled by the substantial shareholder, and 934,405,871 H shares (long position) were held in its capacity as approved lending agent.

As at June 30, 2019, so far as the Directors are aware, save for disclosed above, no person (other than a Director, Supervisor or Senior Management of the Company) had 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 De Facto Controller

There was no change in the controlling shareholder or the de facto controller of the Company during the reporting period.

DIRECTORS' REPORT

The Board is pleased to present its directors' report:

1. Review of Results of Operations

In the first half of 2019, the global economy growth slowed down. The economy of China remained generally stable with good momentum for growth, and the main macroeconomic indicators remained within a reasonable range. China's GDP increased by 6.3% as compared with the same period of last year. However, the challenges and risks from both home and abroad increased significantly. The fundamental supply and demand in the global oil market were slightly loose. The average international crude oil prices decreased as compared with the same period of last year.

Facing the severe environment of the downward pressure on international and domestic economies, the wide fluctuation of international oil prices, and the increasingly fierce domestic refined oil market competition, the Group pursued to its guidelines of steady development, focused on quality-based business and efficient growth, increased domestic exploration and development, actively expanded international oil and gas cooperation, highlighted market orientation, optimized production and operation organizations, and implemented in-depth measures for broadening sources of income and reducing expenditure as well as cutting costs and enhancing efficiency. As a result, the Group maintained a smooth operation of dual business lines of oil and gas, steadily increased operating results, stabilized financial position, and kept free cash flow positively.

(1) Market Review

- Crude Oil Market

In the first half of 2019, affected by comprehensive impact including fundamentals of crude oil supply and demand globally, geopolitical factors and trading environment, the international oil price declined after its increase in the beginning of the year. The average spot price for North Sea Brent crude oil was US$ 65.95 per barrel, representing an decrease of 6.6% as compared with the same period of last year, and the average spot price for West Texas Intermediate ("WTI") crude oil was US$57.42 per barrel, representing an decrease of 12.4% as compared with the same period of last year.

According to data from the National Development and Reform Commission ("NDRC"), the domestic output of crude oil in the first half of 2019 was 95.04 million tons, representing an increase of 0.8% as compared with the same period of last year.

- Refined Products Market

In the first half of 2019, the growth rate of domestic market demand for refined products recorded a significant decrease, with an increasing access of supply and a loose supply and demand balance. The export volume of refined oil has risen sharply. According to NDRC data, in the first half of 2019, the quantity of processed crude oil amounted to 293.35 million tons, representing a decrease of 0.2% as compared with the same period of last year, and the output of refined products amounted to 184.25 million tons, representing an increase of 0.5% as compared with the same period of last year. The consumption of refined products amounted to 159.43 million tons, representing an increase of 0.9% as compared with the same period of last year, among which, the consumption of gasoline increased by 5.3% and the consumption of diesel decreased by 3.9%. In the first half of 2019, the PRC government made 12 adjustments to the prices of domestic gasoline and diesel products, and the prices of reference gasoline and diesel products increased, in aggregate, by RMB285 yuan per ton and RMB295 yuan per ton, respectively. The price trend of domestic refined products was broadly in line with that of crude oil prices in the international markets.

- Chemical Products Market

In the first half of 2019, affected by factors such as macroeconomics, supply and demand, geopolitics, the domestic chemical products market fluctuated downwards. From the beginning of the year to mid-June, the prices of most chemical products have fallen to the lowest level in the past five years except for synthetic rubber and acrylic fibers. With the easing of trading environment in late June, prices of most chemical products have stabilized from decreasing and the prices of some varieties rebounded slightly.

- Natural Gas Market

In the first half of 2019, affected by factors such as the continued promotion of environmental protection policies, the domestic consumption for natural gas continued to increase relatively fast, however, the growth rate of demand dropped obviously. The domestic output of natural gas increased obviously and the import of natural gas continued to increase rapidly. According to NDRC data, in the first half of 2019, the domestic apparent consumption of natural gas amounted to 149.3 billion cubic metres, representing an increase of 10.8% as compared with the same period of last year. The domestic natural gas output amounted to 86.1 billion cubic metres, representing an increase of 10.5% as compared with the same period of last year. The imports of natural gas amounted to 64.8 billion cubic metres, representing an increase of 11.0% as compared with the same period of last year.

(2) Business Review

- Exploration and Production

Domestic Exploration Operations

In the first half of 2019, the Group deployed and implemented accelerated exploration and development programs, increased investment in risk exploration of new areas and important regions, and strengthened concentrated and fine exploration, in particular, major breakthroughs were achieved in the area of Junggar, Erdos, Tarim, Sichuan Basin and shale gas. Gao 1 exploration well in Junggar Basin test daily oil and gas production create a new record for single-well daily production of domestic onshore clastic rock, and important findings were obtained during the bedrock exploration in central paleuplift in northern Songliao Basin.

Domestic Development and Production Operations

In the first half of 2019, the Group made every effort to focus on the improvement of production output of key areas and fields such as Southwest Shale Gas, Xinjiang Mahu and Jimsar, Dagang Oilfield, etc., and vigorously implemented the control of decline rate of old oilfields and enhanced oil recovery projects to ensure that the output of crude oil has risen steadily and that of natural gas has increased rapidly. In the first half of 2019, the crude oil output from domestic operations amounted to 369.8 million barrels, representing an increase of 1.6% as compared with the same period of last year. The marketable natural gas output from domestic operations amounted to 1,825.1 billion cubic feet, representing an increase of 10.7% as compared with the same period of last year. The oil and natural gas equivalent output from domestic operations amounted to 674.1 million

barrels, representing an increase of 5.5% as compared with the same period of last year.

Overseas Oil and Gas Operations

In the first half of 2019, the Group's overseas oil and gas business accelerated the deployment of independent exploration projects, and breakthroughs were achieved in the risk exploration of the Doseo Basin and the Bongor Basin in Chad. The reserves of mature exploration areas such as the Kazakhstan PK project continued to grow. The Group optimized the development strategy, and improved the contribution of new wells and the operation of the measures. Key projects such as phase 2.2 of the Chad project and the phase 3 of the Iraqi Halfaya project were successfully put into operation. In the first half of 2019, the oil and natural gas equivalent output from overseas operations amounted to 105.3 million barrels, representing an increase of 8.1% as compared with the same period of last year and accounting for 13.5% of the total oil and natural gas equivalent output of the Group.

In the first half of 2019, the Group recorded the crude oil output of 451.9 million barrels, representing an increase of 3.2% as compared with the same period of last year, the marketable natural gas output of 1,964.3 billion cubic feet, representing an increase of 9.7% as compared with the same period of last year, and the oil and natural gas equivalent output of 779.4 million barrels, representing an increase of 5.9% as compared with the same period of last year.

Summary of Operations of the Exploration and Production Segment

	Unit	First half of 2019	First half of 2018	Changes (%)
Crude oil output	Million barrels	451.9	437.7	3.2
Of which: Domestic	Million barrels	369.8	363.9	1.6
Overseas	Million barrels	82.1	73.8	11.3
Marketable natural gas output	Billion cubic feet	1,964.3	1,791.1	9.7
Of which: Domestic	Billion cubic feet	1,825.1	1,649.4	10.7
Overseas	Billion cubic feet	139.2	141.7	(1.8)
Oil and natural gas equivalent output	Million barrels	779.4	736.3	5.9
Of which: Domestic	Million barrels	674.1	638.9	5.5
Overseas	Million barrels	105.3	97.4	8.1

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

In the first half of 2019, the Group's refining and chemicals business focused on controlling the volume of refined oil products and increasing the production of chemicals according to market changes and accelerated the transformation and upgrading. The Group optimized the flow of resources, promoted the allocation of resources to high-efficiency devices, fully utilized light hydrocarbons in oil fields and liquefied gases in full, and increased the mutual supply of ethylene raw materials in refineries. The Group adjusted the structure of products and the yield ratio of refined oil products was reduced. The output of chemical products was 12.642 million tons, representing an increase of 5.2% over the same period of last year. The output of ethylene increased by 11.8% over the same period of last year. The output of synthetic resin and synthetic rubber increased by 8.8% and 10.4%, respectively, over the same period of last year; the marketing of chemical products was reinforced. In the first half of 2019, the Group processed 597.4 million barrels of crude oil, representing an increase of 3.1% as compared with the same period of last year, and produced 56.716 million tons of refined products, representing an increase of 4.3% as compared with the same period of last year.

In the first half of 2019, the refinery transformation project of Huabei Petrochemical was put into operation. The integration project of refining and chemicals of Guangdong Petrochemical as well as the Tarim ethane to ethylene project were carried out as scheduled.

Summary of Operations of the Refining and Chemicals Segment

	Unit	First half of 2019	First half of 2018	Changes (%)
Processed crude oil	Million barrels	597.4	579.6	3.1
Gasoline, kerosene and diesel output	'000 ton	56,716	54,384	4.3
Of which: Gasoline	'000 ton	24,588	22,107	11.2
Kerosene	'000 ton	6,038	5,363	12.6
Diesel	'000 ton	26,090	26,914	(3.1)
Refining yield	%	93.26	93.72	(0.46 percentage point)
Ethylene	'000 ton	2,983	2,669	11.8
Synthetic resin	'000 ton	4,845	4,454	8.8
Synthetic fibre raw materials and polymers	'000 ton	674	672	0.3
Synthetic rubber	'000 ton	467	423	10.4
Urea	'000 ton	459	509	(9.8)

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

- Marketing

Domestic Operations

In the first half of 2019, the Group's sales business actively responded to the severe situation of sluggish market consumption, severe resource surplus, falling demand for gasoline and diesel, and fierce market competition, strengthened market analysis and research, closely linked production with sales, and strictly controlled the scale of external purchase, so as to ensure smooth operation of crude oil industry. The Group flexibly adjusted marketing strategies, strengthened fine marketing and precise marketing, implemented differentiated marketing strategies, and actively expanded market share.

International Trading Operations

In the first half of 2019, the Group's international trading business continued to promote service enhancement, market development and network layout, and strived to optimize resource allocation, innovate business development models, and continuously enhance value creation capabilities.

The Group sold a total of 89.912 million tons of gasoline, kerosene and diesel in the first half of 2019, representing a decrease of 1.1% as compared with the same period of last year.

- Natural Gas and Pipeline

In the first half of 2019, the Group's natural gas business continued to optimize its resource portfolio, giving priority to ensuring full production and sales of domestically produced gas, coordinating overall pipeline gas and LNG imports, to ensure stable supply of the domestic market and smooth operation of the industrial chain. The Group comprehensively promoted the "labelling" of resources and differentiated marketing, adjusted the structure, increased direct supply, strengthened terminals, and enhanced efforts on online trading.

In the first half of 2019, the Group fully implemented upgrade of pipeline safety management, and the oil and gas pipeline network generally operated smoothly. Key projects were promoted in an orderly manner. The northern part of China-Russia East Pipeline reached the final stage of the project and the middle part was officially started. The Fujian-Guangdong main branch and its interconnection project, and the LNG projects in Shenzhen, Tangshan and Jiangsu were implemented as scheduled.

2. Management Discussion and Analysis

(1) The financial data set out below is extracted from the Group's interim condensed consolidated financial statements prepared under IFRS

- Consolidated Operating Results

In the first half of 2019, the Group achieved a revenue of RMB1,196,259 million, representing an increase of 6.8% as compared with the same period of last year. Net profit attributable to owners of the Company was RMB28,423 million, representing an increase of 3.6% as compared with the same period of last year. Basic earnings per share were RMB0.155 yuan, representing an increase of RMB0.005 yuan as compared with the same period of last year.

Revenue Revenue increased by 6.8% to RMB1,196,259 million for the first half of 2019 from RMB1,119,637 million for the first half of 2018. This was primarily due to the combined impact of the rise in the sales volume of crude oil and natural gas as well as changes to the prices of crude oil, natural gas and refined oil. The table below sets out the external sales volume and average realised prices of the major products sold by the Group in the first half of 2019 and 2018 and their respective percentages of change during these periods:

	Sales Volume ('000 ton)			Average Realised Price (RMB/ton)		
	First half of 2019	First half of 2018	Percentage of change (%)	First half of 2019	First half of 2018	Percentage of change (%)
Crude oil*	65,395	51,231	27.6	3,170	2,997	5.8
Natural gas (100 million cubic metres, RMB/'000 cubic metres)**	1,252.67	1,013.95	23.5	1,391	1,407	(1.1)
Gasoline	36,496	37,489	(2.6)	6,594	6,574	0.3
Diesel	43,285	43,962	(1.5)	5,216	5,189	0.5
Kerosene	10,131	9,423	7.5	4,254	4,238	0.4
Heavy oil	9,467	10,058	(5.9)	3,122	3,026	3.2
Polyethylene	2,485	2,218	12.0	7,836	8,880	(11.8)
Lubricant	571	676	(15.5)	8,299	7,918	4.8

* The crude oil listed above represents all the external sales volume of crude oil of the Group. The sales volume of crude oil increased as compared with the same period of last year, primarily due to the increase in the international trading volume of crude oil.

** The sales volume of natural gas increased, and the average realized price decreased as compared with the same period of last year mainly due to the increase in the volume of international trade and the decline in prices.

Operating Expenses Operating expenses increased by 7.0% to RMB1,125,596 million for the first half of 2019 from RMB1,052,263 million for the first half of 2018, of which:

Purchases, Services and Other Purchases, services and other increased by 9.6% to RMB796,103 million for the first half of 2019 from RMB726,062 million for the first half of 2018. This was primarily due to increases in the Group's purchase costs of oil and gas products and trading expenditure.

Employee Compensation Costs Employee compensation costs (including wages, various types of insurance, housing provident fund, training costs and other relevant additional costs) for the first half of 2019 were RMB65,028 million, representing an increase of 11.3% from RMB58,443 million for the first half of 2018. This was primarily due to the increase arising from salaries during this reporting period adjusted by the Company's performance for the last year and the increase of base of social security contributions.

Exploration Expenses Exploration expenses increased by 14.0% to RMB12,267 million for the first half of 2019 from RMB10,759 million for the first half of 2018. This was primarily due to the fact that the Group enhanced its efforts in exploration and endeavour to increase reserve and production output.

Depreciation, Depletion and Amortisation Depreciation, depletion and amortisation decreased by 5.2% to RMB108,607 million for the first half of 2019 from RMB114,579 million for the first half of 2018. This was primarily due to the Group's efforts optimizing asset structure, solidifying asset quality, increasing volume of oil and gas reserves and performing the new leasing standards.

Selling, General and Administrative Expenses Selling, general and administrative expenses decreased by 11.8% to RMB32,695 million for the first half of 2019 from RMB37,071 million for the first half of 2018. This was primarily due to the Group's continuous implementation of measures such as increasing sources of income and reducing expense, cutting costs and enhancing efficiency, exerting a stringent control over non-production costs and expenses, and the leasing expenses decreased as compared with the same period of last year for carrying out the new leasing standard.

Taxes other than Income Taxes Taxes other than income taxes increased by 6.8% to RMB113,088 million for the first half of 2019 from RMB105,903 million for the first half of 2018, of which the consumption tax increased by RMB7,180 million from RMB73,957 million for the first half of 2018 to RMB81,137 million for the first half of 2019; the resource tax increased by RMB931 million from RMB11,157 million for the first half of 2018 to RMB12,088 million for the first half of 2019; the crude oil special gain levy decreased by RMB379 million from RMB1,178 million for the first half of 2018 to RMB799 million for the first half of 2019.

Other Income, Net Other income, net of the Group for the first half of 2019 was RMB2,192 million, representing an increase of RMB1,638 million from RMB554 million for the first half of 2018. This was primarily due to the increase in the confirmed VAT refund of imported natural gas during the reporting period.

Profit from Operations Profit from operations was RMB70,663 million for the first half of 2019, representing an increase of 4.9% from RMB67,374 million for the first half of 2018.

Net Exchange (Loss)/Gain Net exchange loss of the Group for the first half of 2019 was RMB290 million while net exchange gain for the first half of 2018 was RMB349 million. This was mainly due to the change of average exchange rate of US dollar against Renminbi.

Net Interest Expense Net interest expense increased by 34.9% to RMB13,304 million for the first half of 2019 from RMB9,863 million for the first half of 2018. This was mainly due to the recognition of lease liabilities in accordance with the new leasing standard and accrued interest charges.

Profit before Income Tax Expense Profit before income tax expense was RMB61,776 million for the first half of 2019, representing an increase of 0.1% from RMB61,684 million for the first half of 2018.

Income Tax Expense Income tax expense decreased by 1.9% to RMB22,638 million for the first half of 2019 from RMB23,067 million for the first half of 2018. This was primarily due to changes of profit structure of the Group's subsidiaries.

Profit for the period Profit amounted to RMB39,138 million for the first half of 2019, representing an increase of 1.3% from RMB38,617 million for the first half of 2018.

Profit attributable to non-controlling interests Profit attributable to non-controlling interests was RMB10,715 million for the first half of 2019, representing a decrease of 4.1% from RMB11,176 million for the first half of 2018. This was primarily due to the decrease in the profit of certain subsidiaries of the Group.

Profit attributable to owners of the Company Profit attributable to owners of the Company amounted to RMB28,423 million for the first half of 2019, representing an increase of 3.6% from RMB27,441 million for the first half of 2018.

- Segment Results

Exploration and Production

Revenue The revenue of the Exploration and Production segment for the first half of 2019 was RMB326,339 million, representing an increase of 9.7% from RMB297,364 million for the first half of 2018. This was primarily due to the increase in the sales volume and prices of oil and gas products such as crude oil and natural gas. For the first half of 2019, the oil imported from Russia and Kazakhstan by the Group amounted to 19.85 million tons, representing an increase of 18.6% from 16.73 million tons for the first half of 2018. The revenue from the sales of imported oil from Russia and Kazakhstan was RMB65,813 million for the first half of 2019, representing an increase of 21.5% from RMB54,184 million for the first half of 2018. The average realised crude oil price in the first half of 2019 was US$62.85 per barrel, representing a decrease of 4.5% from US$65.81 per barrel for the first half of 2018, and the average realised crude oil price increased by 1.6% as compared to the same period of last year after excluding the effects of exchange rates.

Operating Expenses Operating expenses of the Exploration and Production segment increased by 2.0% to RMB272,711 million for the first half of 2019 from RMB267,475 million for the first half of 2018. This was primarily due to the increase in the purchase costs for importing crude oil and in the exploration cost as the Group increased the efforts in exploration. The cost from importing oil from Russia and Kazakhstan was RMB64,523 million for the first half of 2019, representing an increase of 21.6% from RMB53,065 million for the first half of 2018.

The Group continued to tighten cost controls. In the first half of 2019, the oil and gas lifting cost was US$11.21 per barrel, representing a decrease of 2.4% or US$0.28 per barrel from US$11.49 per barrel for the same period of last year.

Profit from Operations In the first half of 2019, the Group's domestic Exploration and Production segment continued to deepen the reform, adhered to increasing effective reserves, construction and production, actively explored internal and external markets to increase revenue and achieve efficiency, low-cost development, strengthened investment control, further deepened fine management of costs, continued to improve the business situation, maintain the profit position; with regard to overseas business, the Group reinforced the promotion of sales volume and price, strengthened the whole process cost control, optimized inventory management, accurately judged and responded to various production and operation risks, and guaranteed substantial increase in operating efficiency. In the first half of 2019, the Exploration and Production segment achieved an operating profit of RMB53,628 million, representing an increase of RMB23,739 million or 79.4% in operating profit as compared with RMB29,889 million for the first half of 2018.

Refining and Chemicals

Revenue The revenue of the Refining and Chemicals segment for the first half of 2019 was RMB440,451 million, representing an increase of 3.3% from RMB426,351 million for the first half of 2018. This was primarily due to the combined effects of changes to the prices and sales volumes of refining and chemical products, especially gasoline, diesel and kerosene, and the Company's promotion of marketization of internal prices.

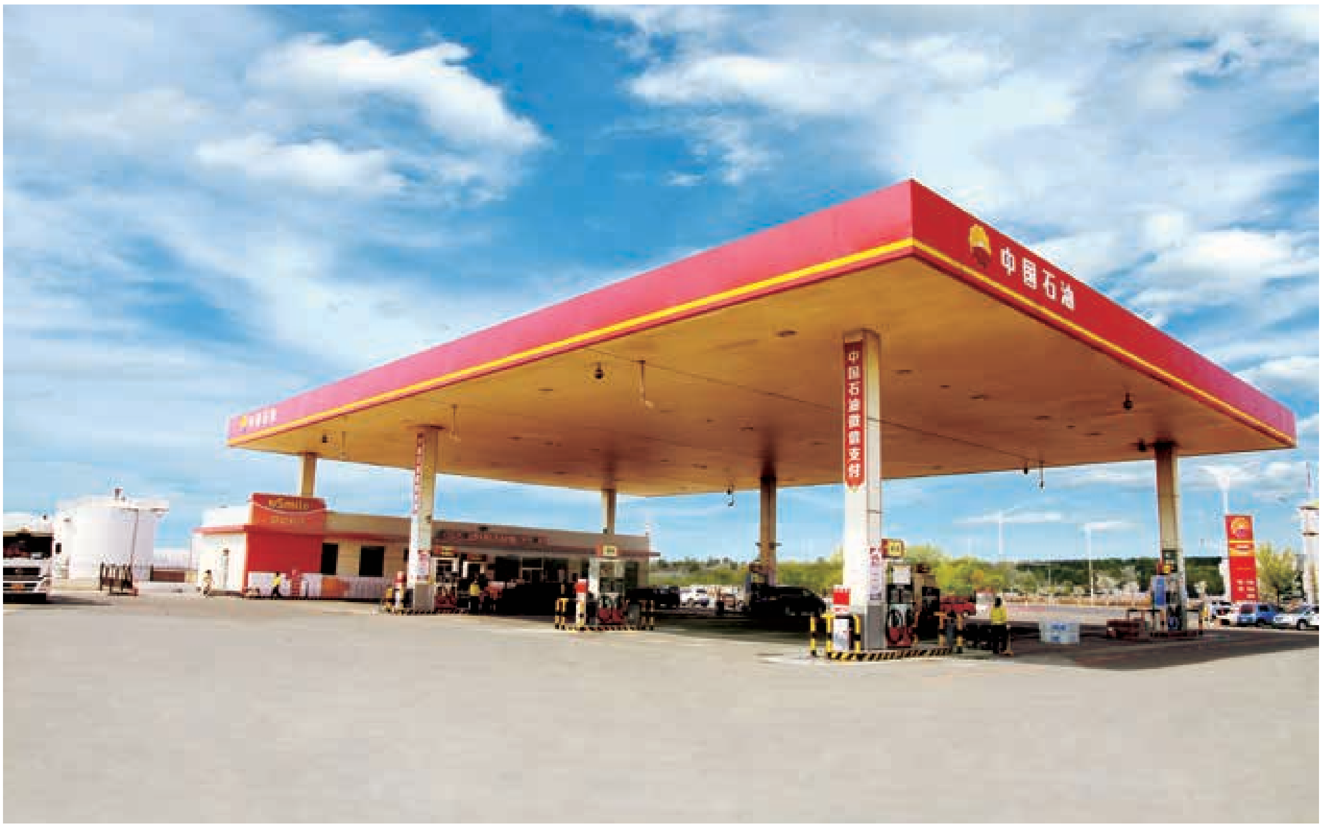
Operating Expenses Operating expenses of the Refining and Chemicals segment increased by 8.4% to RMB435,484 million for the first half of 2019 from RMB401,660 million for the first half of 2018. This was primarily due to the increase in the costs of crude oil, raw material oil, auxiliary materials and power.

In the first half of 2019, the cash processing cost of refineries was RMB163.47 yuan per ton, representing an increase of 3.4% as compared with RMB158.14 yuan per ton for the same period of last year. This was primarily due to the increase in expenses such as power cost.

Profit from Operations In the first half of 2019, the Refining and Chemicals segment actively responded to market changes, continued to optimize production operations, comprehensively broadening sources of income and reducing expenditure as well as cutting costs and enhancing efficiency, deepened benchmarking management, and further improved most technical and economic indicators. In the first half of 2019, affected by the overcapacity of domestic refining and chemicals industry, narrowing of the gross profit margin as well as the decline in prices of chemicals, the Refining and Chemicals segment achieved a profit from operations of RMB4,967 million, representing a decrease of RMB19,724 million as compared with RMB24,691 million for the first half of 2018. Among them, the refining operations generated an operating profit of RMB1,377 million, representing a decrease of 92.5% as compared with RMB18,393 million for the same period of last year; the chemical operations generated an operating profit of RMB3,590 million, representing a decrease of 43.0% as compared with RMB6,298 million for the same period of last year.

Marketing

Revenue The revenue of the Marketing segment for the first half of 2019 was RMB1,024,738 million, representing an increase of 10.2% as compared with RMB929,735 million for the first half of 2018, which was primarily due to the increase in the price and sales volume of refined oil in international trading.



Operating Expenses Operating expenses of the Marketing segment increased by 10.5% to RMB1,022,841 million for the first half of 2019 from RMB925,250 million for the first half of 2018. This was primarily due to an increase in the expenses relating to the purchase of refined products from external suppliers.

Profit from Operations In the first half of 2019, the domestic business of the Marketing segment maintained low inventory operations, strictly controlled cost and expenses, endeavoured to expand sales and increase efficiency and continuously improved the profitability of non-oil and small-product business; international trade business actively explored overseas markets with benefits continuing to grow. In the first half of 2019, as a result of adverse effects from fierce competition and decline of arrival rate of refined oil prices and gross profit in the domestic refined oil market, the Marketing segment achieved an operating profit of RMB1,897 million, representing a decrease of RMB2,588 million from RMB4,485 million for the first half of 2018.

Natural Gas and Pipeline

Revenue The revenue of the Natural Gas and Pipeline segment increased by 13.2% to RMB196,163 million for the first half of 2019 from RMB173,286 million for the first half of 2018, which was primarily due to the increase in the sales price and volume of natural gas domestically.

Operating Expenses Operating expenses of the Natural Gas and Pipeline segment increased by 13.2% to RMB177,861 million for the first half of 2019 from RMB157,181 million for the first half of 2018. This was primarily due to the increase in the expense for purchasing gas.

Profit from Operations In the first half of 2019, the Natural Gas and Pipeline segment deepened the "labelling" management of resources, developed the market actively and efficiently, enlarged and strengthened sales terminals, and effectively controlled costs, resulting in an operating profit of RMB18,302 million, representing an increase of 13.6% from RMB16,105 million for the first half of 2018. In the first half of 2019, the Natural Gas and Pipeline segment optimized resource structure and sales flow, and took effective loss controlling measures. Therefore, the sales volume of imported natural gas and liquefied natural gas ("LNG") decreased by 650 million cubic metres over the same period last year, and the Group recorded a net loss of RMB11,201 million, representing a decrease in loss of RMB2,212 million as compared with the same period of last year.

In the first half of 2019, the Group's international operations[note] achieved a revenue of RMB484,900 million, accounting for 40.5% of the total revenue of the Group. Profit before income tax expense of overseas operations was RMB12,420 million, accounting for 20.1% of the profit before income tax of the Group. The proportion of revenue and profit before tax of international business increased further in the Group, maintaining a good momentum of steady development.

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

- Assets, Liabilities and Equity

The following table sets out the key items in the consolidated balance sheet of the Group:

	As at June 30, 2019	As at December 31, 2018	Percentage of Change
	RMB million	RMB million	%
Total assets	2,637,490	2,440,877	8.1
Current assets	481,393	438,241	9.8
Non-current assets	2,156,097	2,002,636	7.7
Total liabilities	1,211,655	1,031,986	17.4
Current liabilities	602,315	596,430	1.0
Non-current liabilities	609,340	435,556	39.9
Equity attributable to owners of the Company	1,226,684	1,213,783	1.1
Share capital	183,021	183,021	-
Reserves	300,549	299,599	0.3
Retained earnings	743,114	731,163	1.6
Total equity	1,425,835	1,408,891	1.2

Total assets amounted to RMB2,637,490 million, representing an increase of 8.1% as compared with that as at the end of 2018, of which:

Current assets amounted to RMB481,393 million, representing an increase of 9.8% from that as at the end of 2018, primarily due to the increase in prepayments and other current assets and accounts receivable.

Non-current assets amounted to RMB2,156,097 million, representing an increase of 7.7% from that as at the end of 2018, primarily due to the implementation of new lease standards and recognition of the right-of-use assets.

Total liabilities amounted to RMB1,211,655 million, representing an increase of 17.4% from that as at the end of 2018, of which:

Current liabilities amounted to RMB602,315 million, representing an increase of 1.0% from that as at the end of 2018, primarily due to the increase of accounts payable and short-term borrowings.

Non-current liabilities amounted to RMB609,340 million, representing an increase of 39.9% from that as at the end of 2018, primarily due to the implementation of new lease standards and recognition of the lease liabilities.

Equity attributable to owners of the Company amounted to RMB1,226,684 million, representing an increase of 1.1% from that as at the end of 2018, primarily due to the increase in retained earnings.

- Cash Flows

As at June 30, 2019, 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, repayment of short-term and long-term borrowings and distribution of dividends to the owners of the Company.

The table below sets out the cash flows of the Group for the first half of 2019 and 2018, respectively, and the amount of cash and cash equivalents as at the end of each period:

	Six months ended June 30	
	2019	2018
	RMB million	RMB million
Net cash flows from operating activities	134,425	147,867
Net cash flows used for investing activities	(129,973)	(99,514)
Net cash flows from / (used for) financing activities	33	(54,491)
Translation of foreign currency	201	622
Cash and cash equivalents at end of the period	90,640	118,184

Net Cash Flows From Operating Activities

The net cash flows of the Group from operating activities for the first half of 2019 amounted to RMB134,425 million, representing a decrease of 9.1% from the net cash flows of RMB147,867 million for the first half of 2018. This was mainly due to the change in working capital during the reporting period. As at June 30, 2019, the Group had cash and cash equivalents of RMB90,640 million, of which, approximately 50.9% were denominated in Renminbi, approximately 45.9% were denominated in US Dollars, approximately 1.8% were denominated in Hong Kong Dollars and approximately 1.4% 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 2019 amounted to RMB129,973 million, representing an increase of 30.6% from RMB99,514 million for the first half of 2018. This was primarily due to the increase in the capital expenditures of the Group in the first half of 2019 as compared with the same period of last year.

Net Cash Flows From / (Used For) Financing Activities

The net cash flows of the Group from financing activities for the first half of 2019 amounted to RMB33 million, while the net cash flows of the Group used for financing activities amounted to RMB54,491 million for the first half of 2018. The reason for the change from net cash outflow to inflow was primarily due to the increase of new long-term and short-term borrowings of the Group in the first half of 2019 as compared with the same period of last year.

The net borrowings of the Group as at June 30, 2019 and December 31, 2018, respectively, were as follows:

	As at June 30, 2019	As at December 31, 2018
	RMB million	RMB million
Short-term borrowings (including current portion of long-term borrowings)	160,004	145,150
Long-term borrowings	284,690	269,422
Total borrowings	444,694	414,572
Less: Cash and cash equivalents	90,640	85,954
Net borrowings	354,054	328,618

The following table sets out the remaining contractual maturities of borrowings as at June 30, 2019 and December 31, 2018, respectively, which are based on contractual undiscounted cash flows including principal and interest, and the earliest contractual maturity date:

	As at June 30, 2019	As at December 31, 2018
	RMB million	RMB million
Within 1 year	174,288	158,782
Between 1 and 2 years	129,109	98,939
Between 2 and 5 years	144,560	150,837
After 5 years	38,058	43,879
	486,015	452,437

Of the total borrowings of the Group as at June 30, 2019, approximately 46.6% were fixed-rate loans and approximately 53.4% were floating-rate loans. Of the total borrowings as at June 30, 2019, approximately 69.7% were denominated in Renminbi, approximately 28.0% were denominated in US Dollars and approximately 2.3% were denominated in other currencies.

As at June 30, 2019, the gearing ratio of the Group (gearing ratio = interest-bearing debts/(interest-bearing debts + total equity)) was 23.8% (December 31, 2018: 22.7%).

• Capital Expenditures

For the first half of 2019, the Group continued to optimise its investment structure and promoted the pace of construction of key projects and, as such, its capital expenditures amounted to RMB83,954 million, representing an increase of 12.5% from RMB74,649 million for the first half of 2018, which was mainly due to an increase in the investment in the oil and gas exploration and development, refining and chemicals projects, and the construction of the sales network of refined products. The following table sets out the capital expenditures incurred by the Group for the first half of 2019 and for the first half of 2018 and the estimated capital expenditures for each of the business segments of the Group for the whole year of 2019.

	First half of 2019		First half of 2018		Estimates for 2019	
	RMB million	(%)	RMB million	(%)	RMB million	(%)
Exploration and Production*	69,383	82.64	58,361	78.18	228,200	75.91
Refining and Chemicals	5,806	6.92	4,261	5.71	38,800	12.91
Marketing	3,408	4.06	3,308	4.43	14,600	4.86
Natural Gas and Pipeline	5,083	6.05	8,221	11.01	17,800	5.92
Head Office and Other	274	0.33	498	0.67	1,200	0.40
Total	83,954	100.00	74,649	100.00	300,600	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 2019 and the first half of 2018, and the estimates for the same for the year of 2019 would be RMB75,383 million, RMB62,177 million and RMB239,200 million, respectively.

Exploration and Production

Capital expenditures for the Exploration and Production segment of the Group amounted to RMB69,383 million for the first half of 2019. The expenditures were primarily used for the exploration of key basins such as Songliao, Ordos, Tarim, Sichuan and Bohai Bay, the development of oil and gas fields such as Daqing, Changqing, Liaohe, Xinjiang, Tarim and the Southwest, and the development of unconventional resources such as shale gas, striving to achieve growth in oil and gas production; and overseas operations in the Middle East, Central Asia, America, Asia Pacific and other cooperation areas and the development of new projects ensured the effective development of scale.

The Group anticipates that capital expenditures for the Exploration and Production segment throughout 2019 would amount to RMB228,200 million.

Refining and Chemicals

Capital expenditures for the Refining and Chemicals segment of the Group amounted to RMB5,806 million for the first half of 2019, primarily used for the construction of integration project of refining and chemicals of Guangdong Petrochemical, Daqing petrochemical structure adjustment and upgrade project, Changqing project in relation to the ethylene production out of ethane and other large-scale refining and chemical projects, as well as refining and chemicals transformation and upgrading projects.

The Group anticipates that capital expenditures for the Refining and Chemicals segment throughout 2019 will amount to RMB38,800 million.

Marketing

Capital expenditures for the Marketing segment of the Group amounted to RMB3,408 million for the first half of 2019, which were used primarily for the construction and expansion of the domestic end sales networks for refined products markets, and the construction of overseas oil and gas operation centres.

The Group anticipates that capital expenditures for the Marketing segment throughout 2019 will amount to RMB14,600 million.

Natural Gas and Pipeline

Capital expenditures for the Natural Gas and Pipeline segment of the Group amounted to RMB5,083 million for the first half of 2019, which were primarily used for the construction of key oil and gas transmission pipelines such as the China-Russia East Natural Gas Pipeline Project, Fujian-Guangdong main branch of the Third West-East Gas Pipeline, LNG and other storage and transportation facilities for peak regulation, natural gas interconnection projects, as well as natural gas branch lines and sales terminals.

The Group anticipates that capital expenditures for the Natural Gas and Pipeline segment throughout 2019 will amount to RMB17,800 million.

Head Office and Other

Capital expenditures for the Head Office and Other segment for the first half of 2019 amounted to RMB274 million, which were primarily used for scientific research projects and construction of information system.

The Group anticipates that capital expenditures for the Head Office and Other segment throughout 2019 will amount to RMB1,200 million.

(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 2019	Cost of principal operations for the first half of 2019	Gross margin*	Changes in income from principal operations over the same period of the preceding year	Changes 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	317,347	230,159	22.4	9.5	4.3	4.0
Refining and Chemicals	437,296	320,650	5.6	3.4	10.4	(6.2)
Marketing	1,012,843	984,418	2.7	10.4	10.8	(0.4)
Natural Gas and Pipeline	193,715	175,406	9.3	14.2	15.1	(0.7)
Head Office and Other	67	47	-	415.4	147.4	-
Inter-segment elimination	(789,530)	(789,519)	-	-	-	-
Total	1,171,738	921,161	12.0	7.2	8.3	(1.0)

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

- Principal operations by region under CAS

	First half of 2019	First half of 2018	Changes over the same period of the preceding year
Operating income	RMB million	RMB million	(%)
Mainland China	711,359	722,527	(1.5)
Other	484,900	397,110	22.1
Total	1,196,259	1,119,637	6.8

- Principal subsidiaries, associates and joint ventures of the Group

Company name	Registered capital RMB million	Shareholding %	Amount of total assets RMB million	Amount of total liabilities RMB million	Amount of net assets/ (liabilities) RMB million	Net profit / (loss) RMB million
Daqing Oilfield Company Limited[(1)]	47,500	100	377,216	135,137	242,079	11,619
CNPC Exploration and Development Company Limited	16,100	50	196,542	44,046	152,496	6,723
PetroChina Hong Kong Limited	HK$7,592 million	100	137,329	59,139	78,190	5,764
PetroChina International Investment Company Limited	31,314	100	100,972	145,763	(44,791)	(3,080)
PetroChina International Co., Ltd.	18,096	100	197,799	135,434	62,365	3,102
PetroChina Pipelines Co., Ltd.	80,000	72.26	222,849	15,322	207,527	9,611
PetroIneos Refining Limited	US$1,000	49.90	17,135	10,492	6,643	(109)
China Petroleum Finance Co., Ltd.	8,331	32	464,801	396,691	68,110	3,695
CNPC Captive Insurance Co., Ltd.	5,000	49	14,406	8,072	6,334	162
China Marine Bunker (PetroChina) Co., Ltd.	1,000	50	10,026	7,210	2,816	15
Mangistau Investment B.V.	EUR€18,000	50	13,684	3,302	10,382	1,542
Trans-Asia Pipeline Co., Ltd.	5,000	50	40,970	2,651	38,319	2,352

Note:

(1) The operating income and operating profit of Daqing Oilfield Company Limited in the first half of 2019 were RMB56,387 million and RMB12,011 million, respectively.

(2) For details of the nature of business and net profit of principal subsidiaries, associates and joint ventures entities of the Group, please refer to Note 6 and Note 14 of the financial statements of the Group prepared under CAS.

3. Business Prospects for the Second Half of the Year

In the second half of 2019, the world economy is expected to continue to grow, but the risks of economic downturn will increase. In general, the balance of supply and demand in the international crude oil market will widen, and oil prices will remain volatile with certain downward pressure. China's economic development will be generally stable, but it will face new risks and challenges. With the continuous deepening of the reform of the oil and gas system, the restructuring of oil and gas pipelines pushed forward by the state, and the excess production capacity of domestic refined products, the competition in the oil and gas market will become more intense. The Group will prepare for various complicated situations, thoroughly implement various measures to accelerate the promotion of scientific and technological innovation, optimize the production and operation, deepen the measures for broadening sources of income and reducing expenditure as well as cutting costs and enhancing efficiency, promote high-quality development of the Company, and fully complete the annual production and operation tasks.

In respect of exploration and production business, the Group will make every effort to promote domestic reserves, output and production efficiency of oil and gas, vigorously implement centralized exploration in key regions and areas such as Mahu Junggar, strengthen dynamic analysis and deployment adjustments, and contribute large-scale usable reserves. The Group will deepen the stable production of old oilfields and the construction of new projects in new areas effectively, promote the construction of key production projects, accelerate the pace of production of new wells, and ensure the outperformance of the annual crude oil production task. The Group will strengthen the efficient development of gas fields, expand the deployment and implementation of large wells and horizontal wells, focus on shale gas production and organization, and strive to increase production. The Group will deepen fine management, continue strengthening controlling costs and expenses and increase the positive pull effect of incremental output on efficiency.

In respect of refining and chemicals business, the Group will deepen structural adjustment, reduce costs and increase efficiency, plan for high-quality development in response to changes to market situation, and promote the transformation from refining to chemical industry; from "fuel type" to "material type", and enhance the overall competitiveness and economic benefits of the refining and chemicals business. The Group will balance the self-produced crude oil, make best endeavor to control the volume of refined oil products and increase the production of chemicals, and maximize the capacity and efficiency of the core equipment. The Group will pay close attention to the downward trend of the chemical market cycle, strengthen the synergy of production, sales, R&D and utilization, accelerate the development of new products, and continuously improve chemicals marketing capabilities. The Group will implement cost reduction plans rigidly, in order to greatly reduce the total processing costs and sales management fees.

In respect of sales of refined products, the Group will strengthen market research, consistently refine business models based on customer needs, make every effort on market expansion, increase sales volume of retail and efficiency enhancement, as well as increase efficiency, and actively promote the sales and efficiency of refined oil products. The Group will keep an eye on market changes, strengthen the overall linkage and synergy among sales companies, and break down marketing plans by regions and companies to accurately implement market actions. The Group will focus on increasing sales volume and enhancing effectiveness of retail, pay special attention on large retail customers and high-grade gasoline, strengthen the operation and management of gas stations, and tap the potential of "one station, one strategy". The Group will implement the measures on marketing expenses control and take effective measures to reduce marketing costs; meanwhile continue to expand the scale of non-oil business and promote the overall efficiency of sales.

In respect of natural gas and pipeline operations, the Group will optimize the resource structure in accordance with the principle of maximizing overall efficiency, ensure the full production and sales of domestically produced gas, rationally arrange the import rhythm of Central Asian gas, Myanmar gas and LNG, and make prior preparation for the winter market supply plans and measures to strengthen the demand side and ensure a stable supply of the market. The Group will deepen the "labelling" sales of resources, improve differentiated marketing strategies, increase the online trading volume of trading centers, optimize the liquid flow of LNG sales, and strive to increase price and efficiency.

In respect of international operations, the Group will strengthen the development and production operations of new overseas projects, deepen oil and gas cooperation with countries along the "Belt and Road" to enhance the quality and efficient development of overseas business, adhere to independent exploration, focus on risk exploration of existing projects, deepen the fine exploration of mature exploration areas, steadily promote deep-water oil and gas exploration, and strive to seek scale discovery and strategic succession. The Group will strengthen the capacity building and operation management of existing projects, focus on stable production of key projects in the Middle East, and ensure the output equivalent of overseas oil and gas rights. International trade plays a role in increasing efficiency and value, reducing resource procurement costs, exploring high-end and high-efficiency markets, innovating trading methods and models, enhancing bargaining and cross-market operation levels, and continuously improving risk prevention and control capabilities and profitability.

By Order of the Board of Directors
PetroChina Company Limited
Wang Yilin
Chairman
Beijing, the PRC
August 29, 2019

SIGNIFICANT EVENTS

1. Governance of the Company

During the reporting period, the Company had been improving its corporate governance continuously and operating properly in accordance with domestic and overseas regulatory requirements. The Company further refined and improved the decision-making procedures of the shareholders' general meeting and the Board. The level of the Company's corporate governance had been continually enhanced through the coordination and balances among the shareholders' general meeting, the Board and its 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.

During the reporting period, the Company convened one shareholders' general meeting and three meetings of the Board, adopting ten resolutions of the shareholders' general meeting and 20 resolutions of the Board. Such meetings were prepared and convened in compliance with the relevant laws and rules and the adopted resolutions were lawful and valid.

During the reporting period, based on the needs of work, the Board appointed a new President and two new Directors, elected one Vice Chairman of the Board, and adjusted the composition of some of its committees, based on the expertise and experience of the relevant Directors. In June 2019, the Company arranged for independent Directors to conduct an investigation and research on the operating results, development potential and risk control framework of London Branch of international business segment, and discuss such specific issues as the capture, utilisation and storage of carbon with the quality, safety and environmental protection department.

During the reporting period, the Company further improved its corporate governance in accordance with the lately amended the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Corporate Governance Code promulgated by the Hong Kong Stock Exchange in 2019. Taking into account the status quo of the Company, the Company formulated and approved the Directors Nomination Policy and made additional disclosure in respect of directors nomination policy, dividend payment policy and Board diversity policy.

During the reporting period, the Company kept increasing the compliance awareness of the controlling shareholder and the Directors, Supervisors and Senior Management of the Company. The Company's corporate governance met the requirements set out in the normative documents relating to governance of listed companies issued by the securities regulatory authorities of the places where the Company is listed, and no person with access to insider information was found dealing in the shares of the Company against the relevant regulations.

2. Compliance with the Corporate Governance Code

For the six months ended June 30, 2019, the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules.

3. Formulation and Implementation of the Cash Dividend Policy

As required by China Securities Regulatory Commission, the Articles of Association of PetroChina Company Limited ("Articles of Association") expressly provides that the proportion of cash dividends shall not be lower than 30% of annual net profit attributable to owners of the Company. Since its listing, the Company has been making dividend payments in an amount equal to 45% of net profit attributable to owners of the Company strictly in accordance with the provisions of the Articles of Association and the relevant regulatory requirements, adhering to the principle of repaying the shareholders.

Since 2016, the Company has endeavoured to repay the shareholders better by making special dividend payments in addition to the regular dividend payment equal to 45% of the net profit attributable to owners of the Company.

In the future, adhering to the principle of repaying the shareholders, the Company will implement flexible and practicable dividend policies and determine reasonable amounts of dividend payment based on the operating results, cash flow, material mergers or acquisitions and capital expenditures of the Company, giving full consideration to the reasonable return on investment for investors as well as the long-term interests of the Company, the interests of all shareholders as a whole and the sustainable development of the Company.

Authorised by the shareholders, the Board has reviewed and approved the 2019 interim dividend at the fourth meeting of the Board in 2019, with the consent of independent Directors.

4. Final Dividend for 2018 and Interim Dividend for 2019 and Closure of Register of Members

(1) Final Dividend for the Year Ended December 31, 2018

The final dividend in respect of 2018 of RMB0.09 yuan per share (inclusive of applicable tax), amounting to a total of RMB16,472 million, was approved by the shareholders at the annual general meeting of the Company on June 13, 2019 and was paid on June 28, 2019 (for A shares) and August 2, 2019 (for H shares), respectively.

(2) Interim Dividend for 2019 and Closure of Register of Members

The Board was authorised by the shareholders to approve the distribution of an interim dividend for 2019 at the 2018 annual general meeting of the Company on June 13, 2019. In overall consideration of the good fundamentals of development, financial condition and cash flow, to improve returns for the shareholders, the Board has resolved to declare a special interim dividend of RMB0.00777 yuan per share (inclusive of applicable tax) for 2019 in addition to an interim dividend of RMB0.06988 yuan per share (inclusive of applicable tax) based on the dividend distribution of 45% of profit attributable to owners of the Company under IFRS, namely, to declare and pay to all shareholders of the Company an interim dividend of RMB0.07765 yuan per share (inclusive of applicable tax) for the six months ended June 30, 2019 on the basis of a total of 183,020,977,818 shares of the Company as at June 30, 2019. The total amount of the interim dividends payable is RMB14,212 million.

The interim dividend of the Company will be paid to shareholders whose names appear on the register of members of the Company at the close of trading on September 23, 2019. The register of members of H shares will be closed from September 18, 2019 to September 23, 2019 (both days inclusive) during which period no transfer of H shares will be registered. In order to qualify for the interim dividend, holders of H shares must lodge all transfer documents together with the relevant share certificates at Computershare Hong Kong Investor Services Limited on or before 4:30 p.m., September 17, 2019. Holders of A shares whose names appear on the register of members of the Company maintained at China Securities Depository and Clearing Corporation Limited ("CSDC") at the close of trading on the Shanghai Stock Exchange in the afternoon of September 23, 2019 will be eligible for the interim dividend.

In accordance with the relevant provisions of the Articles of Association and relevant laws, 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, and for the A shares of the Company listed on the Shanghai Stock Exchange and invested by the investors through the Hong Kong Stock Exchange, dividends shall be paid in Renminbi to the accounts of the nominal shareholders through CSDC. Save for the H shares of the Company listed on the Hong Kong Stock Exchange and invested by the investors through the Shanghai Stock Exchange and Shenzhen Stock Exchange (the "H Shares under the Southbound Trading Link"), dividends payable to the holders of H shares shall be paid in Hong Kong Dollars. The applicable exchange rate shall be the average of the medium exchange rate for Renminbi to Hong Kong Dollar as announced by the People's Bank of China for the week prior to the declaration of the dividends by the Board. Dividends payable to the holders of H Shares under the Southbound Trading Link shall be paid in Renminbi. In accordance with the Agreement on Payment of Cash Dividends on the H Shares under the Southbound Trading Link (《港股通H股股票現金紅利派發協議》) between the Company and CSDC, CSDC will receive the dividends payable by the Company to holders of the H Shares under the Southbound Trading Link as a nominal holder of the H Shares under the Southbound Trading Link on behalf of investors and assist the payment of dividends on the H Shares under the Southbound Trading Link to investors thereof. The average of the medium exchange rate for Renminbi to Hong Kong Dollar as announced by the People's Bank of China for the week prior to the declaration of the 2019 interim dividend by the Board is RMB0.89997 to 1.00 Hong Kong Dollar. Accordingly, the interim dividend will be 0.08628 Hong Kong Dollar per H share (inclusive of applicable tax).

The Company has appointed Bank of China (Hong Kong) Trustees Limited as the receiving agent in Hong Kong (the "Receiving Agent"), and will pay the declared interim dividend to the Receiving Agent for its onward payment to the holders of H shares. The interim dividend will be paid by the Receiving Agent around November 1, 2019 to the holders of H shares by ordinary mail at their own risks.

According to the Law on Corporate Income Tax of the People's Republic of China (《中華人民共和國企業所得稅法》) 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 H share register of members of the Company. Any H shares registered in the name of non-individual 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. Any holders of H shares wishing to change their shareholder status should consult their agents or trust institutions on the relevant procedures. The Company will withhold and pay the corporate income tax strictly in accordance with the relevant laws or requirements of the relevant governmental departments based on the information that will have been registered on the Company's H share register of members on September 23, 2019.

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 individual holders of H shares and individual holders of H shares are entitled to certain tax preferential treatments according to the tax agreements between those countries where the individual holders of H shares are resident and China and the provisions in respect of tax arrangements between mainland China and Hong Kong (Macau). The Company will withhold and pay the individual income tax at the tax rate 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 individual income tax rate in respect of dividend of 10%. For individual H shareholders who are residents of those countries having agreements with China for individual 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 Circular on Issuing Administrative Measures on Preferential Treatment Entitled by Non-residents Taxpayers under Tax Treaties (SAT Circular [2015] No.60) (《關於發布＜非居民納稅人享受稅收協定待遇管理辦法＞的公告》(國家稅務總局公告2015年第60號)). For individual H shareholders who are residents of those countries having agreements with China for individual 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 individual income tax in respect of dividend of 20% or 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 23, 2019 and will accordingly withhold and pay the individual income tax. If the country of domicile of an 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 17, 2019 (address: Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong). If the individual H shareholder does 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 shareholder based on the recorded Registered Address on September 23, 2019.

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.

In accordance with the Notice of Ministry of Finance, the State Administration of Taxation, and the China Securities Regulatory Commission on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No.81) (《財政部、國家稅務總局、證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)), which became effective on November 17, 2014, and the Notice of the Ministry of Finance, the State Administration of Taxation, and the China Securities Regulatory Commission on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No. 127) (《財政部、國家稅務總局、證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), which became effective on December 5, 2016, with regard to the dividends obtained by individual mainland investors from investment in the H shares of the Company listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect, the Company will withhold their individual income tax at the tax rate of 20% in accordance with the register of individual mainland investors provided by CSDC. As to the withholding tax having been paid abroad, an individual investor may file an application for tax credit with the competent tax authority of CSDC with an effective credit document. With respect to the dividends obtained by mainland securities investment funds from investment in the H shares of the Company listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect, the Company will levy tax with reference to the provisions concerning the collection of tax on individual investors. The Company will not withhold income tax on dividends obtained by mainland enterprise investors, and mainland enterprise investors shall file their income tax returns and pay tax themselves instead.

With regard to the dividends obtained by the investors (including enterprises and individuals) from investment in the A shares of the Company listed on Shanghai Stock Exchange through the Hong Kong Stock Exchange, the Company will withhold income tax at the tax rate of 10%, and file tax withholding returns with the competent tax authority. Where any such investor is a tax resident of a foreign country and the rate of income tax on dividends is less than 10%, as provided for in the tax treaty between the country and the PRC, the enterprise or individual may directly, or entrust a withholding agent to, file an application for the tax treatment under the tax treaty with the competent tax authority of the Company. Upon review, the competent tax authority will refund tax based on the difference between the amount of tax having been collected and the amount of tax payable calculated at the tax rate as set out in the tax treaty.

5. Material Litigation and Arbitration

There was no material litigation or arbitration during the reporting period.

6. Financial Assets at Fair Value

Unit: RMB million

Name of Items	Balance at the beginning of the reporting period	Balance at the end of the reporting period	Changes in the reporting period	Amount affecting the profit of the reporting period
Investments in other equity instruments	760	949	189	-
Receivables financing	16,308	9,022	(7,286)	-

The financial assets at fair value held by the Company during the reporting period include domestic and overseas listed shares and the equity investment that does not have a quoted market price in an active market, and bills of acceptance issued by banks for the sale of goods and rendering of services.

7. Material Acquisition, Sale and Restructuring of Assets

On September 27, 2018, the Company signed an "Equity Transfer Agreement" with Total S.A. to acquire the 22.407% equity held by Total S.A.in Dalian West Pacific Petrochemical Co., Ltd. ("Dalian West Pacific"). On December 6, 2018, the Company signed an "Equity Transaction Contract" with Sinochem Group Co., Ltd. ("Sinochem Group") and Sinochem International Oil (Hong Kong) Co., Ltd. ("Sinochem Hong Kong"), to acquire 8.424% and 25.208% equity of Dalian West Pacific, respectively. After the completion of the aforementioned equity acquisition, the Company holds 84.475% equity of Dalian West Pacific in total. The industrial and commercial registration in change of the above-mentioned acquisition was completed on May 17, 2019.

This matter will not affect the continuity of the business and the stability of the management of the Group and will benefit long-term and sustainable development of the Group's refining and chemical business as well as continual improvement of its operating results.

8. Material Connected Transactions

(1) Connected transactions

On June 13, 2019, the third meeting of the Board in 2019 reviewed and passed the Proposal for Capital Increased Contribution to China Petroleum Finance Company Limited ("CNPC Finance"), approving the capital increase contributions to CNPC Finance by the Company, CNPC and CNPC Capital Company Limited ("CNPC Captial") in proportion with their respective current shareholdings. The proposed capital increase is still to be approved by China Banking and Insurance Regulatory Commission Beijing Bureau. In accordance with the Listing Rules of the Shanghai Stock Exchange ("SSE Listing Rules" or "Shanghai Stock Exchange Listing Rules") and Listing Rules, CNPC, CNPC Capital and CNPC Finance are all connected persons of the Company. Therefore, the proposed capital increase constitutes a connected transaction of the Company. For the details of this connected transaction, please see PetroChina's Announcement about the Proposed Capital Increase Contribution to China Petroleum Finance Company Limited and Related Connected Transaction (Announcement No.: Lin 2019-021) as disclosed by the Company on the website of the Shanghai Stock Exchange on June 13, 2019, and the announcement on the website of the Hong Kong Stock Exchange on June 13, 2019 respectively.

Prior to the proposed connected transaction, the registered capital of CNPC Finance is RMB8,331,250,000 and the Company holds 32% of the equity interests of CNPC Finance, corresponding to a portion of RMB2,666,000,000 of the registered capital, and CNPC and CNPC Capital hold 40% and 28% of the equity interests of CNPC Finance, respectively, corresponding to a portion of RMB3,332,500,000 and RMB2,332,750,000 of the registered capital, respectively.

Upon completion of the proposed connected transaction, the registered capital of CNPC Finance will increase from RMB8,331,250,000 to RMB20,000,000,000, representing an RMB8,064,023,100 conversion of capital reserves into registered capital in proportion with the respective shareholding percentages of all shareholders before the proposed connected transaction. Meanwhile, the shareholders will contribute RMB14,000,000,000 in cash, among which RMB3,604,726,900 will be used to subscribe registered capital, and the remaining part will be allocated to capital reserves. Upon completion of the capital increase, the shareholding percentages of shareholders will remain unchanged.

The proposed connected transaction will not affect the continuity of the business of the Company and the stability of the management. It is beneficial to enhance the investment returns of the Company and make better use of the high-level, highly efficient funds and financial management services of CNPC Finance, and thus is of positive strategic significance to the Company, which will have positive influence on the Company's capabilities of sustainable operation, loss and income and status of assets.

(2) Continuing connected transactions

Connected transactions with CNPC

Pursuant to the Listing Rules and the Shanghai Stock Exchange Listing Rules, since CNPC is the controlling shareholder of the Company, transactions between the Group and CNPC as well as their jointly-held entities constitute connected transactions of the Group. The Group and CNPC as well as their jointly-held entities continue to carry out certain existing continuing connected transactions. The Company had obtained independent Directors' and independent shareholders' approval at the fifth meeting of the Board held on August 23 and August 24, 2017 and the 2017 first extraordinary general meeting held on October 26, 2017, respectively, for a renewal of the existing continuing connected transactions and the new continuing connected transactions, and the proposed caps for the existing continuing connected transactions and the new continuing connected transactions for the period from January 1, 2018 to December 31, 2020.

The Group and CNPC as well as their jointly-held entities will continue to carry out the 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

Details of the above agreements were set out in the section headed "Connected Transactions" of the 2018 annual report published on the websites of the Hong Kong Stock Exchange and the Shanghai Stock Exchange on March 21, 2019 and March 22, 2019, respectively. Details of the Comprehensive Products and Services Agreement, the Land Use Rights Leasing Contract and its Supplementary Agreement, 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 24, 2017 and August 25, 2017 respectively, and were also set out in the meeting materials for the 2017 first extraordinary general meeting published on the website of the Shanghai Stock Exchange on October 19, 2017.

(3) Performance of the continuing connected transactions during the reporting period

During the reporting period, in accordance with CAS, the actual total transaction amounts of the connected transactions between the Group and its connected parties were RMB203,686 million, of which the sales of goods and provision of services by the Group to its connected parties amounted to RMB67,538 million, representing 5.64% of the same category transactions of the Group, and purchase of goods and services by the Group from the connected parties amounted to RMB136,148 million, representing 12.87% of the same category transactions of the Group. The balance of the capital provided by the connected parties to the Group amounted to RMB149,029 million.

(4) Details of the connected transactions during the reporting period have been set out in Note 58 to the financial statements of the Group prepared under CAS and Note 19 to the financial statements of the Group prepared under IFRS.

9. Material Contracts and the Performance Thereof

(1) There was no material transaction, or any trusteeship, sub-contracting and leasing of properties of other companies by the Company, or any trusteeship, sub-contracting and leasing of properties of the Company by other companies which was enacted during the reporting period or extended from periods prior to the reporting period.

(2) As of the end of the reporting period, the Company and its subordinate companies (including the companies wholly-owned or controlled by the Company, the same below) had a guarantee balance of RMB181,684 million, including RMB15,921 million for credit guarantee and RMB160,430 million for performance guarantee, RMB5,333 million for financing guarantee, and the balance of guarantees as of the end of the reporting period accounted for approximately 14.81% of the Company's net asset. The guarantee balance of the Company as of the end of the reporting period did not exist for the guarantee provided to the controlling shareholder, the ultimate controller and its related parties.

(3) The Company did not entrust any other person to carry out cash management during the reporting period nor was there any such entrustment that was extended from periods prior to the reporting period.

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

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

10. Performance of Undertakings

In order to support the business development of the Company, consolidate the relevant quality assets and avoid industry competition, CNPC, the controlling shareholder of the Company, entered into the Agreement on Non-Competition and Pre-emptive Right to Transaction (the "Agreement") with the Company on March 10, 2000. As of the end of the reporting period, except for those already performed, the undertakings not performed by CNPC, the controlling shareholder of the Company, included the follows: (1) due to the fact that the laws of the jurisdiction where ADSs were listed prohibit local citizens from directly or indirectly financing or investing in the oil and gas projects in certain countries, CNPC failed to inject the overseas oil and gas projects in certain countries into the Company; (2) upon execution of the Agreement, CNPC did not strictly comply with the Agreement and obtained business opportunities that competed or were likely to compete with the principal business of the Company. Nevertheless, such industry competition primarily concentrated on oil and gas exploration and development operations at certain overseas countries and regions in which the resources owned by CNPC were insufficient or uncertain.

In connection with matters described above, CNPC issued a Letter of Undertaking to the Company on June 20, 2014 and made additional undertakings that: (1) within ten years from the date of the Letter of Undertaking, after taking into account of political, economic and other factors, the Company may request CNPC to sell offshore oil and gas assets which remain in possession by CNPC and which were in possession by CNPC as at the date of the Letter of Undertaking; (2) for business opportunities relating to investment in offshore oil and gas assets after the date of the Letter of Undertaking, the relevant prior approval procedure of the Company shall be initiated strictly in accordance with the Agreement. Subject to the applicable laws, contractual agreements and procedure requirements, CNPC will sell to the Company offshore oil and gas assets as described in items (1) and (2) above at the request of the Company.

Save for the above additional undertakings, undertakings made by CNPC in the Agreement remain unchanged.

Save for the above undertakings, during the reporting period, there were no significant undertakings made by the Company, shareholders, actual controllers, acquirers, Directors, Supervisors, Senior Management or other related parties during the reporting period or up to the reporting period.

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 existing Directors, Supervisors, Senior Management, controlling shareholder or de facto controller of the Company was subject to any investigation by competent authorities, enforcement measures by judicial authorities or disciplinary authorities, transfer to judicial authorities or prosecution of criminal liabilities, audit or administrative punishment by the China Securities Regulatory Commission, denied participation in the securities market or deemed unsuitable, nor was there any material administrative penalty by other administrative authorities or public condemnation by stock exchanges.

12. Repurchase, Sale or Redemption of Securities

The Company and its subsidiaries did not repurchase, sell or redeem any listed securities of the Company during the six months ended June 30, 2019.

13. 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 Listing Rules (the “Model Code”) in respect of dealing in the Company’s shares by its Directors. Upon specific enquiries made to each Director and Supervisor, each Director and Supervisor has confirmed to the Company that each of them had complied with the requirements set out in the Model Code during the reporting period.

14. Interests of Directors, Supervisors and Chief Executives in the Share Capital of the Company

As at June 30, 2019, none of the Directors, Supervisors and Chief Executives had any interest or short positions in any shares, underlying shares or debentures of the Company or any associated corporation within the meaning of Part XV of the Securities and Futures Ordinance that are required to be recorded in the register mentioned under Section 352 of the Securities and Futures Ordinance or as otherwise notifiable to the Company and the Hong Kong Stock Exchange by the Directors, Supervisors and Chief Executives pursuant to the Model Code.

15. Creditworthiness of the Company and its Controlling Shareholder and Ultimate Controller

During the reporting period, the Company and its controlling shareholder and de facto controller, CNPC, carried out various businesses in a continuous and steady way, adhering to the philosophy of good faith and the principle of compliance with laws and regulations, and did not incurred any unperformed material court judgement that had come into force or any significant outstanding debt that had become due and payable.

16. Audit Committee

The Audit Committee of the Company comprises Mr. Lin Boqiang, Mr. Liu Yuezhen and Mr. Zhang Biyi. The main duties of the Audit Committee are to review and monitor the financial reporting procedures and internal control system of the Group and make recommendations to the Board.

The Audit Committee of the Company has reviewed and confirmed the interim results for the six months ended June 30, 2019.

17. Disclosure of Other Information

Save for 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, 2018 in respect of matters required to be disclosed under paragraph 32 of Appendix 16 to the Listing Rules.

18. Index of Information Disclosure

<table>
<tr><th>Matter</th><th>Names of newspaper of publication</th><th>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)</th><th>Website of release</th></tr>
<tr><td rowspan="2">2019 Interest Payment Announcement of PetroChina on its 2016 Corporate Bonds (First Tranche) (Variety I)</td><td rowspan="2">Shanghai Securities News</td><td rowspan="2">January 14, 2019</td><td>Website of the Hong Kong Stock Exchange</td></tr>
<tr><td>Website of the Shanghai Stock Exchange</td></tr>
<tr><td rowspan="2">2019 Interest Payment Announcement of PetroChina on its 2016 Corporate Bonds (First Tranche) (Variety II)</td><td rowspan="2">Shanghai Securities News</td><td rowspan="2">January 14, 2019</td><td>Website of the Hong Kong Stock Exchange</td></tr>
<tr><td>Website of the Shanghai Stock Exchange</td></tr>
<tr><td rowspan="2">Advance Notice for Estimated Profit of the Annual Results of 2018 of PetroChina</td><td rowspan="2">China Securities Journal
Shanghai Securities News
Securities Times</td><td rowspan="2">January 21, 2019</td><td>Website of the Hong Kong Stock Exchange</td></tr>
<tr><td>Website of the Shanghai Stock Exchange</td></tr>
<tr><td rowspan="2">2019 Interest Payment Announcement of PetroChina on its 2016 Corporate Bonds (Second Tranche) (Variety I)</td><td rowspan="2">Shanghai Securities News</td><td rowspan="2">February 26, 2019</td><td>Website of the Hong Kong Stock Exchange</td></tr>
<tr><td>Website of the Shanghai Stock Exchange</td></tr>
<tr><td rowspan="2">2019 Interest Payment Announcement of PetroChina on its 2016 Corporate Bonds (Second Tranche) (Variety II)</td><td rowspan="2">Shanghai Securities News</td><td rowspan="2">February 26, 2019</td><td>Website of the Hong Kong Stock Exchange</td></tr>
<tr><td>Website of the Shanghai Stock Exchange</td></tr>
<tr><td rowspan="2">H-share Announcement of PetroChina</td><td rowspan="2"></td><td rowspan="2">March 5, 2019</td><td>Website of the Hong Kong Stock Exchange</td></tr>
<tr><td>Website of the Shanghai Stock Exchange</td></tr>
<tr><td rowspan="2">2019 Interest Payment Announcement of PetroChina on its 2013 Corporate Bonds (First Tranche) (Ten-year)</td><td rowspan="2">China Securities Journal
Shanghai Securities News
Securities Times</td><td rowspan="2">March 8, 2019</td><td>Website of the Hong Kong Stock Exchange</td></tr>
<tr><td>Website of the Shanghai Stock Exchange</td></tr>
<tr><td rowspan="2">2019 Interest Payment Announcement of PetroChina on its 2016 Corporate Bonds (Third Tranche) (Variety I)</td><td rowspan="2">Shanghai Securities News</td><td rowspan="2">March 18, 2019</td><td>Website of the Hong Kong Stock Exchange</td></tr>
<tr><td>Website of the Shanghai Stock Exchange</td></tr>
<tr><td rowspan="2">2019 Interest Payment Announcement of PetroChina on its 2016 Corporate Bonds (Third Tranche) (Variety II)</td><td rowspan="2">Shanghai Securities News</td><td rowspan="2">March 18, 2019</td><td>Website of the Hong Kong Stock Exchange</td></tr>
<tr><td>Website of the Shanghai Stock Exchange</td></tr>
<tr><td rowspan="2">Assessment Report on the Internal Controls of PetroChina in 2018</td><td rowspan="2"></td><td rowspan="2">March 21, 2019
March 20, 2019</td><td>Website of the Hong Kong Stock Exchange</td></tr>
<tr><td>Website of the Shanghai Stock Exchange</td></tr>
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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
Report of PetroChina on the Performance of Duties by the Audit Committee in 2018		March 21, 2019 March 20, 2019	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Report of PetroChina on the Work of Independent Directors in 2018		March 21, 2019 March 20, 2019	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Special Statement on the Use of Non-operating Funds and Financial Transactions with Other Affiliates for 2018		March 21, 2019	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Audit Report of PetroChina		March 21, 2019	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Audit Report on the Internal Controls of PetroChina		March 21, 2019	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Environmental, Social and Governance Report of PetroChina in 2018		March 21, 2019	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Special Statement and Independent Opinion by Independent Directors on External Guarantees		March 21, 2019	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
2018 Annual Report of PetroChina		March 21, 2019	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
H-share Announcement of PetroChina		March 21, 2019	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Announcement of PetroChina on the Appointment of the President		March 21, 2019	Website of the Shanghai Stock Exchange
H-share Announcement of PetroChina		March 21, 2019	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
Announcement of PetroChina on the Resolutions of the First Meeting of the Supervisory Committee in 2019	China Securities Journal Shanghai Securities News Securities Times	March 21, 2019	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Announcement on the Resolutions passed at the First Meeting of the Board of PetroChina in Year 2019	China Securities Journal Shanghai Securities News Securities Times	March 21, 2019	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
2018 Annual Results Announcement of PetroChina (Summary of the Annual Report)	China Securities Journal Shanghai Securities News Securities Times	March 21, 2019	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Announcement of PetroChina on its External Guarantee Arrangements for 2019	China Securities Journal Shanghai Securities News Securities Times	March 21, 2019	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Report on Sustainable Development of PetroChina in 2018		March 22, 2019	Website of the Hong Kong Stock Exchange
Report on the Provisional Trust Management of Corporate Bonds of PetroChina		April 12, 2019	Website of the Shanghai Stock Exchange
Announcement of PetroChina on the Resignation of Directors	China Securities Journal Shanghai Securities News Securities Times	April 15, 2019	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
H-share Announcement of PetroChina		April 15, 2019	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Announcement of PetroChina on the Subscription by the Controlling Shareholder for Investment Fund Scheme	China Securities Journal Shanghai Securities News Securities Times	April 16, 2019	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Report of the Trustee of the 2012 Corporate Bonds (First Tranche) (For the Year 2018)		April 23, 2019	Website of the Shanghai Stock Exchange
Interim Report of the Entrusted Management of the 2012 Corporate Bonds (First Tranche)		April 23, 2019	Website of the Shanghai Stock Exchange
Interim Report of the Entrusted Management of the 2012 Corporate Bonds (First Tranche)		April 23, 2019	Website of the Shanghai Stock Exchange
Report of the Trustee of the 2013 Corporate Bonds (First Tranche) (For the Year 2018)		April 23, 2019	Website of the Shanghai 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
Interim Report of the Entrusted Management of the 2013 Corporate Bonds (First Tranche)		April 23, 2019	Website of the Shanghai Stock Exchange
Interim Report of the Entrusted Management of the 2013 Corporate Bonds (First Tranche)		April 23, 2019	Website of the Shanghai Stock Exchange
Report of the Trustee of the 2017 Corporate Bonds (First Tranche) (For the Year 2018)		April 23, 2019	Website of the Shanghai Stock Exchange
Interim Report of the Entrusted Management of the 2017 Corporate Bonds (First Tranche)		April 23, 2019	Website of the Shanghai Stock Exchange
Interim Report of the Entrusted Management of the 2017 Corporate Bonds (First Tranche)		April 23, 2019	Website of the Shanghai Stock Exchange
Notice of Annual General Meeting for the Year 2018 of PetroChina	China Securities Journal Shanghai Securities News Securities Times	April 26, 2019	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
First Quarterly Report of 2019 of PetroChina	China Securities Journal Shanghai Securities News Securities Times	April 29, 2019	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Interim Report of the Entrusted Management of the 2016 Corporate Bonds for the year 2019 (First Tranche) (1)		April 30, 2019	Website of the Shanghai Stock Exchange
Announcement of PetroChina on the Results of Subscription by the Controlling Shareholder for Shares of Securities Investment Fund	China Securities Journal Shanghai Securities News Securities Times	May 17, 2019	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Announcement of PetroChina on the Results of Track Rating of its 2012, 2013, 2016 and 2017 Corporate Bonds	China Securities Journal Shanghai Securities News Securities Times	May 22, 2019	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Documents for the 2018 General Meeting of PetroChina		June 4, 2019	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Legal Opinion on the 2018 Annual General Meeting		June 13, 2019	Website of the Hong Kong Stock Exchange Website of the Shanghai 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
Announcement of PetroChina on the Resolutions Passed at the 2018 General Meeting	China Securities Journal Shanghai Securities News Securities Times	June 13, 2019	Website of the Shanghai Stock Exchange Website of the Hong Kong Stock Exchange
H-share Announcement of PetroChina		June 13, 2019	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Announcement of PetroChina on the Resolutions Passed at the 3rd Meeting of the Board in 2019	China Securities Journal Shanghai Securities News Securities Times	June 13, 2019	Website of the Hong Kong Stock Exchange Website of Shanghai Stock Exchange
Opinion of Independent Directors of PetroChina		June 13, 2019	Website of the Hong Kong Stock Website of Shanghai Stock Exchange
Connected Transaction Proposed Capital Increase of CNPC Finance	China Securities Journal, Shanghai Securities News Securities Times	June 13, 2019	Website of the Hong Kong Stock Website of Shanghai Stock Exchange
Announcement of PetroChina on the Appointment of Vice Chairman	China Securities Journal, Shanghai Securities News Securities Times	June 13, 2019	Website of the Hong Kong Stock Website of Shanghai Stock Exchange
2019 Tracking Rating Report of PetroChina on Corporate Bonds		June 18, 2019	Website of the Hong Kong Stock Exchange Website of Shanghai Stock Exchange
Announcement of PetroChina on Final Pay-out of Dividends on A-shares for 2018	China Securities Journal, Shanghai Securities News Securities Times	June 20, 2019	Website of the Hong Kong Stock Exchange Website of Shanghai Stock Exchange
Report of PetroChina on the Entrusted Management of Corporate Bonds for the Year 2018		June 24, 2019	Website of Shanghai Stock Exchange
Report of the Entrusted Management of the 2016 Corporate Bonds (First Tranche) (for the Year 2018)		June 28, 2019	Website of the Hong Kong Stock Exchange Website of Shanghai Stock Exchange

19. Performance of Social Responsibilities

The Company actively performed its social responsibilities and devoted to becoming an excellent corporate citizen of the world, adhered to the principle of "Environmental Priorities, Safety First, Quality-oriented, People-oriented", and strictly abided by the Environmental Protection Law of the PRC and other relevant laws and regulations to prevent and control pollution, enhance ecological protection and maintain social safety. Some subsidiaries of the Company are major pollutant-discharging enterprises as announced by the environmental protection authorities. Public information disclosure regarding the environment has been made by such companies as per relevant regulations of Ministry of Ecology and Environment of the People's Republic of China and the requirements of the local environmental protection authorities on the websites of the local environmental protection bureaus or other websites designated by them. Please refer to such websites for details of the disclosures.

20. Employees

As at June 30, 2019, the Group had 469,120 employees (excluding temporary and seasonal staff).

Based on characteristics of different positions, the Group built various remuneration systems to meet the demand of equity within the Group and competitiveness on the market. In subsidiaries and branches of the Company, an annual salary system is adopted for the management, a positional wage system for supervisory, professional and technical positions and a positional skill-based wage system for operators and workers. In addition, subsidies are offered to those who possess more sophisticated technical and working skills. Each employee is remunerated according to the level of their job position, individual competence and contribution, and with changes in the relevant factors, such remuneration will also be adjusted in a timely manner.

The Group has been consistently focused on employee training as an important means of achieving a robust company strategy based on talent. It serves to increase the calibre of its staff and its competitiveness and helps to build a harmonious enterprise. Employee training of the Group covers basic concepts, policies and regulations, knowledge required for a job position, safety awareness, cultural knowledge and technical skills as a fundamental basis. In practice, training revolves around four comprehensive programmes, namely, competences-building directed at the management, technical innovation at professional and technical staff, skill enhancement at operators and workers and internationalisation of talent. These training efforts are multi-dimensional and diversified in approaches, which can better cater to the Group's development requirements and its needs for building high-calibre working teams.

21. Shareholders' Meetings

The Company convenes shareholders' general meetings every year pursuant to the Articles of Association. The annual general meeting for 2018 was held on June 13, 2019 at V-Continent Wuzhou Hotel, Beijing. Nine resolutions of non-cumulative voting and one resolution of cumulative voting were passed and approved at the meeting, among which, seven ordinary resolutions were passed and approved by more than half of the votes, two special resolutions were passed and approved by more than two thirds of the votes, and the election of Directors was passed and approved by using the method of cumulative voting. The details are set out in the announcement published by the Company on the website of the Hong Kong Stock Exchange and Shanghai Stock Exchange, respectively, on June 13, 2019 named Announcement of Resolutions Passed at the 2018 Annual General Meeting of PetroChina.

22. Risk Factors

In its course of production and operation, the Group actively took various measures to avoid and mitigate various types of risks. However, in practice, it may not be possible to prevent all risks and uncertainties completely.

(1) Industry Regulations and Tax Policies Risk

The PRC government exercises supervision over the domestic oil and natural gas industry, and its regulatory policies will affect the Group's operating activities such as obtaining the exploration and production licences, the payment of industry-specific taxes and levies, and the implementation of environmental policies and safety standards. Any future changes in the policies of the PRC government in the oil and natural gas industry may also have an impact on the Group's operations.

Taxes and levies are one of the major external factors affecting the operations of the Group. The PRC government has been actively implementing taxation reforms, which may lead to future changes in the taxes and levies relating to the operations of the Group, thereby affecting the operating results of the Group.

(2) Price Fluctuations of Oil and Gas Risk

The Group is engaged in a wide range of oil and gas products-related activities and part of its oil and gas products demands are met through external purchases in international market. The prices of crude oil, refined products and natural gas in the international market are affected by various factors such as changes in global and regional politics and economy, demand and supply of oil and gas, as well as unexpected events and disputes with international repercussions. The prices of domestic crude oil are determined by reference to the international prices of crude oil. The prices of domestic refined products are adjusted to reflect the price changes in the international crude oil market. Domestic natural gas prices implements the guidance prices of the PRC government.

(3) Foreign Exchange Rate Risk

The Group conducts its business primarily in Renminbi in the PRC, but it keeps certain foreign currencies to pay for the imported crude oil, equipment and other raw materials as well as to repay financial liabilities denominated in foreign currencies. Currently, the PRC government has implemented a regulated floating exchange rate regime based on market supply and demand with reference to a basket of currencies. However, Renminbi is still regulated in capital projects. The exchange rates of Renminbi are affected by domestic and international economic and political changes, and demand and supply for Renminbi. Future exchange rates of Renminbi against other currencies may vary significantly from the current exchange rates, which in turn would affect the operating results and financial position of the Group.

(4) Market Competition Risk

The Group has distinctive advantages in resources, and is in a leading position in the oil and gas industry in the PRC. At present, major competitors of the Group are other large domestic oil and petrochemical producers and distributors. With the gradual opening up of the domestic oil and petrochemical market, large foreign oil and petrochemical companies have become competitors of the Group in certain regions and segments. The Group has been in a leading position in the exploration and production business and natural gas and pipeline business in China, but the Group is facing relatively intense competition in refining, chemicals and marketing of refined products businesses.

(5) Uncertainty of the Oil and Gas Reserves Risk

According to industry characteristics and international practices, both the crude oil and natural gas reserve data disclosed by the Group are estimates only. The Group has engaged internationally recognised valuers to evaluate the crude oil and natural gas reserves of the Group on a regular basis. However, the estimates of the reserves depends on a number of factors, assumptions and variables, such as the quality and quantity of technical and economic data, the prevailing oil and gas prices of the Group etc., many of which are beyond the control of the Group and may be adjusted over time. The results of drilling, testing and exploration after the date of the evaluation may also result in revision of the reserves data of the Group to a certain extent.

(6) Overseas Operations Risk

As the Group operates in a number of countries around the world, it is subject to the influences of different political, legal and regulatory factors prevailing in the countries of operation, including countries which are not very stable and are greatly different from developed countries in certain material aspects. The risks involved primarily include instability in political environment, taxation policies, import and export restrictions, as well as regulatory requirements.

(7) Risk Relating to Climate Change

In recent years, the oil industry has been facing ever increasing challenges posed by global climate change. A number of international, domestic and regional agreements restricting greenhouse gas emission have been signed and become effective. If China or other countries in which the Company operates take more stringent measures to reduce greenhouse gas emission, the revenue and profits earned by the Group may reduce as a result of substantial capital expenditures and taxation expenditures and increases in operating costs incurred and even the strategic investments of the Group may be subject to the unfavourable impact posed by the related laws, regulations and regulatory requirements.

(8) Hidden Hazards and Force Majeure Risk

Oil and gas exploration, development, storage and transportation and the production, storage and transportation of refined products and petrochemical products involve certain risks, which may cause unexpected or dangerous events such as personal injuries or death, property damage, environmental damage and disruption to operations, etc. The hazard risks faced by the Group correspond the expansion in the scale and area of operations. In the meantime, new regulations promulgated by the State in recent years set out higher standard for production safety. The Group has implemented a strict HSE management system and used its best endeavours to avoid the occurrence of various accidents. However, the Group cannot completely avoid potential financial losses caused by such contingent incidents. The Group has adopted strict implementation of laws and regulations of the State, and invested in a timely manner to effectively control the major safety and environmental hazards found. In addition, natural disasters such as earthquake, typhoon, tsunami and emergency public health events may cause losses to the Group's properties and personnel, and may affect the normal operations of the Group.

23. Details of Preference Shares

There was no matter concerning the preference shares requiring disclosure during the reporting period.

24. Other Significant Events

(1) Deepening the Value-Added Tax Reform

On March 20, 2019, the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs jointly issued the "Notice on Deepening the Policies Related to Value-Added Tax Reform" (Notice No. 39 of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs, 2019) (《關於深化增值税改革有關政策的公告》(財政部 税務總局 海關總署公告2019年第39號)), which stipulates since April 1, 2019, the tax rate for the occurrence of a taxable sale or imported goods by a VAT general taxpayer ("taxpayer") shall be adjusted from the original tax rate of 16% to 13%, or from the original tax rate 10% to 9%. The input tax amount of the taxpayer's acquisition of real estate or real estate construction projects is no longer deducted within two years and the amount of input tax to be deducted that has not been deducted according to the above provisions may be deducted from the output amount of the taxation period from April 2019. In case of any taxpayer purchasing domestic passenger transport services, the input tax amount is allowed to be deducted from the output tax. From April 1, 2019 to December 31, 2021, taxpayers of production and living service industries are allowed to add 10% of the current deductible input tax when deducting the tax payable. Since April 1, 2019, the trial of the VAT refund in relation to retaining and deduction at the end of period system has begun.

This matter will not affect the continuity of business and the stability of management of the Group and will benefit sustainable and healthy development of the Group's production and operation as well as continual improvement of its operating results.

(2) Reducing social insurance rates

On April 4, 2019, the General Office of the State Council issued the "Notice on Printing and Distributing the Comprehensive Plan for Reducing Social Insurance Rates" (Guo Ban Fa [2019] No. 13) (《關於印發降低社會保險費率綜合方案的通知》(國辦發[2019]13號)) to reduce social insurance rates and improve social security system and steadily promote the reform of the social security fee collection system. Since May 1, 2019, the proportion of contributions paid by urban employees to the basic endowment insurance units has been reduced. The contribution ratios of the pension insurance of the provinces, autonomous regions, municipalities directly under the Central Government and Xinjiang Production and Construction Corps paid by units, which are higher than 16%, are allowed to decrease to 16%.

This matter will not affect the continuity of business and the stability of management of the Group and will benefit sustainable and healthy development of the Group's production and operation as well as continual improvement of its operating results.

(3) Adjusting the unconventional natural gas subsidy policy

On June 11, 2019, the Ministry of Finance issued the "Supplementary Notice on the Interim Measures for the Administration of Special Funds for Renewable Energy Development" (Cai Jian [2019] No. 298) (《關於〈可再生能源發展專項資金管理暫行辦法〉的補充通知》(財建[2019]298 號)), clarifying that the implementation period of special funds for renewable energy development is from 2019 to 2023, to support the development and utilization of unconventional natural gas such as coalbed methane (mine gas), shale gas and tight gas. Since 2019, subsidies for unconventional natural gas are no longer subsidized according to the quota standard. In accordance with the principle of "more production and more subsidy", subsidy will be awarded multi-step according to the excess degree for the exploitation and utilization of the previous year. Correspondingly, if the mining and utilization amount has not reached the amount of the previous year, the subsidy will be deducted according to the actual conditions. The distribution coefficient of awards and deductions varies from 1.25 to 2 depending on the amount of excess or non-compliance. At the same time, for the unconventional natural gas incremental part produced during the heating season (from January to February and from November to December every year), the excess coefficient (distribution coefficient is 1.5) is converted, reflecting the "more production in winter and more subsidy in winter".

This matter will not affect the continuity of business and the stability of management of the Group and will benefit the Group's exploration and production business, as well as continual improvement of its operating results.

(4) Promotion of fair and open oil and gas pipeline network facilities

On May 24, 2019, NDRC, the National Energy Administration, the Ministry of Housing and Urban-Rural Development, and the State Administration of Market Supervision jointly issued the "Notice on Printing and Distributing the Supervision Measures for Fair and Open Oil and Gas Pipeline Facilities" (Fa Gai Neng Yuan Gui [2019] No. 916) (《關於印發〈油氣管網設施公平開放監管辦法〉的通知》(發改能源規[2019]916號)), which stipulates that since May 24, 2019, oil and gas pipeline network facilities operating enterprises shall provide oil and gas transportation, storage, gasification, loading and unloading, transshipment and other services to users who meet the open conditions without discrimination, shall not delay or refuse to sign a service contract with a user who meets the open conditions with no reasonable cause, and shall not raise unreasonable requirements.

This matter will not affect the continuity of business and the stability of management of the Group and will benefit the Group's natural gas and pipeline business as well as continual improvement of its operating results.

(5) Relaxation of restrictions on foreign investment on oil and gas

On June 30, 2019, NDRC and the Ministry of Commerce issued "Special Management Measures for Foreign Investment Access (Negative List) (2019 Edition)" ([2019] Order No. 25 of NDRC and Ministry of Commerce) (《外商投資准入特別管理措施(負面清單)(2019年版)》(發展改革委 商務部令2019年第25號)), which stipulates that since July 30, 2019, the cancellation of the restriction that oil and natural gas exploration and development is limited to joint ventures and cooperation.

This matter will not affect the continuity of business and the stability of management of the Group but may affect the Group's exploration and production business as well as its operating results.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

On April 15, 2019, Mr. Qin Weizhong resigned as Director of the Company due to the adjustment of positions and he also ceased to be a member of the Health, Safety and Environment Committee of the Board.

On June 13, 2019, the Company convened the 2018 shareholders' general meeting, at which the Proposal for Election of Directors of the Company was reviewed and passed, and Mr. Zhang Wei and Mr. Jiao Fangzheng were elected as Directors of the Company.

On June 13, 2019, the Company convened the third meeting of the Board in 2019, at which Mr. Zhang Wei was elected as Vice Chairman of the Board and chairman of the Investment and Development Committee, and Mr. Jiao Fangzheng was elected as a member of the Health, Safety and Environment Committee.

2. Basic Particulars of the Current Directors, Supervisors and Other Senior Management

Directors

Name	Gender	Age	Position
Wang Yilin	Male	62	Chairman of the Board
Zhang Wei	Male	50	Vice Chairman of the Board and Non-executive Director
Liu Yuezhen	Male	57	Non-executive Director
Liu Hongbin	Male	56	Non-executive Director
Jiao Fangzheng	Male	56	Non-executive Director
Hou Qijun	Male	52	Executive Director and President
Duan Liangwei	Male	51	Non-executive Director
Lin Boqiang	Male	62	Independent Non-executive Director
Zhang Biyi	Male	65	Independent Non-executive Director
Elsie Leung Oi-sie	Female	80	Independent Non-executive Director
Tokuchi Tatsuhito	Male	66	Independent Non-executive Director
Simon Henry	Male	57	Independent Non-executive Director

Supervisors

Name	Gender	Age	Position
Xu Wenrong	Male	57	Chairman of the Supervisory Committee
Zhang Fengshan	Male	58	Supervisor
Jiang Lifu	Male	55	Supervisor
Lu Yaozhong	Male	54	Supervisor
Wang Liang	Male	56	Supervisor
Fu Suotang	Male	57	Supervisor appointed by employees' representatives
Li Jiamin	Male	55	Supervisor appointed by employees' representatives
Liu Xianhua	Male	56	Supervisor appointed by employees' representatives
Li Wendong	Male	55	Supervisor appointed by employees' representatives

Particulars of Other Senior Management

Name	Gender	Age	Position
Sun Longde	Male	57	Vice President
Wu Enlai	Male	59	Board Secretary
Li Luguang	Male	57	Vice President
Tian Jinghui	Male	56	Vice President
Chai Shouping	Male	57	Chief Financial Officer
Ling Xiao	Male	55	Vice President
Yang Jigang	Male	56	Vice President
Wang Zhongcai	Male	59	Vice President

3. Shareholdings of the Directors, Supervisors and Senior Management

As at June 30, 2019, no current Directors, Supervisors or other Senior Management of the Company or outgoing Directors, Supervisors or other Senior Management of the Company during the reporting period held any shares of the Company.

RELEVANT INFORMATION ON CORPORATE BONDS

1. Information on Corporate Bonds Issued But Not Yet Due

(1) All the corporate bonds of the Company which have been issued and listed on the stock exchange but have not yet been due as at the approval date of this interim report include the 2012 Corporate Bonds (First Tranche) of PetroChina Company Limited (the "2012 Corporate Bonds (First Tranche)")(ten-year term and fifteen-year term), the 2013 Corporate Bonds (First Tranche) of PetroChina Company Limited (the "2013 Corporate Bonds (First Tranche)")(ten-year term), the 2016 Corporate Bonds (First Tranche) of PetroChina Company Limited (the "2016 Corporate Bonds (First Tranche)"), the 2016 Corporate Bonds (Second Tranche) of PetroChina Company Limited (the "2016 Corporate Bonds (Second Tranche)"), the 2016 Corporate Bonds (Third Tranche) of PetroChina Company Limited (the "2016 Corporate Bonds (Third Tranche)"), and the 2017 Corporate Bonds (First Tranche) of PetroChina Company Limited (the "2017 Corporate Bonds (First Tranche)"), and the details of which are set out below:

Items	Abbreviated Form	Code	Date of Issue	Maturity Date	Amount (RMB 100 million)	Interest Rate (%)	Mode of Repayment	Stock Exchange for Listing
2012 Corporate Bonds (First Tranche) (10-year term)	12 PetroChina 02	122210.SH	November 22, 2012	November 22, 2022	20	4.90	Annual payment of interest, and one lump sum repayment of principal at maturity	Shanghai Stock Exchange
2012 Corporate Bonds (First Tranche) (15-year term)	12 PetroChina 03	122211.SH	November 22, 2012	November 22, 2027	20	5.04	Annual payment of interest, and one lump sum repayment of principal at maturity	Shanghai Stock Exchange
2013 Corporate Bonds (First Tranche) (10-year term)	13 PetroChina 02	122240.SH	March 15, 2013	March 15, 2023	40	4.88	Annual payment of interest, and one lump sum repayment of principal at maturity	Shanghai Stock Exchange
2016 Corporate Bonds (First Tranche) (5-year term)	16 PetroChina 01	136164.SH	January 19, 2016	January 19, 2021	88	3.03	Annual payment of interest, and one lump sum repayment of principal at maturity	Shanghai Stock Exchange
2016 Corporate Bonds (First Tranche) (10-year term)	16 PetroChina 02	136165.SH	January 19, 2016	January 19, 2026	47	3.50	Annual payment of interest, and one lump sum repayment of principal at maturity	Shanghai Stock Exchange

Items	Abbreviated Form	Code	Date of Issue	Maturity Date	Amount (RMB 100 million)	Interest Rate (%)	Mode of Repayment	Stock Exchange for Listing
2016 Corporate Bonds (Second Tranche) (5-year term)	16 PetroChina 03	136253.SH	March 3, 2016	March 3, 2021	127	3.15	Annual payment of interest, and one lump sum repayment of principal at maturity	Shanghai Stock Exchange
2016 Corporate Bonds (Second Tranche) (10-year term)	16 PetroChina 04	136254.SH	March 3, 2016	March 3, 2026	23	3.70	Annual payment of interest, and one lump sum repayment of principal at maturity	Shanghai Stock Exchange
2016 Corporate Bonds (Third Tranche) (5-year term)	16 PetroChina 05	136318.SH	March 24, 2016	March 24, 2021	95	3.08	Annual payment of interest, and one lump sum repayment of principal at maturity	Shanghai Stock Exchange
2016 Corporate Bonds (Third Tranche) (10-year term)	16 PetroChina 06	136319.SH	March 24, 2016	March 24, 2026	20	3.60	Annual payment of interest, and one lump sum repayment of principal at maturity	Shanghai Stock Exchange
2017 Corporate Bonds (First Tranche)	17 PetroChina 01	143255.SH	August 18, 2017	August 18, 2020	20	4.30	Annual payment of interest, and one lump sum repayment of principal at maturity	Shanghai Stock Exchange

(2) Subscribers

Qualified investors who meet the requirements of the laws and regulations.

(3) Payment of Interest

During the current reporting period, with regard to all the corporate bonds of the Company, interest was paid on schedule without any delay or inability in payment of interest.

The interest of 2012 Corporate Bonds (First Tranche) formally started to accrue on November 22, 2012. Its first payment date was November 22, 2013. No payment of interest was due during the reporting period.

The interest of the 2013 Corporate Bonds (First Tranche) formally started to accrue on March 15, 2013. Its first payment date was March 15, 2014 and its payment date within the reporting period was March 15, 2019 in an amount of RMB195.20 million.

The interest of the 2016 Corporate Bonds (First Tranche) formally started to accrue on January 19, 2016, and its first payment date was January 19, 2017. The interest payment date during the reporting period was January 19, 2019 (which was not a trading day, resulting in the actual payment date being January 21, 2019) in an amount of RMB431.14 million.

The interest of the 2016 Corporate Bonds (Second Tranche) formally started to accrue on March 3, 2016, and its first payment date was March 3, 2017. The interest payment date during the reporting period was March 3, 2019 (which was not a trading day, resulting in the actual payment date being March 4, 2019) in an amount of RMB485.15 million.

The interest of the 2016 Corporate Bonds (Third Tranche) formally started to accrue on March 24, 2016, and its first payment date was March 24, 2017. The interest payment date during the reporting period was March 24, 2019 (which was not a trading day, resulting in the actual payment date being March 25, 2019) in an amount of RMB364.60 million.

The interest of 2017 Corporate Bonds (First Tranche) formally started to accrue on August 18, 2017. Its first payment date was August 18, 2018. No payment of interest was due during the reporting period.

2. Relevant Information on the Bond Trustees and the Credit Rating Agency

(1) Bond Trustees

1. 2012 Corporate Bonds (First Tranche), 2013 Corporate Bonds (First Tranche) and 2017 Corporate Bonds (First Tranche)

Bond Trustee: CITIC Securities Company Limited
Legal Representative: Zhang Youjun
Contact Persons: Xue Ying, Zhao Wei, Zhou Weifan, Han Bing
Office Address: CITIC Office Tower, 48 Liangmaqiao Road, Chaoyang District, Beijing
Tel.: 010-60836701
Fax: 010-60833504

2. 2016 Corporate Bonds (First Tranche)

Bond Trustee: China Galaxy Securities Co., Ltd.
Legal Representative: Chen Gongyan
Contact Persons: Zhou Yihong, Xu Jinjun, Zhang Fan, Yu Junqin
Office Address: 2/F, Tower C, International Enterprise Mansion, 35 Finance Street, Xicheng District, Beijing
Tel.: 010-66568206, 010-83574533
Fax: 010-66568704

3. 2016 Corporate Bonds (Second Tranche) and 2016 Corporate Bonds (Third Tranche)

Bond Trustee: China Securities Co., Ltd.
Legal Representative: Wang Changqing
Contact Persons: Du Meina, Wang Chonghe, Ren Xianhao, Yin Jianchao
Office Address: 2/F, Building B, Kaiheng Center, 2 Chaonei Street. Dongcheng District, Beijing
Tel.: 010-85130656, 010-85156322, 010-65608354
Fax: 010-65608445

(2) Credit Rating Agency

2012 Corporate Bonds (First Tranche), 2013 Corporate Bonds (First Tranche), 2016 Corporate Bonds (First Tranche), 2016 Corporate Bonds (Second Tranche), 2016 Corporate Bonds (Third Tranche) and 2017 Corporate Bonds (First Tranche)

Credit Rating Agency: United Credit Rating Co., Ltd.
Legal Representative: Wan Huawei
Contact Persons: Liu Hongtao, Gao Peng
Office Address: 12/F, PICC Building, 2 Jianguomenwai Street, Chaoyang District, Beijing
Tel.: 010-85172818
Fax: 010-85171273

3. Use of Funds Raised By Issuing Corporate Bonds

As at the end of the reporting period, the use of all funds raised by corporate bonds is consistent with the purpose, plan of use and other matters as undertaken in the offering circular, and such funds have been used up.

The receipt of the funds raised by corporate bonds and the payment of principal and interest are conducted in receipt accounts or special accounts, all of which are operating normally. Meanwhile, the Company formulated plans for the use of funds raised by bonds and use such raised funds in accordance with the internal procedures for use of funds and related agreements. The relevant business departments carried out strict inspections over the use of such funds to effectively ensure that all funds are used for their designated purposes, to guarantee the smooth operation of the investment, use and audit of funds raised in order to ensure that the funds raised by bonds are used in accordance with the resolution of the shareholders' general meeting and the purpose as disclosed in the offering circular.

4. Information on Follow-up Credit Rating of Bonds

In accordance with the relevant requirements of the PRC regulatory authorities and United Credit Rating Co., Ltd. ("United Rating") in respect of follow-up credit rating, United Rating shall make a regular follow-up credit rating within two months upon the announcement of the Company's annual audit report every year during the terms of all corporate bonds of the Company, and shall also make follow-up credit ratings from time to time based on relevant circumstances during the terms of all corporate bonds of the Company. United Rating has disclosed the 2019 Track Rating Report on the Corporate Bonds of PetroChina at the Shanghai Stock Exchange, and the result of such rating is AAA, with a stable rating outlook. Investors are reminded to pay close attention to those ratings.

During the reporting period, there was no difference in credit rating by the credit rating agencies of other bonds and debt financing instruments issued by the Company in the PRC.

5. Credit Enhancement Mechanism, Debt Repayment Plan and Safeguard Measures for Debt Repayment

During the reporting period, the debt repayment plan and the safeguard measures for debt repayment were consistent with the provisions and relevant undertakings as set out in the offering circulars without any change. Special accounts for debt repayment were set up and funds for debt repayment were withdrawn in accordance with the relevant provisions.

CNPC provided credit guarantee for the 2012 Corporate Bonds (First Tranche) and the 2013 Corporate Bonds (First Tranche) of the Company. Please refer to the annual report disclosed by CNPC for the information about the guarantor.

The 2016 Corporate Bonds (First Tranche), the 2016 Corporate Bonds (Second Tranche), the 2016 Corporate Bonds (Third Tranche) and 2017 Corporate Bonds (First Tranche) are all unsecured bonds.

6. Convening of Meetings of Bond Holders

During the reporting period, the Company had not encountered any matter requiring the convening of a bond holders' meeting and therefore did not convene any meeting for the bond holders.

7. Performance of Duties by the Bond Trustees

During the reporting period, the bond trustees performed the following duties in their capacity as a debt trustee in accordance with the provisions of the Measures for Administration of the Issue and Trading of Corporate Bonds and the Bond Trusteeship Agreement:

(1) paying continuous attention to the credit status of the Company and the guarantors as well as the implementation of the credit enhancement measures and the safeguard measures for debt repayment;

(2) supervising the use of the funds raised by the Company during the terms of bonds;

(3) carrying out overall investigation and paying continuous attention to the solvency and the effectiveness of the credit enhancement measures of the Company, and making an announcement in connection with the report on trusteeship affairs to the market at least once every year; and

(4) continuously supervising the performance of the information disclosure obligation by the Company during the terms of bonds.

No conflict of interest has occurred on the part of the trustees in performance of their duties.

CITIC Securities Company Limited, the bond trustee of the 2012 Corporate Bonds (First Tranche), the 2013 Corporate Bonds (First Tranche) and the 2017 Corporate Bonds (First Tranche), published the 2018 trusteeship report on April 23, 2019 and such disclosure was made in the Shanghai Stock Exchange.

China Galaxy Securities Co., Ltd., the bond trustee of the 2016 Corporate Bonds (First Tranche), published the 2018 trusteeship report on June 28, 2018 and such disclosure was made in the Shanghai Stock Exchange.

China Securities Co., Ltd., the bond trustee of the 2016 Corporate Bonds (Second Tranche) and 2016 Corporate Bonds (Third Tranche), published the 2018 trusteeship report on June 24, 2019 and such disclosure was made in the Shanghai Stock Exchange.

China Securities Co., Ltd., CITIC Securities Company Limited and China Galaxy Securities Co., Ltd. kept paying attention to significant events of the Company and published an interim trusteeship report after change of the President of the Company and such disclosure was made in the Shanghai Stock Exchange.

8. Major Accounting Data and Financial Indicators Relating to Corporate Bonds

Items	As at June 30, 2019	As at December 31, 2018
Liquidity ratio	0.80	0.73
Quick ratio	0.51	0.44
Asset-liability ratio (%)	45.93	42.27
Items	The First Half of 2019	The First Half of 2018
EBITDA interest coverage ratio	19.47	20.32
Loan repayment ratio (%)	100	100
Interest coverage ratio (%)	100	100

Note: The asset-liability ratio as at the end of the first half of this year rose as compared with the end of last year, which is mainly due to the impact of the implementation of the new lease standards from the beginning of this year. If excluding this factor, the asset-liability ratio would be 42.35%.

9. Mortgage, Pledge, Seizure, Freezing, Conditional Realization, Impossible Realization of Assets, Impossibility of Using Assets to Repay Debts and Other Situations and Arrangements Involving the Rights Limitation over Assets

As at the end of the reporting period, the material assets of the Company were not subject to limitations.

10. Payment of Interest on Other Bonds and Debt Financing Instruments

During the reporting period, the interest on other bonds and debt financing instruments of the Company was paid on schedule, without any delay or inability in the payment of interest and principals.

11. Credits Granted by Banks, Use of Credit Facilities and Repayment of Bank Loans

The Company maintains a good long-term partnership with banks and other financial institutions and accordingly obtains relatively high credit lines, resulting in developing a strong indirect debt financing capacity. As at the end of the reporting period, the Company was granted a total amount of RMB162.0 billion credit facilities by a number of financial institutions, of which RMB70.9 billion were used and RMB91.1 billion remained unused.

During the reporting period, the Company repaid the bank loans on schedule, without any loan extension or forgiveness.

12. Relevant Provisions or Undertakings Stated in the Offering Circular

The Company strictly complies with the provisions of, and also performs the relevant undertakings made under, the Bond Trusteeship Agreement and the terms agreed in connection with each tranche of the relevant bonds.

13. Material Matters

During the reporting period, no material matters as set forth in Article 45 of the Measures for Administration of the Issue and Trading of Corporate Bonds occurred on the part of the Company.

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED AND COMPANY BALANCE SHEETS
AS OF JUNE 30, 2019

(All amounts in RMB millions unless otherwise stated)

ASSETS	Notes	June 30, 2019 The Group	December 31, 2018 The Group	June 30, 2019 The Company	December 31, 2018 The Company
Current assets					
Cash at bank and on hand	7	112,845	95,489	21,212	15,309
Receivables financing	8	9,022	16,308	3,646	8,160
Accounts receivable	9	73,738	59,522	11,279	10,174
Advances to suppliers	10	29,859	17,554	15,545	6,267
Other receivables	11	25,391	17,415	17,420	14,316
Inventories	12	175,364	177,577	111,271	114,952
Other current assets		55,174	54,376	39,622	46,082
Total current assets		481,393	438,241	219,995	215,260
Non-current assets					
Investments in other equity instruments	13	949	760	459	390
Long-term equity investments	14	93,960	89,432	395,141	388,818
Fixed assets	15	678,588	689,306	336,875	337,629
Oil and gas properties	16	783,827	800,475	550,563	557,121
Construction in progress	17	228,163	219,623	151,170	151,366
Right-of-use assets	56	181,648	-	104,683	-
Intangible assets	18	77,949	77,272	59,494	58,890
Goodwill	19	42,294	42,273	-	-
Long-term prepaid expenses	20	9,154	28,529	6,893	22,761
Deferred tax assets	33	27,018	23,498	20,032	17,910
Other non-current assets		32,836	31,760	11,972	7,884
Total non-current assets		2,156,386	2,002,928	1,637,282	1,542,769
TOTAL ASSETS		2,637,779	2,441,169	1,857,277	1,758,029

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

Chairman	Director and President	Chief Financial Officer
Wang Yilin	Hou Qijun	Chai Shouping

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED AND COMPANY BALANCE SHEETS
AS OF JUNE 30, 2019 (CONTINUED)

(All amounts in RMB millions unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	June 30, 2019 The Group	December 31, 2018 The Group	June 30, 2019 The Company	December 31, 2018 The Company
Current liabilities					
Short-term borrowings	22	101,773	69,780	65,718	61,873
Notes payable	23	7,096	8,127	5,923	6,428
Accounts payable	24	210,445	246,671	90,186	115,045
Contract liabilities	25	77,337	68,144	53,541	47,184
Employee compensation payable	26	14,983	10,189	12,123	7,906
Taxes payable	27	45,432	83,288	27,725	58,734
Other payables	28	71,061	33,922	81,401	43,862
Current portion of non-current liabilities	29	65,852	75,370	6,106	63,028
Other current liabilities		8,336	939	5,237	217
Total current liabilities		602,315	596,430	347,960	404,277
Non-current liabilities					
Long-term borrowings	30	146,279	177,605	83,300	72,166
Debentures payable	31	138,411	91,817	135,000	85,000
Lease liabilities	56	156,378	-	84,844	-
Provisions	32	137,262	132,780	95,287	92,017
Deferred tax liabilities	33	17,422	17,022	-	-
Other non-current liabilities		13,595	16,339	6,757	8,489
Total non-current liabilities		609,347	435,563	405,188	257,672
Total liabilities		1,211,662	1,031,993	753,148	661,949
Shareholders' equity					
Share capital	34	183,021	183,021	183,021	183,021
Capital surplus	35	127,166	129,199	127,859	127,859
Special reserve		16,062	13,831	8,863	7,373
Other comprehensive income	53	(31,645)	(32,397)	826	505
Surplus reserves	36	194,245	194,245	183,153	183,153
Undistributed profits	37	738,116	726,168	600,407	594,169
Equity attributable to equity holders of the Company		1,226,965	1,214,067	1,104,129	1,096,080
Non-controlling interests	38	199,152	195,109	-	-
Total shareholders' equity		1,426,117	1,409,176	1,104,129	1,096,080
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,637,779	2,441,169	1,857,277	1,758,029

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

Chairman	Director and President	Chief Financial Officer
Wang Yilin	Hou Qijun	Chai Shouping

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED AND COMPANY INCOME STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2019

(All amounts in RMB millions unless otherwise stated)

Items	Notes	For the six months ended June 30, 2019 The Group	For the six months ended June 30, 2018 The Group	For the six months ended June 30, 2019 The Company	For the six months ended June 30, 2018 The Company
Operating income	39	1,196,259	1,119,637	669,127	649,846
Less: Cost of sales	39	(944,943)	(878,099)	(514,313)	(487,107)
Taxes and surcharges	40	(112,419)	(105,292)	(86,261)	(82,807)
Selling expenses	41	(32,901)	(31,058)	(22,535)	(21,495)
General and administrative expenses	42	(28,605)	(31,801)	(18,984)	(20,657)
Research and development expenses	43	(7,687)	(6,084)	(6,902)	(5,373)
Finance expenses	44	(14,028)	(9,916)	(10,120)	(8,272)
Including: Interest expenses		15,197	11,301	10,336	8,601
Interest income		1,893	1,438	465	491
Add: Other income	45	4,655	4,436	3,902	3,051
Investment income	46	5,233	3,939	18,501	24,204
Including: Income from investment in associates and joint ventures		4,707	3,824	2,210	2,406
Credit losses	47	225	5	265	7
Asset impairment losses	48	(784)	(14)	18	(41)
Gains on asset disposal	49	87	95	75	109
Operating profit		65,092	65,848	32,773	51,465
Add: Non-operating income	50(a)	1,524	879	1,265	655
Less: Non-operating expenses	50(b)	(4,843)	(5,046)	(4,372)	(3,689)
Profit before taxation		61,773	61,681	29,666	48,431
Less: Taxation	51	(22,638)	(23,066)	(6,917)	(14,620)
Net profit		39,135	38,615	22,749	33,811
Classified by continuity of operations:					
Net profit from continuous operation		39,135	38,615	22,749	33,811
Net profit from discontinued operation		-	-	-	-
Classified by ownership:					
Shareholders of the Company		28,420	27,439	22,749	33,811
Non-controlling interests		10,715	11,176	-	-
Other comprehensive income		3,007	(2,285)	321	(32)
Other comprehensive income attributable to equity holders of the Company, net of tax		752	(3,178)	321	(32)
(1) Item that will not be reclassified to profit or loss:					
Changes in fair value of investments in other equity instruments		138	(100)	55	(29)
(2) Items that may be reclassified to profit or loss:					
Share of other comprehensive income of equity-accounted investee		337	(4)	266	(3)
Translation differences arising from translation of foreign currency financial statements		277	(3,074)	-	-
Other comprehensive income (net of tax) attributable to non-controlling interests		2,255	893	-	-
Total comprehensive income		42,142	36,330	23,070	33,779
Attributable to:					
Equity holders of the Company		29,172	24,261	23,070	33,779
Non-controlling interests		12,970	12,069	-	-
Earnings per share					
Basic earnings per share (RMB Yuan)	52	0.155	0.150	0.124	0.185
Diluted earnings per share (RMB Yuan)	52	0.155	0.150	0.124	0.185

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

Chairman	Director and President	Chief Financial Officer
Wang Yilin	Hou Qijun	Chai Shouping

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2019

(All amounts in RMB millions unless otherwise stated)

Items	Notes	For the six months ended June 30, 2019 The Group	For the six months ended June 30, 2018 The Group	For the six months ended June 30, 2019 The Company	For the six months ended June 30, 2018 The Company
Cash flows from operating activities					
Cash received from sales of goods and rendering of services		1,359,181	1,275,210	773,837	749,993
Refund of taxes		1,249	3,274	797	1,289
Cash received relating to other operating activities		2,067	1,559	15,652	11,589
Sub-total of cash inflows		1,362,497	1,280,043	790,286	762,871
Cash paid for goods and services		(936,835)	(865,188)	(495,966)	(511,367)
Cash paid to and on behalf of employees		(61,177)	(54,721)	(46,305)	(39,715)
Payments of various taxes		(209,232)	(189,858)	(146,018)	(111,760)
Cash paid relating to other operating activities		(20,828)	(22,409)	(12,924)	(13,967)
Sub-total of cash outflows		(1,228,072)	(1,132,176)	(701,213)	(676,809)
Net cash flows from operating activities	55(a)	134,425	147,867	89,073	86,062
Cash flows from investing activities					
Cash received from disposal of investments		1,750	9,823	6,513	20,243
Cash received from returns on investments		3,462	2,336	17,725	24,063
Net cash received from disposal of fixed assets, oil and gas properties, intangible assets and other long-term assets		446	220	437	180
Sub-total of cash inflows		5,658	12,379	24,675	44,486
Cash paid to acquire fixed assets, oil and gas properties, intangible assets and other long-term assets		(123,715)	(101,097)	(86,099)	(67,375)
Cash paid to acquire investments		(11,916)	(10,796)	(13,256)	(21,853)
Sub-total of cash outflows		(135,631)	(111,893)	(99,355)	(89,228)
Net cash flows used for investing activities		(129,973)	(99,514)	(74,680)	(44,742)
Cash flows from financing activities					
Cash received from capital contributions		288	348	-	-
Including: Cash received from non-controlling interests' capital contributions to subsidiaries		288	348	-	-
Cash received from borrowings		477,745	412,962	193,677	128,033
Cash received relating to other financing activities		-	26	-	13
Sub-total of cash inflows		478,033	413,336	193,677	128,046
Cash repayments of borrowings		(447,904)	(448,801)	(189,803)	(155,507)
Cash payments for interest expenses and distribution of dividends or profits		(20,934)	(18,940)	(7,951)	(9,420)
Including: Subsidiaries' cash payments for distribution of dividends or profits to non-controlling interests		(10,315)	(6,825)	-	-
Capital reduction of subsidiaries		(44)	(86)	-	-
Cash payments relating to other financing activities		(9,118)	-	(4,413)	-
Sub-total of cash outflows		(478,000)	(467,827)	(202,167)	(164,927)
Net cash flows from /(used for) financing activities		33	(54,491)	(8,490)	(36,881)
Effect of foreign exchange rate changes on cash and cash equivalents		201	622	-	-
Net increase /(decrease) in cash and cash equivalents	55(b)	4,686	(5,516)	5,903	4,439
Add: Cash and cash equivalents at the beginning of the period		85,954	123,700	13,109	44,432
Cash and cash equivalents at the end of the period	55(c)	90,640	118,184	19,012	48,871

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

Chairman	Director and President	Chief Financial Officer
Wang Yilin	Hou Qijun	Chai Shouping

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2019

(All amounts in RMB millions unless otherwise stated)

	Shareholders' equity attributable to the Company								
Items	Share capital	Capital surplus	Special reserve	Other comprehensive income	Surplus reserves	Undistributed profits	Sub-total	Non-controlling interests	Total shareholders' equity
Balance at January 1, 2018	183,021	128,639	13,366	(27,433)	188,769	707,448	1,193,810	187,800	1,381,610
Adjustment for Dalian West Pacific (note6(2))	-	516	-	-	-	(1,464)	(948)	(2,383)	(3,331)
Balance at January 1, 2018(After adjustment)	183,021	129,155	13,366	(27,433)	188,769	705,984	1,192,862	185,417	1,378,279
Changes in the six months ended June 30, 2018									
Total comprehensive income	-	-	-	(3,178)	-	27,439	24,261	12,069	36,330
Special reserve-safety fund reserve									
Appropriation	-	-	2,727	-	-	-	2,727	137	2,864
Utilisation	-	-	(693)	-	-	-	(693)	(38)	(731)
Profit distribution									
Distribution to shareholders	-	-	-	-	-	(11,117)	(11,117)	(7,026)	(18,143)
Other equity movement									
Equity transaction with non-controlling interests	-	(3)	-	-	-	-	(3)	-	(3)
Capital contribution from non-controlling interests	-	44	-	-	-	-	44	452	496
Disposal of subsidiaries	-	-	-	-	-	-	-	(645)	(645)
Other	-	(1)	-	-	-	(166)	(167)	(36)	(203)
Balance at June 30, 2018	183,021	129,195	15,400	(30,611)	188,769	722,140	1,207,914	190,330	1,398,244

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

Chairman	Director and President	Chief Financial Officer
Wang Yilin	Hou Qijun	Chai Shouping

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX MONTHS ENDED JUNE 30, 2019(CONTINUED)

(All amounts in RMB millions unless otherwise stated)

	Shareholders' equity attributable to the Company								
Items	Share capital	Capital surplus	Special reserve	Other comprehensive income	Surplus reserves	Undistributed profits	Sub-total	Non-controlling interests	Total shareholders' equity
Balance at January 1, 2019	183,021	128,683	13,831	(32,397)	194,245	727,187	1,214,570	196,373	1,410,943
Adjustment for Dalian West Pacific (note6(2))	-	516	-	-	-	(1,019)	(503)	(1,264)	(1,767)
Balance at January 1, 2019(After adjustment)	183,021	129,199	13,831	(32,397)	194,245	726,168	1,214,067	195,109	1,409,176
Changes in the six months ended June 30, 2019									
Total comprehensive income	-	-	-	752	-	28,420	29,172	12,970	42,142
Special reserve-safety fund reserve									
Appropriation	-	-	2,905	-	-	-	2,905	142	3,047
Utilisation	-	-	(674)	-	-	-	(674)	(38)	(712)
Profit distribution									
Distribution to shareholders	-	-	-	-	-	(16,472)	(16,472)	(10,380)	(26,852)
Other equity movement									
Equity transaction with non-controlling interests	-	(1,990)	-	-	-	-	(1,990)	987	(1,003)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	307	307
Disposal of subsidiaries	-	-	-	-	-	-	-	70	70
Other	-	(43)	-	-	-	-	(43)	(15)	(58)
Balance at June 30, 2019	183,021	127,166	16,062	(31,645)	194,245	738,116	1,226,965	199,152	1,426,117

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

Chairman	Director and President	Chief Financial Officer
Wang Yilin	Hou Qijun	Chai Shouping

PETROCHINA COMPANY LIMITED
UNAUDITED COMPANY STATEMENT OF CHANGES IN SHAREHOLDRS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2019

(All amounts in RMB millions unless otherwise stated)

Items	Share capital	Capital surplus	Special reserve	Other comprehen-sive income	Surplus reserves	Undistributed profits	Total shareholders' equity
Balance at January 1, 2018	183,021	127,881	7,503	352	177,677	572,252	1,068,686
Changes in the six months ended June 30, 2018							
Total comprehensive income	-	-	-	(32)	-	33,811	33,779
Special reserve-safety fund reserve							
Appropriation	-	-	1,768	-	-	-	1,768
Utilisation	-	-	(501)	-	-	-	(501)
Profit distribution							
Distribution to shareholders	-	-	-	-	-	(11,117)	(11,117)
Other equity movement	-	(9)	-	-	-	(3)	(12)
Balance at June 30, 2018	183,021	127,872	8,770	320	177,677	594,943	1,092,603
Balance at January 1, 2019	183,021	127,859	7,373	505	183,153	594,169	1,096,080
Changes in the six months ended June 30, 2019							
Total comprehensive income	-	-	-	321	-	22,749	23,070
Special reserve-safety fund reserve							
Appropriation	-	-	1,921	-	-	-	1,921
Utilisation	-	-	(431)	-	-	-	(431)
Profit distribution							
Distribution to shareholders	-	-	-	-	-	(16,472)	(16,472)
Other equity movement	-	-	-	-	-	(39)	(39)
Balance at June 30, 2019	183,021	127,859	8,863	826	183,153	600,407	1,104,129

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

Chairman	Director and President	Chief Financial Officer
Wang Yilin	Hou Qijun	Chai Shouping

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 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. 中國石油天然氣集團公司 was renamed 中國石油天然氣集團有限公司 ("CNPC" before and after the change of name) on December 19, 2017. 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 Accounting Standards for Business Enterprises issued by the Ministry of Finance ("the MOF") and other regulations issued thereafter (hereafter referred to as the "Accounting Standard for Business Enterprises", "China Accounting Standards" or "CAS"). The financial statements have been prepared on the going concern basis.

The Group has applied Accounting Standard for Business Enterprises No. 14 – Revenue, Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments and other new financial instrument standards revised by the MOF in 2017 since January 1, 2018, and adopted the Accounting Standard for Business Enterprises No. 21- Lease revised by the MOF in 2018 from January 1, 2019 (see Note 4(24)).

3 STATEMENT OF COMPLIANCE WITH THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The consolidated and the Company's financial statements for the six months ended June 30, 2019 truly and completely present the financial position of the Group and the Company as of June 30, 2019 and their financial performance and their cash flows for the six months then ended in compliance with the Accounting Standards for Business Enterprises.

These financial statements also comply with the disclosure requirements of "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No.15: General Requirements for Financial Reports" revised by the China Securities Regulatory Commission ("CSRC") in 2014.

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) Operating Cycle

The Company takes the period from the exploration or acquisition of the crude oil, natural gas and other assets for exploring, transporting and processing and etc. to their realisation in cash and cash equivalents as a normal operating cycle.

(3) 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.

(4) 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.

(5) 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 and the translation differences in other comprehensive income. 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 other comprehensive income. 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.

(6) 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.

(7) Financial Instruments

Financial instruments include cash at bank and on hand, equity securities other than those classified as long-term equity investments, accounts receivable, accounts payable, borrowings, debentures payable and share capital, etc.

(a) Recognition and initial measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

A financial asset (unless it is an account receivable without a significant financing component) and financial liability is measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs. Accounts receivable without a significant financing component is initially measured at the transaction price according to Note 4(22).

(b) Classification and subsequent measurement of financial assets

(i) Classification of the financial assets held by the Group

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income (“FVOCI”), or at fair value through profit or loss (“FVTPL”).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL：

- it is held within a business model whose objective is to collect contractual cash flows;
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to designate it as a financial assets at FVOCI. This election is made on an investment-by-investment basis, and from the perspective of the issuer, related investment is in line with the definition of equity instruments.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

The business model in which a financial asset is managed refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets, or both. The Group determines the business model for managing financial assets according to the facts and based on the specific business objectives for the managing the financial assets determined by the Group's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding, the Group considers the contractual cash flow characteristics of the instrument. For the purposes of this assessment, "principal" is defined as the fair value of the financial assets at initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

(ii) Subsequent measurement of the financial assets

- Financial assets at FVTPL:

These financial assets are subsequently measured at fair value. Gains and losses, including any interest or dividend income, are recognised in profit or loss, unless the financial assets are a part of hedging relationship.

- Financial assets measured at amortised cost:

These assets are subsequently measured at amortised cost using the effective interest method. Gains or losses on financial assets that are measured at amortised cost and are not a part of any hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, through the amortisation process or in order to recognise impairment gains or losses.

- Debt investments at FVOCI:

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

- Equity investments at FVOCI:

These assets are subsequently measured at fair value. Dividends are recognised in profit or loss. Other gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

(c) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL or amortised cost.

- Financial liabilities at FVTPL:

A financial liability is classified as at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

Financial liabilities at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

- Financial liabilities at amortised cost:

These financial liabilities are subsequently measured at amortised cost using the effective interest method.

(d) Offsetting

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- the Group currently has a legally enforceable right to set off the recognised amounts;
- the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(e) Derecognition of financial assets and financial liabilities

Financial asset is derecognised when one of the following conditions is met:

- the Group's contractual rights to the cash flows from the financial asset expire;

- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or

- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred measured at the date of derecognition;

- the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

(f) Impairment

The Group recognises loss allowances for expected credit loss ("ECL") on financial assets measured at amortised cost , contract assets and debt investments measured at FVOCI.

Financial assets measured at fair value, including debt investments or equity investments at FVTPL, equity investments designated at FVOCI and derivative financial assets, are not subject to the ECL assessment.

(i) Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the balance sheet date.

The Group measures loss allowance at an amount equal to 12-month ECL for financial instruments that have low credit risk for which credit risk has not increased significantly since initial recognition, and at an amount equal to lifetime ECL for trade receivables and contract assets.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including forward-looking information.

(ii) Financial instruments that have low credit risk

The credit risk on a financial instrument is considered low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

(iii) Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition.

(iv) Credit-impaired financial assets

At each balance sheet date, the Group assesses whether financial assets carried at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- for economic or contractual reasons relating to the borrower's financial difficulty, the Group having granted to the borrower a concession that would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(v) Presentation of allowance for ECL

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt investments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income.

(vi) Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, according to the Group's procedures for recovery of amounts due, financial assets that are written off could still be subject to enforcement activities.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(g) Determination of financial instruments' fair value

Regarding financial instruments, for which there is an active market, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If there is no active market for a financial instrument, valuation techniques shall be adopted to determine the fair value.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

(8) 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.

Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditure incurred in bringing the inventories to their present location and condition. In addition to the purchase cost of raw materials, work in progress and finished goods include direct labour costs and an appropriate allocation of production overheads.

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 costs of completion and the estimated costs necessary to make the sale and relevant taxes. The net realisable value of materials held for use in the production is measured based on the net realisable value of the finished goods in which they will be incorporated. The net realisable value of the inventory held to satisfy sales or service contracts is measured based on the contract price, to the extent of the quantities specified in sales contracts, and the excess portion of inventories is measured based on general selling prices.

The Group adopts perpetual inventory system.

(9) Long-term Equity Investments

Long-term equity investments comprise the Company's equity investments in subsidiaries, and the Group's equity investments in joint ventures 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 in the consolidated financial statements of the ultimate controlling party 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

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 unless the investment is classified as held for sale. 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) Joint ventures and associates

Joint ventures are arrangements whereby the Group and other parties have joint control and rights to the net assets of the arrangements. 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 of an arrangement, which exists only when decisions about the relevant activities (activities with significant impact on the returns of the arrangement) require the unanimous consent of the parties sharing control.

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 joint ventures 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 and other comprehensive income is recognised as investment income or losses and other comprehensive income respectively. 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 as provisions, 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, other comprehensive income and profit distribution should be proportionately recognised in the Group's equity, 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.

(c) Impairment of long-term equity investments

For investments in subsidiaries, joint ventures 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(16)). After an impairment loss has been recognised, it shall not be reversed in future accounting periods for the part whose value has been recovered.

(10) 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 the balance of 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 net value lessening the impairment recognised over their remaining useful lives.

(All amounts in RMB millions unless otherwise stated)

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(16)).

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.

(11) 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.

The Ministry of Natural 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(16)).

(12) 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 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 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.

(13) Intangible Assets and Goodwill

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(16)). The estimated useful years and amortisation method of the intangible assets with finite useful life are reviewed, and adjusted if appropriate, at each financial year-end.

The initial cost of goodwill represents the excess of cost of acquisition over the acquirer's interest in the fair value of the identifiable net assets of the acquiree under a business combination not involving entities under common control.

Goodwill is not amortised and is stated in the balance sheet at cost less accumulated impairment losses (Note 4(16)). On disposal of an asset group or a set of asset groups, any attributable goodwill is written off and included in the calculation of the profit or loss on disposal.

(14) 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 that 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.

(15) Long-term Prepaid Expenses

Long-term prepaid expenses are 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.

(16) Impairment of Non-current Assets

Fixed assets, oil and gas properties except for mineral interests in unproved properties, construction in progress, intangible assets with finite useful life, long-term equity investments and long-term prepaid expenses 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.

(17) 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 recognised as financial expense. 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 Group 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.

(18) Employee Compensation

(a) Short-term benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(b) Post-employment benefits-Defined Contribution Plans

Pursuant to the relevant laws and regulations of the People's Republic of China, the Group participated in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Group has similar defined contribution plans for its employees in its overseas operations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are recognised as part of the cost of assets or charged to profit or loss as the related services are rendered by the employees.

In addition, the Group joined the corporate annuity plan approved by relevant PRC authorities. Contribution to the annuity plan is charged to expense as incurred.

The Group has no other material obligation for the payment of pension benefits associated with schemes beyond the contributions described above.

(19) Government Grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Group except for capital contributions from the government in the capacity as an investor in the Group.

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value.

Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets. A government grant related to an asset is recognised initially as deferred income and amortised to profit or loss in a reasonable and systematic manner within the useful life of the relevant assets. A grant that compensates the Group for expenses or losses to be incurred in the future is recognised initially as deferred income, and recognised in profit or loss or released to relevant cost in the period in which the expenses or losses are recognised. A grant that compensates the Group for expenses or losses already incurred is recognised to profit or loss or released to related cost immediately.

Government grants related to daily activities are recognised in other income or written down the related cost and expenses according to the nature of business activities. Government grants related to non-daily activities are recognised in non-operating income or expenses.

(20) 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 asset 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.

(21) Income Tax

Current and deferred taxes are recognised in profit or loss, except for income tax arising from business combination or transactions or events which are directly included in owners' equity (including other comprehensive income).

Current tax is the expected tax payable on the taxable income for the year, using tax rates stipulated by the tax law, and any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets are offset against current tax liabilities if the Group has a legal right to settle on a net basis and intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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 joint ventures, 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 joint ventures, 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.

(22) Revenue Recognition

Revenue is the gross inflow of economic benefits arising in the course of the Group's ordinary activities when the inflows result in increase in shareholders' equity, other than increase relating to contributions from shareholders.

Revenue is recognised when the Group satisfies the performance obligation in the contract by transferring the control over relevant goods or services to the customers.

Where a contract has two or more performance obligations, the Group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. The Group recognises as revenue the amount of the transaction price that is allocated to each performance obligation.

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The consideration which the Group expects to refund to the customer is recognised as refund liabilities and excluded from transaction price. Where the contract contains a significant financing component, the Group recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the amount of promised consideration and the cash selling price is amortised using an effective interest method over the contract term. The Group does not adjust the consideration for any effects of a significant financing component if it expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

The Group satisfies a performance obligation over time if one of the following criteria is met; or otherwise, a performance obligation is satisfied at a point in time:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The customer can control the asset created or enhanced during the Group's performance; or
- The Group's performance does not create an asset with an alternative use to it and the Group has an enforceable right to payment for performance completed to date.

For performance obligation satisfied over time, the Group recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation. When the outcome of that performance obligation cannot be measured reasonably, but the Group expects to recover the costs incurred in satisfying the performance obligation, the Group recognises revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

For performance obligation satisfied at a point in time, the Group recognises revenue at the point in time at which the customer obtains control of relevant goods or services. To determine whether a customer has obtained control of goods or services, the Group considers the following indicators:

- The Group has a present right to payment for the product or service;
- The Group has transferred physical possession of the goods to the customer;
- The Group has transferred the legal title of the goods or the significant risks and rewards of ownership of the goods to the customer; and
- The customer has accepted the goods or services.

A contract asset is the Group's right to consideration in exchange for goods or services that it has transferred to a customer when that right is conditional on something other than the passage of time. The Group recognises loss allowances for expected credit loss on contract assets (Note 4(7)(f)). Accounts receivable is the Group's right to consideration that is unconditional (only the passage of time is required). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The following is the description of accounting policies regarding revenue from the Group's principal activities:

(a) Sales of goods

The Group shall recognise revenue when (or as) the customer obtains control of relevant product. Obtaining control of relevant product means that a customer can dominate the use of the product and obtain almost all the economic benefits from it.

(b) Rendering of services

The Group recognises its revenue from rendering of services on performance progress. Customers simultaneously receive the service as the Group performs its obligation over time and consume the benefits arising from the Group's performance. Otherwise, a performance obligation is satisfied at a point in time, the Group shall recognise revenue when (or as) the customer obtains control of revenue service.

(c) Interest income

Interest income is recognised on a time proportion basis with reference to the principal outstanding and the applicable effective interest rate.

(23) Contract Costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The Group recognises as an asset the incremental costs of obtaining a contract with a customer if it expects to recover those costs, unless the expected amortisation period is one year or less from the date of initial recognition of the asset, in which case the costs are expensed when incurred. Other costs of obtaining a contract are expensed when incurred.

If the costs to fulfil a contract with a customer are not within the scope of inventories or other accounting standards, the Group recognises an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- The costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract;

- The costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

- The costs are expected to be recovered.

Assets recognised for the incremental costs of obtaining a contract and assets recognised for the costs to fulfil a contract (the "assets related to contract costs") are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate and recognised in profit or loss for the current period. The Group recognises the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

The Group recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds:

- Remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates; less

- The costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

(24) Leases

The leases refer to a contract in which the lessor transfers a right to control the use of an asset to the lessee for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease at contract commencement date. A contract is, or contains, a lease if the contract conveys a right to control the use of one or more of the identified assets for a period of time in exchange for consideration.

Assessments shall be made as the following in order to confirm whether the contract conveys a right to control the use of an identified asset for a period of time:

- Whether the contract involves the use of the identified asset. The identified asset may be explicitly specified under the contract or implicitly specified when available for the use by the clients and the asset should be physically distinguishable, or if part of the capacity or other components of the asset are not physically distinguishable but substantially representing the full capacity of the asset, the clients would be able to acquire almost all the economic benefits generated from the use of the asset. If the asset supplier possesses the substantive right to replace the asset over the use term, the asset is not the identified asset;

- Whether the lessee has the right to obtain almost all the economic benefits arising from the use of the identified asset over the use term;

- Whether the lessee is granted the right to determine the use of the identified asset over the use term.

For the contract which contains multiple single lease components, the lessor and the lessee shall separate the contract and account for each single lease component separately. For the contract which both contains the lease and non-lease components, the lessee and the lessor shall separate the lease and non-lease components. However, for leases of land and building in which the Group is the lessee, it has elected not to separate the lease and non-lease components in the contract and will instead combine each lease component with the associated non-lease components into leases. When separating the lease and non-lease components in the contract, the lessee allocates the contract consideration according to the relative proportion of the sum of the stand-alone prices of each lease and non-lease component. The lessor allocates the contract consideration in accordance with the allocation rules for the transaction price in the accounting policy set out in Note 4(22).

(a) The Group as a lessee

The Group recognises the right-of-use assets and the lease liabilities for the leases at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, lease payments made at or before the lease commencement date, less the lease incentive amount received, initial direct costs incurred and an estimate of costs to dismantle and remove the lease asset or to restore the site on which the lease asset is located to the condition required by the terms of the lease.

The Group recognises the right-of-use assets depreciation on a straight-line basis. If there is reasonable certainty that the Group will obtain ownership of a leased asset at the end of the lease term, the leased asset is depreciated over its remaining useful life. Otherwise, the leased asset is depreciated over the shorter of the lease term and its estimated remaining useful life. Impairment provisions for the right-of-use assets are made in accordance with the accounting policy set out in Note 4(16).

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The interest expense of the lease liabilities incurred over the lease term is calculated using the fixed periodic rate, with a corresponding charge to profit or loss or cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liabilities are charged to profit or loss or recognised as the related cost of asset as incurred.

After the lease commencement date, the lease liability is remeasured at the present value of the changed lease payments under the following situations:

- There is a change in the amount expected to be payable under the residual value guarantee;
- There is a change in the index or rate to determine the lease payments;
- There is a change in the assessment of a purchase, extension or termination option, or there is a difference between the actual exercise and the assessment of an extension or termination option.

When the lease liability is remeasured, the Group adjusts the carrying amount of the right-of-use assets accordingly, a corresponding adjustment shall be made to the carrying amount of the right-of-use assets. If the carrying amount of the right-of-use assets has been reduced to zero while the lease liability needs to be further decreased, the remaining amount is recorded in profit or loss.

The Group has elected not to recognise the right-of-use assets and lease liabilities for the short-term leases with the lease term less than 12 months and the leases of low-value assets, and to charge the associated lease payments to profit or loss or recognise as the related cost of asset on a straight-line basis over the lease term.

(b) The Group as a lessor

A lease is classified as either a finance lease or an operating lease by the Group at the lease commencement date. A finance lease is a lease that transfers substantially almost all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease. There are no significant finance leases for the Group.

When the Group acts as an intermediate lessor in a sublease arrangement, it is required to classify the sublease by reference to the right-of-use assets arising from the head lease, instead of by reference to the underlying asset. If the head lease is a short-term lease and the Group has elected to apply the above-mentioned simplified approach for the short-term lease, the sublease is classified as an operating lease.

The lease receipts from operating leases are recognised as rental income using the straight-line method over the lease term. The initial direct expenses related to the operating leases incurred are capitalised and allocated on the same basis as the lease income over the lease term, subsequently amortised in profit or loss. Variable lease payments not included in the lease receipts are charged to profit or loss as incurred.

(25) Dividend Distribution

Dividend distribution is recognised as a liability in the period in which it is approved by a resolution of shareholders' general meeting.

(26) Business Combination

(a) Business combination under common control

The net assets obtained by the acquirer are measured based on their carrying value in the consolidated financial statement of the ultimate controlling party at the combination date. 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.

(27) Basis of Preparation of Consolidated Financial Statements

The scope of consolidated financial statements includes the Company and its subsidiaries controlled by the Company. Control exists when the Group has all the following: power over the investees; exposure, or rights to variable returns from its involvement with the investees and has the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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 non-controlling interests and total comprehensive income and presented separately within shareholders' equity in the consolidated balance sheet or within net profit and total comprehensive income in the consolidated income statement.

(28) 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 related 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.

(29) Related Party

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties.

In addition to the related parties stated above, the Company determines related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC.

(30) 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 crude oil and natural gas reserves

Estimates of crude oil and natural gas reserves are key elements in the Group's investment decision-making process. They are also important elements 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 income 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 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, the production costs, the product mix, production volumes and the oil and gas reserves. 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, or not updating assumptions previously made, may allow the Group to avoid the need to impair any assets, whereas unfavourable changes may cause the assets to become impaired. For example, when the assumed future price and production volume of crude oil used for the expected future cash flows are different from the actual price and production volume of crude oil respectively experienced in the future, the Group may either over or under recognise the impairment losses for certain assets.

(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.

(d) Deferred tax assets

According to the requirements of the competent tax authority, the Company paid income taxes of its branches in the eastern and western regions in aggregate. The tax losses recorded by the branches in the eastern region has given rise to deferred tax assets, which may be recoverable from future taxable profits generated by the branches in the eastern region. Any policy adjustment may increase or decrease the amount of income tax expenses of the Company.

(31) Changes in Significant Accounting Policies

(a) Description and reasons of changes in accounting policies

The Group applied the following amendments of the Accounting Standards for Business Enterprises issued by MOF in recent years during 2019:

– Accounting Standard for Business Enterprises No. 21 – Lease (Revised) ("New Lease Standard")

– Notice on Revision of the 2019 Illustrative Financial Statements (CaiKuai [2019] No. 6)

– Accounting Standard for Business Enterprises No. 7 – Exchange of Non-monetary Assets (Revised) ("ASBE 7 (2019)")

– Accounting Standard for Business Enterprises No. 12 – Debt Restructuring (Revised) ("ASBE 12 (2019)")

(b) Major impact of changes in accounting policies

(i) New Lease Standard

The New Lease Standard modified the Accounting Standard for Business Enterprises No. 21 – Lease ("the Old Lease Standard") issued by the MOF in 2006. The Group has applied the New Lease Standard since January 1, 2019, and adjusted the relevant contents of accounting policies.

The New Lease Standard improved the definition of the lease, under which the Group assesses whether a contract is or contains a lease based on the new definition of a lease. For contracts entered into before the date of initial application of the New Lease Standard, the Group has elected not to reassess whether the existing contracts are or contain leases at the date of initial application of the New Lease Standard.

- The Group as a lessee

Under the Original Lease Standard, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group.

Under the New Lease Standard, the Group no longer classifies the operating and finance leases. The Group recognises the right-of-use assets and lease liabilities for all leases, except for the short-term leases and leases of low-value assets under simplified treatments.

When separating the lease and non-lease components in the contract, the Group allocates the contract consideration according to the relative proportion of the sum of the stand-alone prices of each lease and non-lease component.

The Group has elected to recognise the cumulative effect of initial application of the New Lease Standard as an adjustment to the opening balance of retained earnings and the amount of other relevant items in the financial statements at the year of initial application of the New Lease Standard, with no adjustments to the information of the comparative period.

For the operating leases existing before the date of initial application of the New Lease Standard, the lease liability is measured at the present value of the remaining lease payments at the date of initial application of the New Lease Standard, discounted at the Group's incremental borrowing rate at the date of initial application of the New Lease Standard, and the right-of-use asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid lease payments.

For the operating leases existing before the date of the initial application of the New Lease Standard, the Group also takes the following simplified treatments besides the above-mentioned approaches:

– The leases to be completed within 12 months after the date of the initial application of the New Lease Standard are treated as short-term leases;

– The same discounted rate is applied to the measurement of lease liabilities for leases with the similar characteristics;

– The initial direct costs are not included in the measurement of right-of-use assets;

– For leases where the Group has the option for extension or termination, the lease term is determined by the actual exercise and other latest situations of the options before the date of initial application of the New Lease Standard;

– The right-of-use asset is adjusted by the amount of loss provision of the onerous contract included in the balance sheet according to Accounting Standards for Enterprises No. 13 – Contingencies before the date of initial application of the New Lease Standard as an alternative to performing an impairment test for the right-of-use asset;

– No retrospective adjustment shall be made to the lease changes generated before the beginning of the year when the New Lease Standard is initially applied, and accounting treatment shall be carried out based on the New Lease Standard according to the final arrangement of the lease changes.

For the finance leases before the date of initial application of the New Lease Standard, the right-of-use assets and lease liabilities are measured separately at the original carrying amount of the leased assets under finance leases and obligations under finance leases at the date of initial application of the New Lease Standard.

- The Group as a lessor

Under the New Lease Standard, the Group, as a lessor in a sublease arrangement, is required to classify the sublease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. For the sublease classified as the operating lease before the date of the initial application of the New Lease Standard and still in existence after the date of the initial application of the New Lease Standard, it is reassessed by the remaining contractual maturities and terms of the head lease and sublease and classified according to the rules of the New Lease Standard at the date of the initial application of the New Lease Standard. For the sublease reclassified as the finance lease, it is accounted for as a new finance lease.

The Group is not required to adjust the opening balance of retained earnings and the amount of other relevant items in the financial statements at the year when the New Lease Standard is initially applied for the leases where the Group is the lessor. The Group has carried out the accounting treatment according to the New Lease Standard since the date of initial application of the New Lease Standard.

Under the New Lease Standard, the Group allocates the contract consideration between each lease component and non-lease component in accordance with the allocation rules for the transaction price in the new revenue standard.

- Impact of the application of the New Lease Standard as at January 1, 2019 on the financial statements

(All amounts in RMB millions unless otherwise stated)

By applying the New Lease Standard, the Group recognised right-of-use assets of RMB181,782 million and the lease liabilities of RMB163,196 million as at January 1, 2019.

(ii) Presentation of financial statements

The Group has prepared financial statements for the six months ended June 30, 2019 in accordance with CaiKuai [2019] No.6. The Group has applied the new presentation requirements retrospectively.

Relevant adjustments are summarised below:

Affected assets and liabilities items in the consolidated balance sheet and company balance sheet as at December 31, 2018:

	Group		
	Before adjustment[note]	Amount of adjustment	Adjusted amount
Notes and accounts receivable	75,830	(75,830)	-
Receivables financing	-	16,308	16,308
Accounts receivable	-	59,522	59,522
Notes and accounts payable	254,798	(254,798)	-
Notes payable	-	8,127	8,127
Accounts payable	-	246,671	246,671
Total		-	

Note: The Acquisition of Dalian West Pacific Petrochemical Co., Ltd. ("Dalian West Pacific") was completed in May, 2019, and the Company has adjusted the consolidated financial statements as combination of entities under common control. (Note 6(2)).

	Company		
	Before adjustment	Amount of adjustment	Adjusted amount
Notes and accounts receivable	18,334	(18,334)	-
Receivables financing	-	8,160	8,160
Accounts receivable	-	10,174	10,174
Notes and accounts payable	121,473	(121,473)	-
Notes payable	-	6,428	6,428
Accounts payable	-	115,045	115,045
Total		-	

(iii) ASBE 7 (2019)

The ASBE 7 (2019) elaborates the scope of application with respect to the standards on exchange of non-monetary assets, standardises the timing of recognition of assets exchanged in and the timing of derecognition of assets exchanged out and stipulates the accounting treatment in case of inconsistencies between the two timing , revises the measurement basis for the occurrence of simultaneously exchanging in or exchanging out a number of assets in the exchange of non-monetary assets based on the measurement of the fair value, and adds the additional disclosure requirements regarding whether the exchange of non-monetary assets has commercial substance and its reasons.

(All amounts in RMB millions unless otherwise stated)

The ASBE 7 (2019) has been applied on June 10, 2019, adjustment shall be made to the exchange of non-monetary assets generated from January 1, 2019 to the date of the Standard application based on the standard and retrospective adjustment is not required for the exchange of non-monetary assets generated before January 1, 2019. The adoption of the standard did not have any material impact on the financial position and financial performance of the Group.

(iv) ASBE 12 (2019)

The ASBE 12 (2019) revised the definition of debt restructuring, defines the scope of application of the standard and stipulates the rules applicable to the related standards for financial instruments in relation to the recognition, measurement and presentation of the financial instruments in terms of debt restructuring. For the debts restructured by paying off debts with assets, the ASBE 12 (2019) revised the measurement basis of the creditor's non-financial assets transfer at the initial recognition, and the creditor's gains and loss generated from debt restructuring are not required to be presented as profit and loss from transfer of asset and profit and loss from debt restructuring respectively. For the debts restructured by transferring debts to the equity instruments, the ASBE 12 (2019) revised the measurement basis of the creditor's initial recognition of receiving shares and added guidance to the measurement basis of the creditor's initial recognition of equity instruments.

The ASBE 12 (2019) has been applied on June 17, 2019, adjustments shall be made to the debt restructuring incurred from January 1, 2019 to the date of the standard application based on the standard and retrospective adjustment is not required for the debt restructuring generated before January 1, 2019. The adoption of the Standard did not have any material impact on the financial position and financial performance of the Group.

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")	6%, 9% or 10% or 11%, 13% or 16% 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	6%	Based on the revenue from sales of crude oil and natural gas.
Consumption Tax	Based on quantities	Based on sales quantities of taxable products. RMB 1.52 yuan per litre for unleaded gasoline, naphtha, solvent oil and lubricant. RMB 1.2 yuan per litre for diesel and fuel oil.
Corporate Income Tax	15% or 25%	Based on taxable income.
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 VAT and consumption tax.

In order to further the VAT reform and simplify the VAT tax rate structure, the MOF and the State Administration of Taxation ("SAT") jointly issued the Circular on Simplifying the Relevant Policies on VAT Rates (Cai Shui [2017] No.37) on April 28, 2017, based on which the VAT rates would be 17%, 11% and 6%, removing the 13% VAT tax rate, and the VAT tax rate applicable to the natural gas was decreased to 11% from 13% since July 1, 2017.

The MOF and the SAT issued the Notice on Adjustment to VAT Rates (Cai Shui [2018] No.32) to improve the VAT system on 4 April 2018. Since May 1, 2018, the tax rate for the occurrence of a taxable sale or imported goods by a taxpayer, was adjusted respectively from 17% and 11% to 16% and 10%.

The MOF, the SAT and the General Administration of the Customs jointly issued the Notice on Deepening the Policies Related to Value-Added Tax Reform (Notice No.39 of 2019 of the MOF, the SAT and the General Administration of Customs) on March 20, 2019. Since April 1, 2019, the tax rate for the occurrence of a taxable sale or imported goods by a taxpayer, was adjusted respectively from 16% and 10% to 13% and 9%.

Pursuant to the Circular jointly issued by the MOF, the General Administration of Customs of the PRC and 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.

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 Shui [2014] No.115), the threshold of the crude oil special gain levy shall be US$65, which has 5 levels and is calculated and charged according to the progressive and valorem rates on the excess amounts from January 1, 2015.

The MOF and SAT issued the Notice on Reduction of Resource Tax Assessed on Shale Gas (Cai Shui [2018] No.26) on March 29, 2018. Pursuant to such notice, in order to promote the development and utilization of shale gas and effectively increase natural gas supply, from April 1, 2018 to March 31, 2021, a reduction of 30% will apply to the resource tax assessed on shale gas (at the prescribed tax rate of 6%).

(All amounts in RMB millions unless otherwise stated)

6 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

(1) Principal subsidiaries

Company name	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	Established	PRC	47,500	Exploration, production and sale of crude oil and natural gas	Limited liability company	Sun Longde	66,720	100.00	100.00	Yes
CNPC Exploration and Development Company Limited (i)	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	Wang Zhongcai	23,778	50.00	57.14	Yes
PetroChina Hong Kong Limited	Established	HK	HK Dollar ("HKD") 7,592 million	Investment holding. The principal activities of its subsidiaries, associates and joint ventures 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	Established	PRC	31,314	Investment holding. The principal activities of its subsidiaries and joint ventures are the exploration, development and production of crude oil, natural gas, oilsands and coalbed methane outside the PRC	Limited liability company	Wang Zhongcai	31,314	100.00	100.00	Yes
PetroChina International Company Limited	Established	PRC	18,096	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	Tian Jinghui	18,953	100.00	100.00	Yes
PetroChina Pipelines Company Limited	Established	PRC	80,000	Oil and gas pipeline transportation, investment holding, import and export of goods, agency of import and export, import and export of technology, technology promotion service, professional contractor, main contractor	Limited liability company	Ling Xiao	109,216	72.26	72.26	Yes

(i) The Company consolidated the financial statements of the entity because it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

(All amounts in RMB millions unless otherwise stated)

(2) Business combination involving entities under common control

Business combination involving entities under common control during the period

Name of acquiree	Proportion of equity interests acquired in business combination	Basis for business combination under common control	Acquisi-tion Date	Basis for determina-tion of acquisition date	From the beginning of the period to the acquisition date: Income	Net profit	Net cash outflow	2018: Income	Net profit
Dalian West Pacific Petroche-mical Co., Ltd.	56.039%	The Company and Dalian West Pacific are under the ultimate control of CNPC and the control is not temporary	May 31, 2019	Acquisition of actual control	10,763	1	(53)	37,385	1,563

Dalian West Pacific was established in December, 1990. It principally engages in the manufacturing and sale of petroleum and petrochemical products.

As the Company and Dalian West Pacific are under the ultimate control of CNPC and the control is not temporary. The acquisition of Dalian West Pacific has been reflected in the accompanying consolidated financial statements as combination of entities under common control. Consequently, Dalian West Pacific has been included in the scope of consolidation during the historical period. The opening balance of the interim consolidated financial statements of 2019 and the comparative statements have been adjusted accordingly.

The financial position and results of operation previously reported by the Group as at December 31, 2018 and for the six months ended June 30, 2018 have been restated to include the results of operations and the assets and liabilities of Dalian West Pacific on a consolidation basis as set out below:

	The Group, as previously reported	Dalian West Pacific	Consolidation adjustment	The Group, as restated
Summarised balance sheet as at December 31, 2018:				
Current assets	433,128	5,126	(13)	438,241
Non-current assets	1,999,430	3,498	-	2,002,928
Total assets	2,432,558	8,624	(13)	2,441,169
Current liabilities	586,386	10,057	(13)	596,430
Non-current liabilities	435,229	334	-	435,563
Total liabilities	1,021,615	10,391	(13)	1,031,993
Total equity attributable to owner of the Company	1,214,570	(1,767)	1,264	1,214,067
Non-controlling interests	196,373	-	(1,264)	195,109
Summarised income statement for the six months ending June 30, 2018:				
Operating income	1,108,822	17,375	(6,560)	1,119,637
Cost of sales	(870,788)	(13,871)	6,560	(878,099)
Operating profit	64,574	1,274	-	65,848
Net profit	37,340	1,275	-	38,615
Net profit attributable to equity holders of the Company	27,086	1,275	(922)	27,439
Net profit attributable to non-controlling interests	10,254	-	922	11,176
Basic and diluted earnings per share (RMB Yuan)	0.148			0.150

(All amounts in RMB millions unless otherwise stated)

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

Company name	Assets and liabilities June 30, 2019	Assets and liabilities December 31, 2018
PetroKazakhstan Inc.	USD 1=6.8747 yuan	USD 1=6.8632 yuan
PetroChina Hong Kong Limited	HKD 1=0.8797 yuan	HKD 1=0.8762 yuan
Singapore Petroleum Company Limited	USD 1=6.8747 yuan	USD 1=6.8632 yuan

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

7 CASH AT BANK AND ON HAND

	June 30, 2019	December 31, 2018
Cash on hand	28	47
Cash at bank	111,108	94,195
Other cash balances	1,709	1,247
	112,845	95,489

The Group's cash at bank and on hand included the following foreign currencies as of June 30, 2019:

	Foreign currency	Exchange rate	RMB equivalent
USD	7,348	6.8747	50,515
HKD	6,396	0.8797	5,627
Tenge	13,896	0.0180	251
Other			1,719
			58,112

The Group's cash at bank and on hand included the following foreign currencies as of December 31, 2018:

	Foreign currency	Exchange rate	RMB equivalent
USD	6,751	6.8632	46,333
HKD	2,047	0.8762	1,794
Tenge	6,082	0.0179	109
Other			2,159
			50,395

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

The Group's cash at bank and on hand included margin account deposits with carrying amount of RMB2,673 as impawn USD borrowings as of June 30, 2019.

(All amounts in RMB millions unless otherwise stated)

8 RECEIVABLES FINANCING

Receivables financing mainly represents bills of acceptance issued by banks for the sale of goods and rendering of services.

On June 30, 2019 and December 31, 2018, all receivables financing of the Group are due within one year.

9 ACCOUNTS RECEIVABLE

	Group		Company	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Accounts receivable	77,573	63,575	14,434	13,587
Less: Provision for bad debts	(3,835)	(4,053)	(3,155)	(3,413)
	73,738	59,522	11,279	10,174

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

	Group					
	June 30, 2019			December 31, 2018		
	Amount	Percentage of total balance %	Provision for bad debts	Amount	Percentage of total balance %	Provision for bad debts
Within 1 year	73,042	94	(76)	58,535	92	(143)
1 to 2 years	383	1	(18)	921	1	(84)
2 to 3 years	720	1	(453)	712	1	(604)
Over 3 years	3,428	4	(3,288)	3,407	6	(3,222)
	77,573	100	(3,835)	63,575	100	(4,053)

	Company					
	June 30, 2019			December 31, 2018		
	Amount	Percentage of total balance %	Provision for bad debts	Amount	Percentage of total balance %	Provision for bad debts
Within 1 year	11,002	76	(4)	9,835	72	(36)
1 to 2 years	50	1	(2)	314	2	(13)
2 to 3 years	544	4	(356)	635	5	(579)
Over 3 years	2,838	19	(2,793)	2,803	21	(2,785)
	14,434	100	(3,155)	13,587	100	(3,413)

The aging is counted starting from the date when accounts receivable are recognised.

(All amounts in RMB millions unless otherwise stated)

The Group measures loss allowance for accounts receivable at an amount equal to lifetime ECLs. Considering the differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables, the ECLs were calculated based on historical actual credit loss experience. The Group performed the calculation of ECL rates by the operating segment and geography.

			Impairment provision on provision matrix basis		
June 30, 2019	Gross carrying amount	Impairment provision on individual basis	Weighted-average loss rate	Impairment provision	Loss allowance
Current (not past due)	66,619	3	0.02%	11	14
Within 1 year past due	6,738	26	0.54%	36	62
1 to 2 years past due	153	8	7.12%	10	18
2 to 3 years past due	694	340	30.33%	107	447
Over 3 years past due	3,369	2,901	84.13%	393	3,294
	77,573	3,278		557	3,835

			Impairment provision on provision matrix basis		
December 31, 2018	Gross carrying amount	Impairment provision on individual basis	Weighted-average loss rate	Impairment provision	Loss allowance
Current (not past due)	55,957	50	0.14%	80	130
Within 1 year past due	3,082	80	0.29%	9	89
1 to 2 years past due	496	52	7.40%	33	85
2 to 3 years past due	723	547	35.16%	62	609
Over 3 years past due	3,317	2,830	63.73%	310	3,140
	63,575	3,559		494	4,053

As of June 30, 2019, the top five debtors of accounts receivable of the Group amounted to RMB 32,635, representing 42% of total accounts receivable, and the corresponding balance of provision for bad and doubtful debts is RMB 7 (As of December 31, 2018, the top five debtors of accounts receivable of the Group amounted to RMB 33,832, representing 53% of total accounts receivable, and the corresponding balance of provision for bad and doubtful debts is RMB 7).

During the six months ended June 30, 2019 and the six months ended June 30, 2018, the Group had no significant write-off of the provision for bad debts of accounts receivable.

(All amounts in RMB millions unless otherwise stated)

10 ADVANCES TO SUPPLIERS

	June 30, 2019	December 31, 2018
Advances to suppliers	30,557	18,252
Less: Provision for bad debts	(698)	(698)
	29,859	17,554

As of June 30, 2019 and December 31, 2018, advances to suppliers of the Group are mainly aged within one year.

As of June 30, 2019, the top five debtors of advances to suppliers of the Group amounted to RMB 16,969, representing 56% of total advances to suppliers (As of December 31, 2018, the top five debtors of advances to suppliers of the Group amounted to RMB 8,482, representing 46% of total advances to suppliers).

11 OTHER RECEIVABLES

	Group		Company	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Interest receivable	287	175	8	8
Dividends receivable	375	774	2,204	2,589
Other receivables (a)	24,729	16,466	15,208	11,719
Total	25,391	17,415	17,420	14,316

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

	Group					
	June 30, 2019			December 31, 2018		
	Amount	Percentage of total balance %	Provision for bad debts	Amount	Percentage of total balance %	Provision for bad debts
Within 1 year	21,799	80	(64)	13,659	71	(46)
1 to 2 years	1,171	4	(13)	1,459	8	(13)
2 to 3 years	914	3	(74)	669	3	(221)
Over 3 years	3,546	13	(2,550)	3,420	18	(2,461)
	27,430	100	(2,701)	19,207	100	(2,741)

	Company					
	June 30, 2019			December 31, 2018		
	Amount	Percentage of total balance %	Provision for bad debts	Amount	Percentage of total balance %	Provision for bad debts
Within 1 year	14,232	89	(26)	10,757	86	(27)
1 to 2 years	529	3	(10)	511	4	(10)
2 to 3 years	134	1	(74)	135	1	(74)
Over 3 years	1,037	7	(614)	1,055	9	(628)
	15,932	100	(724)	12,458	100	(739)

(All amounts in RMB millions unless otherwise stated)

The aging is counted starting from the date when other receivables are recognised.

As of June 30, 2019, the top five debtors of other receivables of the Group amounted to RMB 12,917, representing 47% of total other receivables, and the corresponding balance of provision for bad and doubtful debts is RMB 509 (As of December 31, 2018, the top five debtors of other receivables of the Group amounted to RMB 9,414, representing 49% of total other receivables, and the corresponding balance of provision for bad and doubtful debts is RMB 539).

During the six months ended June 30, 2019 and the six months ended June 30, 2018, the Group had no significant write-off of the provision for bad debts of other receivables.

12 INVENTORIES

	June 30, 2019	December 31, 2018
Cost		
Crude oil and other raw materials	68,676	58,188
Work in progress	13,013	14,241
Finished goods	96,258	110,103
Turnover materials	108	53
	178,055	182,585
Less: Write down in inventories	(2,691)	(5,008)
Net book value	175,364	177,577

13 INVESTMENTS IN OTHER EQUITY INSTRUMENTS

	June 30, 2019	December 31, 2018
China Pacific. Insurance (Group) Co., Ltd.	179	139
Chengdu Huaqihoupu Holding Co., Ltd.	225	114
Other items	545	507
	949	760

The above equity investments are planned to be held for a long-term by the Group for a strategic purpose, the Group designates it as a financial asset at fair value through other comprehensive income.

14 LONG-TERM EQUITY INVESTMENTS

	Group			
	December 31, 2018	Addition	Reduction	June 30, 2019
Associates and joint ventures (a)	89,633	6,160	(1,636)	94,157
Less : Provision for impairment (b)	(201)	-	4	(197)
	89,432	6,160	(1,632)	93,960

(All amounts in RMB millions unless otherwise stated)

	Company			
	December 31, 2018	Addition	Reduction	June 30, 2019
Subsidiaries (c)	351,473	4,331	(189)	355,615
Associates and joint ventures	37,575	3,033	(852)	39,756
Less : Provision for impairment	(230)	-	-	(230)
	388,818	7,364	(1,041)	395,141

As of June 30, 2019, the above-mentioned investments are not subject to restriction on conversion into cash or remittance of investment income.

(a) Principal associates and joint ventures of the Group

Company name	Country of incorpo-ration	Principal activities	Registered capital	Interest held% Direct	Interest held% Indirect	Voting rights %	Account-ing method	Strategic decisions relating to the Group's activities
Petrolneos Refining Limited	UK	Refining and Chemicals	USD 1,000	-	49.90	49.90	Equity method	No
China Petroleum Finance Co., Ltd.	PRC	Deposits, loans, settlement, lending, bills acceptance discounting, guarantee and other banking business	8,331	32.00	-	32.00	Equity method	No
CNPC Captive Insurance Co., Ltd.	PRC	Property loss insurance, liability insurance, credit insurance and deposit insurance; as well as the application of the above insurance reinsurance and insurance capital business	5,000	49.00	-	49.00	Equity method	No
China Marine Bunker (PetroChina) Co., Ltd.	PRC	Oil import and export trade and transportation, sale and storage	1,000	-	50.00	50.00	Equity method	No
Mangistau Investment B.V.	Netherlands	Engages in investing activities, the principle activities of its main subsidiaries are exploration, exploitation and sale of oil and gas in Kazakhstan.	EUR 18,000	-	50.00	50.00	Equity method	No
Trans-Asia Gas Pipeline Co., Ltd.	PRC	Main contractor, investment holding, investment management, investment consulting, enterprise management advisory, technology development, promotion and technology consulting	5,000	-	50.00	50.00	Equity method	No

(All amounts in RMB millions unless otherwise stated)

Investments in principal associates and joint ventures are listed below:

	Investment cost	December 31, 2018	Investment (loss)/income recognised under equity method	Other comprehensive income	Cash dividend declared	Other	June 30, 2019
PetroIneos Refining Limited	3,705	3,364	(54)	5	-	-	3,315
China Petroleum Finance Co., Ltd. ("CP Finance")	9,917	21,137	1,182	266	(441)	-	22,144
CNPC Captive Insurance Co., Ltd.	2,450	3,056	79	-	(31)	-	3,104
China Marine Bunker (PetroChina) Co., Ltd.	740	1,351	8	-	-	(81)	1,278
Mangistau Investment B.V.	176	4,407	771	13	-	-	5,191
Trans-Asia Gas Pipeline Co., Ltd.	14,527	17,774	1,176	210	-	-	19,160

Interest in associates

Summarised financial information in respect of the Group's principal associates and reconciliation to carrying amount is as follows:

	PetroIneos Refining Limited		China Petroleum Finance Co., Ltd.		CNPC Captive Insurance Co., Ltd.	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Percentage ownership interest(%)	49.90	49.90	32.00	32.00	49.00	49.00
Current assets	1,782	1,373	198,634	173,948	14,287	10,493
Non-current assets	15,353	14,795	266,167	285,805	119	2,928
Current liabilities	9,218	7,997	379,466	378,472	8,065	7,184
Non-current liabilities	1,274	1,430	17,225	16,317	7	-
Net assets	6,643	6,741	68,110	64,964	6,334	6,237
Group's share of net assets	3,315	3,364	21,795	20,788	3,104	3,056
Goodwill	-	-	349	349	-	-
Carrying amount of interest in associates	3,315	3,364	22,144	21,137	3,104	3,056

(All amounts in RMB millions unless otherwise stated)

Summarised statement of comprehensive income and dividends received by the Group is as follows:

	PetroIneos Refining Limited		China Petroleum Finance Co., Ltd.		CNPC Captive Insurance Co., Ltd.	
	For the six months ended June 30, 2019	For the six months ended June 30, 2018	For the six months ended June 30, 2019	For the six months ended June 30, 2018	For the six months ended June 30, 2019	For the six months ended June 30, 2018
Operating income	1,923	1,915	8,771	8,488	268	294
Net (loss) / profit	(109)	3	3,695	4,136	162	158
Other comprehensive income	10	82	831	(8)	-	(2)
Total comprehensive income	(99)	85	4,526	4,128	162	156
Group's share of total comprehensive income	(49)	42	1,448	1,321	79	76
Dividends received by the Group	-	-	441	453	31	31

Interest in joint ventures

Summarised balance sheet as included in their own financial statements, adjusted for fair value adjustments and differences in accounting policies in respect of the Group's principal joint ventures and reconciliation to carrying amount is as follows:

	China Marine Bunker (PetroChina) Co., Ltd.		Mangistau Investment B.V.		Trans-Asia Gas Pipeline Co., Ltd.	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Percentage ownership interest(%)	50.00	50.00	50.00	50.00	50.00	50.00
Non-current assets	1,705	1,893	11,360	11,642	37,809	34,584
Current assets	8,321	7,313	2,324	780	3,161	3,330
Including: cash and cash equivalents	1,052	1,368	654	265	83	81
Non-current liabilities	146	152	1,579	2,740	2,349	2,100
Current liabilities	7,064	6,091	1,723	868	302	267
Net assets	2,816	2,963	10,382	8,814	38,319	35,547
Net assets attributable to equity holders of the Company	2,556	2,702	10,382	8,814	38,319	35,547
Group's share of net assets	1,278	1,351	5,191	4,407	19,160	17,774
Elimination of transactions with the Group	-	-	-	-	-	-
Carrying amount of interest in joint ventures	1,278	1,351	5,191	4,407	19,160	17,774

(All amounts in RMB millions unless otherwise stated)

Summarised statement of comprehensive income and dividends received by the Group is as follows:

	China Marine Bunker (PetroChina) Co., Ltd.		Mangistau Investment B.V.		Trans-Asia Gas Pipeline Co., Ltd.	
	For the six months ended June 30, 2019	For the six months ended June 30, 2018	For the six months ended June 30, 2019	For the six months ended June 30, 2018	For the six months ended June 30, 2019	For the six months ended June 30, 2018
Operating income	20,327	19,803	7,617	7,771	6	4
Finance expenses	(40)	(20)	(74)	(39)	8	(2)
Including: Interest income	15	10	1	2	26	30
Interest expense	57	33	74	70	28	23
Taxation	(5)	(14)	(492)	(537)	-	-
Net profit / (loss)	15	77	1,542	1,632	2,352	(306)
Other comprehensive income	-	10	26	210	420	286
Total comprehensive income	15	87	1,568	1,842	2,772	(20)
Total comprehensive income by share	8	44	784	921	1,386	(10)
Elimination of unrealised profit	-	-	-	-	-	-
Group's share of total comprehensive income	8	44	784	921	1,386	(10)
Dividends received by the Group	-	-	-	-	-	-

(b) Provision for impairment

	June 30, 2019	December 31, 2018
Associates and joint ventures		
PetroChina Shouqi Sales Company Limited	(60)	(60)
PetroChina Beiqi Sales Company Limited	(49)	(49)
Other	(88)	(92)
	(197)	(201)

(c) Subsidiaries

Investment in subsidiaries:

	Investment cost	December 31, 2018	Addition	Deduction	June 30, 2019
Daqing Oilfield Company Limited	66,720	66,720	-	-	66,720
CNPC Exploration and Development Company Limited	23,778	23,778	-	-	23,778
PetroChina Hong Kong Limited	25,590	25,590	-	-	25,590
PetroChina International Investment Company Limited	31,314	31,314	-	-	31,314
PetroChina International Company Limited	18,953	18,953	-	-	18,953
PetroChina Pipelines Company Limited	109,216	109,216	-	-	109,216
Other		75,902	4,331	(189)	80,044
Total		351,473	4,331	(189)	355,615

(All amounts in RMB millions unless otherwise stated)

Summarised financial information in respect of the Company's principal subsidiaries with significant non-controlling interests is as follows:

Summarised balance sheet is as follows:

	CNPC Exploration and Development Company Limited		PetroChina Pipelines Company Limited	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Percentage ownership interest (%)	50.00	50.00	72.26	72.26
Current assets	20,706	21,463	4,835	4,604
Non-current assets	175,836	166,153	218,014	224,163
Current liabilities	19,077	14,525	7,660	7,531
Non-current liabilities	24,969	25,963	7,662	6,095
Net assets	152,496	147,128	207,527	215,141

Summarised statement of comprehensive income is as follows:

	CNPC Exploration and Development Company Limited		PetroChina Pipelines Company Limited	
	For the six months ended June 30, 2019	For the six months ended June 30, 2018	For the six months ended June 30, 2019	For the six months ended June 30, 2018
Operating income	24,115	21,641	21,177	21,242
Net profit	6,723	5,979	9,611	10,578
Total comprehensive income	6,811	6,522	9,611	10,578
Profit attributable to non-controlling interests	3,853	3,480	2,666	2,934
Dividends paid to non-controlling interests	1,504	1,007	4,852	3,127

Summarised statement of cash flow is as follows:

	CNPC Exploration and Development Company Limited		PetroChina Pipelines Company Limited	
	For the six months ended June 30, 2019	For the six months ended June 30, 2018	For the six months ended June 30, 2019	For the six months ended June 30, 2018
Net cash inflow from operating activities	10,996	7,103	14,122	14,515

(All amounts in RMB millions unless otherwise stated)

15 FIXED ASSETS

	December 31, 2018	Addition	Reduction	June 30, 2019
Cost				
Buildings	237,038	4,607	(1,858)	239,787
Equipment and Machinery	1,102,422	15,656	(1,546)	1,116,532
Motor Vehicles	27,911	464	(461)	27,914
Other	34,812	1,318	(70)	36,060
Total	1,402,183	22,045	(3,935)	1,420,293
Accumulated depreciation				
Buildings	(96,023)	(5,271)	796	(100,498)
Equipment and Machinery	(524,804)	(24,096)	946	(547,954)
Motor Vehicles	(20,175)	(718)	420	(20,473)
Other	(14,789)	(800)	60	(15,529)
Total	(655,791)	(30,885)	2,222	(684,454)
Fixed assets, net				
Buildings	141,015			139,289
Equipment and Machinery	577,618			568,578
Motor Vehicles	7,736			7,441
Other	20,023			20,531
Total	746,392			735,839
Provision for impairment				
Buildings	(4,746)	-	8	(4,738)
Equipment and Machinery	(45,315)	-	105	(45,210)
Motor Vehicles	(102)	-	7	(95)
Other	(6,923)	(285)	-	(7,208)
Total	(57,086)	(285)	120	(57,251)
Net book value				
Buildings	136,269			134,551
Equipment and Machinery	532,303			523,368
Motor Vehicles	7,634			7,346
Other	13,100			13,323
Total	689,306			678,588

Depreciation charged to profit or loss provided on fixed assets for the six months ended June 30, 2019 was RMB 30,678 (for the six months ended June 30, 2018: RMB 30,215). Cost transferred from construction in progress to fixed assets was RMB 19,598 (for the six months ended June 30, 2018: RMB 11,963).

As of June 30, 2019, the Group's fixed assets under operating leases are mainly equipment and machinery, the net book value of which amounted to RMB 1,602 (for the six months ended June 30, 2018: RMB 1,283).

As of June 30, 2019, the Group has no significant fixed assets which are pledged.

(All amounts in RMB millions unless otherwise stated)

16 OIL AND GAS PROPERTIES

	December 31, 2018	Addition	Reduction	June 30, 2019
Cost				
Mineral interests in proved properties	44,541	618	-	45,159
Mineral interests in unproved properties	29,118	1,088	(3)	30,203
Wells and related facilities	2,039,929	51,993	(335)	2,091,587
Total	2,113,588	53,699	(338)	2,166,949
Accumulated depletion				
Mineral interests in proved properties	(12,515)	(1,416)	-	(13,931)
Wells and related facilities	(1,242,837)	(68,034)	249	(1,310,622)
Total	(1,255,352)	(69,450)	249	(1,324,553)
Oil and gas properties, net				
Mineral interests in proved properties	32,026			31,228
Mineral interests in unproved properties	29,118			30,203
Wells and related facilities	797,092			780,965
Total	858,236			842,396
Provision for impairment				
Mineral interests in proved properties	(1,342)	(35)	-	(1,377)
Mineral interests in unproved properties	(15,088)	(505)	-	(15,593)
Wells and related facilities	(41,331)	(276)	8	(41,599)
Total	(57,761)	(816)	8	(58,569)
Net book value				
Mineral interests in proved properties	30,684			29,851
Mineral interests in unproved properties	14,030			14,610
Wells and related facilities	755,761			739,366
Total	800,475			783,827

Depletion charged to profit or loss provided on oil and gas properties for the six months ended June 30, 2019 was RMB 68,567 (for the six months ended June 30, 2018: RMB 79,760).

As of June 30, 2019, the asset retirement obligations capitalised in the cost of oil and gas properties amounted to RMB 103,556 (December 31, 2018: RMB 101,674). Related depletion charge for the six months ended June 30, 2019 was RMB 2,520 (for the six months ended June 30, 2018: RMB 3,940).

(All amounts in RMB millions unless otherwise stated)

17 CONSTRUCTION IN PROGRESS

Project Name	Budget	December 31, 2018	Addition	Transferred to fixed assets or oil and gas properties	Other reduction	June 30, 2019	Proportion of construction compared to budget %	Capitalised interest expense	Including: capitalised interest expense for current year	Source of fund
Guangdong Petrochemical Integration of Refining and Chemical Industry	65,430	6,960	798	-	-	7,758	12%	723	67	Self& loan
Northern part of China-Russia East Natural Gas Pipeline	12,732	6,608	952	-	-	7,560	59%	3	-	Self
Shenzhen LNG Emergency Peak-shaving Station Project	5,044	1,098	106	-	-	1,204	24%	63	18	Self& loan
Other		211,226	80,683	(68,000)	(5,986)	217,923		4,916	530	
		225,892	82,539	(68,000)	(5,986)	234,445		5,705	615	
Less: Provision for impairment		(6,269)	(13)	-	-	(6,282)				
		219,623				228,163				

For the six months ended June 30, 2019, the capitalised interest expense amounted to RMB 615 (for the six months ended June 30, 2018: RMB 726). The average annual interest rate used to determine the capitalised amount is 4.28% (for the six months ended June 30, 2018: 4.28%).

18 INTANGIBLE ASSETS

	December 31, 2018	Addition	Reduction	June 30, 2019
Cost				
Land use rights	77,133	2,657	(360)	79,430
Patents	4,521	10	-	4,531
Other (i)	36,425	677	(96)	37,006
Total	118,079	3,344	(456)	120,967
Accumulated amortisation				
Land use rights	(17,794)	(1,207)	28	(18,973)
Patents	(3,640)	(71)	-	(3,711)
Other	(18,638)	(1,051)	90	(19,599)
Total	(40,072)	(2,329)	118	(42,283)
Intangible assets, net				
Land use rights	59,339			60,457
Patents	881			820
Other	17,787			17,407
Total	78,007			78,684
Provision for impairment	(735)	-	-	(735)
Net book value	77,272			77,949

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

(All amounts in RMB millions unless otherwise stated)

Amortisation charged to profit or loss provided on intangible assets for the six months ended June 30, 2019 was RMB 2,300 (for the six months ended June 30, 2018: RMB 2,225).

19 GOODWILL

	June 30, 2019	December 31, 2018
Cost		
PetroChina Pipelines Company Limited	37,994	37,994
Petroineos Trading Limited	4,649	4,642
Singapore Petroleum Company	3,027	3,022
Other	371	362
Total	46,041	46,020
Provision for impairment	(3,747)	(3,747)
Net book value	42,294	42,273

Goodwill primarily relates to the acquisition of Singapore Petroleum Company, Petroineos Trading Limited, and PetroChina Pipelines Company Limited completed in 2009, 2011 and 2015, respectively.

20 LONG-TERM PREPAID EXPENSES

	December 31, 2018	Reclass to Right-of-use assets	Addition	Reduction	June 30, 2019
Advance lease payments (i)	19,382	(19,382)	-	-	-
Catalyst	4,228	-	548	(702)	4,074
Other	4,919	-	782	(621)	5,080
Total	28,529	(19,382)	1,330	(1,323)	9,154

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

Amortisation charged to profit or loss provided on long-term prepaid expenses for the six months ended June 30, 2019 was RMB 1,132 (for the six months ended June 30, 2018: RMB 2,382).

(All amounts in RMB millions unless otherwise stated)

21 PROVISION FOR ASSETS

	December 31, 2018	Addition	Reversal	Write-off and others	June 30, 2019
Bad debts provision	7,492	67	(292)	(33)	7,234
Including:					
Bad debts provision for accounts receivable	4,053	67	(284)	(1)	3,835
Bad debts provision for other receivables	2,741	-	(8)	(32)	2,701
Bad debts provision for advances to suppliers	698	-	-	-	698
Provision for declines in the value of inventories	5,008	846	(62)	(3,101)	2,691
Provision for impairment of long-term equity investments	201	-	-	(4)	197
Provision for impairment of fixed assets	57,086	-	-	165	57,251
Provision for impairment of oil and gas properties	57,761	-	-	808	58,569
Provision for impairment of construction in progress	6,269	-	-	13	6,282
Provision for impairment of intangible assets	735	-	-	-	735
Provision for impairment of goodwill	3,747	-	-	-	3,747
Provision for impairment of other non-current assets	258	-	-	-	258
Total	138,557	913	(354)	(2,152)	136,964

22 SHORT-TERM BORROWINGS

	June 30, 2019	December 31, 2018
Guarantee - RMB	8	-
Impawn - USD	2,207	2,135
Impawn - RMB	10	10
Unsecured - RMB	49,757	40,620
Unsecured - USD	43,780	20,879
Unsecured - JPY	3,260	3,055
Unsecured - Other	2,751	3,081
	101,773	69,780

As of June 30, 2019, the above impawn USD borrowings were impawned by margin account deposits whose carrying amount was RMB 2,673 (December 31, 2018:RMB 2,563).

The weighted average interest rate for short-term borrowings as of June 30, 2019 is 3.16% per annum (December 31, 2018: 2.97%).

(All amounts in RMB millions unless otherwise stated)

23 NOTES PAYABLE

As of June 30, 2019 and December 31, 2018, notes payable mainly represented commercial acceptance. All notes payable matured within one year.

24 ACCOUNTS PAYABLE

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

	The Group			
	June 30, 2019		December 31, 2018	
	Amount	Percentage of total balance %	Amount	Percentage of total balance %
Within 1 year	180,091	86	211,344	86
1 to 2 years	14,265	7	15,639	6
2 to 3 years	5,256	2	7,647	3
Over 3 years	10,833	5	12,041	5
	210,445	100	246,671	100

As of June 30, 2019, accounts payable aged over one year amounted to RMB 30,354 (December 31, 2018: RMB 35,327), and mainly comprised of unsettled payables to several suppliers.

25 CONTRACT LIABILITIES

As of June 30, 2019, contract liabilities mainly represented the sales of natural gas, crude oil and refined oil, etc. The contract liabilities aged over one year amounted to RMB 3,598 (December 31, 2018: RMB 4,635).

26 EMPLOYEE COMPENSATION PAYABLE

(1) Employee compensation payable listed as below

	December 31, 2018	Addition	Reduction	June 30, 2019
Short-term employee benefits	9,848	55,086	(50,211)	14,723
Post-employment benefits - defined contribution plans	337	11,175	(11,256)	256
Termination benefits	4	16	(16)	4
	10,189	66,277	(61,483)	14,983

(All amounts in RMB millions unless otherwise stated)

(2) Short-term employee benefits

	December 31, 2018	Addition	Reduction	June 30, 2019
Wages, salaries and allowances	4,358	41,464	(37,187)	8,635
Staff welfare	-	2,927	(2,925)	2
Social security contributions	696	4,852	(4,651)	897
Including: Medical insurance	655	4,265	(4,056)	864
Work-related injury insurance	33	364	(372)	25
Maternity insurance	8	223	(223)	8
Housing provident funds	28	4,316	(4,306)	38
Labour union funds and employee education funds	4,712	1,506	(1,121)	5,097
Other	54	21	(21)	54
	9,848	55,086	(50,211)	14,723

(3) Post-employment benefits - defined contribution plans

	December 31, 2018	Addition	Reduction	June 30, 2019
Basic pension insurance	296	7,434	(7,511)	219
Unemployment insurance	18	223	(224)	17
Annuity	23	3,518	(3,521)	20
	337	11,175	(11,256)	256

As of June 30, 2019, employee benefits payable did not contain any balance in arrears.

27 TAXES PAYABLE

	June 30, 2019	December 31, 2018
Value added tax payable	7,191	16,168
Income tax payable	12,822	5,728
Consumption tax payable	14,278	45,033
Other	11,141	16,359
	45,432	83,288

(All amounts in RMB millions unless otherwise stated)

28 OTHER PAYABLES

As of June 30, 2019, other payables mainly comprised insurance payables and cash call payable to joint operation partners, and other payables aged over one year amounted to RMB 11,464 (December 31, 2018: RMB 11,069).

29 CURRENT PORTION OF NON-CURRENT LIABILITIES

	June 30, 2019	December 31, 2018
Long-term borrowings due within one year		
Guarantee – RMB	32	63
Guarantee – USD	9,999	1,181
Guarantee – Other	18	21
Impawn – RMB	74	38
Unsecured – RMB	8,074	68,757
Unsecured – USD	29,750	1,338
Unsecured – Other	3,599	665
	51,546	72,063
Debentures payable due within one year	6,685	3,307
Long-term payables due within one year	161	-
Lease liabilities due within one year	7,460	-
	65,852	75,370

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

30 LONG-TERM BORROWINGS

	June 30, 2019	December 31, 2018
Guarantee – RMB	106	85
Guarantee – USD	12,707	19,571
Guarantee – Other	22	29
Impawn – RMB	261	315
Mortgage – RMB	6	-
Unsecured – RMB	121,466	169,162
Unsecured – USD	58,860	57,419
Unsecured – Other	4,397	3,087
	197,825	249,668
Less: Long-term borrowings due within one year (Note 29)	(51,546)	(72,063)
	146,279	177,605

(All amounts in RMB millions unless otherwise stated)

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

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

	June 30, 2019	December 31, 2018
Between one and two years	49,932	64,689
Between two and five years	78,500	85,010
After five years	17,847	27,906
	146,279	177,605

The weighted average interest rate for long-term borrowings as of June 30, 2019 is 4.02% (December 31, 2018: 4.18%).

The fair values of long-term borrowings amounted to RMB 195,600 (December 31, 2018: RMB 246,437). 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).

(All amounts in RMB millions unless otherwise stated)

31 DEBENTURES PAYABLE

Debentures' Name	Issue date	Term of Debentures	Annual interest rate%	December 31, 2018	Addition	Reduction	June 30, 2019
2012 PetroChina Company Limited Corporate Debentures first tranche - 10 years	November 22, 2012	10 - year	4.90	2,000	-	-	2,000
2012 PetroChina Company Limited Corporate Debentures first tranche - 15 years	November 22,2012	15 - year	5.04	2,000	-	-	2,000
2013 PetroChina Company Limited Corporate Debentures first tranche - 10 years	March 15, 2013	10 - year	4.88	4,000	-	-	4,000
2015 PetroChina Company Limited second tranche medium-term notes	October 9, 2015	5 - year	3.85	20,000	-	-	20,000
Kunlun Energy Company Limited priority notes - 5 years	May 13, 2015	5 - year	2.88	3,409	4	-	3,413
Kunlun Energy Company Limited priority notes - 10 years	May 13, 2015	10 - year	3.75	3,407	4	-	3,411
2016 PetroChina Company Limited Corporate Debentures first tranche - 5 years	January 19,2016	5 - year	3.03	8,800	-	-	8,800
2016 PetroChina Company Limited Corporate Debentures first tranche - 10 years	January 19,2016	10 - year	3.50	4,700	-	-	4,700
2016 PetroChina Company Limited Corporate Debentures second tranche - 5 years	March 3, 2016	5 - year	3.15	12,700	-	-	12,700
2016 PetroChina Company Limited Corporate Debentures second tranche - 10 years	March 3, 2016	10 - year	3.70	2,300	-	-	2,300
2016 PetroChina Company Limited Corporate Debentures third tranche - 5 years	March 24, 2016	5 - year	3.08	9,500	-	-	9,500
2016 PetroChina Company Limited Corporate Debentures third tranche - 10 years	March 24, 2016	10 - year	3.60	2,000	-	-	2,000
2016 PetroChina Company Limited first tranche medium-term notes	May 11, 2016	5 - year	3.45	15,000	-	-	15,000
Kunlun Energy Co., Ltd. Convertible bonds(i)	July 25, 2016	3 - year	1.63	3,308	26	(62)	3,272
2017 PetroChina Company Limited Corporate Debentures first tranche	August 18, 2017	3 - year	4.30	2,000	-	-	2,000
2019 PetroChina Company Limited first tranche medium-term notes - 5 years	January 24, 2019	5 - year	3.45	-	10,000	-	10,000
2019 PetroChina Company Limited second tranche medium-term notes - 5 years	January 24, 2019	5 - year	3.45	-	10,000	-	10,000
2019 PetroChina Company Limited third tranche medium-term notes - 5 years	February 22,2019	5 - year	3.66	-	10,000	-	10,000
2019 PetroChina Company Limited fourth tranche medium-term notes - 5 years	February 22,2019	5 - year	3.66	-	10,000	-	10,000
2019 PetroChina Company Limited fifth tranche medium-term notes - 5 years	April 23, 2019	5 - year	3.66	-	10,000	-	10,000
				95,124	50,034	(62)	145,096
Less: Debentures Payable due within one year (Note 29)				(3,307)			(6,685)
				91,817			138,411

(i) The term of convertible bonds issued by Kunlun Energy Company Limited is 3 years. The holders of the bonds are entitled to convert the bonds from September 4, 2016 and thereafter till the tenth day before the expiration date.

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

(All amounts in RMB millions unless otherwise stated)

As of June 30, 2019, the above-mentioned debentures which were guaranteed by CNPC and its subsidiaries amounted to RMB 8,000 (December 31, 2018: RMB 8,000).

The fair values of the debentures amounted to RMB 144,013 (December 31, 2018: RMB 93,441). The fair values are based on discounted cash flows using an applicable discount rate based upon the prevailing market rates as at the balance sheet date of the Group's availability of financial instruments (terms and characteristics similar to the above-mentioned debentures payable).

32 PROVISIONS

	December 31, 2018	Addition	Reduction	June 30, 2019
Asset retirement obligations	132,780	4,624	(142)	137,262

Asset retirement obligations are related to oil and gas properties.

33 DEFERRED TAX ASSETS AND LIABILITIES

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

(a) Deferred tax assets

	June 30, 2019		December 31, 2018	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Provision for impairment of assets	8,638	48,780	9,014	51,057
Wages and welfare	1,916	10,727	1,377	7,330
Carry forward of losses	26,257	251,044	26,027	250,121
Other	15,148	76,807	13,162	68,054
	51,959	387,358	49,580	376,562

Tax losses that can be carried forward to future years include deferred tax assets arising from the losses of branches in the eastern region. The income tax expenses of branches in the eastern and western regions were paid in aggregate according to the requirements of the competent tax authority.

(b) Deferred tax liabilities

	June 30, 2019		December 31, 2018	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Depreciation and depletion of fixed assets and oil and gas properties	26,530	97,297	27,943	101,576
Other	15,833	62,560	15,161	69,711
	42,363	159,857	43,104	171,287

(All amounts in RMB millions unless otherwise stated)

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

	June 30, 2019	December 31, 2018
Deferred tax assets	27,018	23,498
Deferred tax liabilities	17,422	17,022

34 SHARE CAPITAL

	June 30, 2019	December 31, 2018
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., Ltd.. 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 CSRC, on April 7, 2000, the Company issued 17,582,418,000 foreign capital stock with a par value of RMB 1.00 yuan per share, 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 additional 3,196,801,818 new H shares with a par value of RMB 1.00 yuan per share on September 1, 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, 2018	Addition	Reduction	June 30, 2019
Capital premium	86,225	-	(1,990)	84,235
Other capital surplus				
Capital surplus under the old CAS	40,955	-	-	40,955
Other	2,019	10	(53)	1,976
	129,199	10	(2,043)	127,166

36 SURPLUS RESERVES

	December 31, 2018	Addition	Reduction	June 30, 2019
Statutory Surplus Reserves	194,205	-	-	194,205
Discretionary Surplus Reserves	40	-	-	40
	194,245	-	-	194,245

Pursuant to the Company Law of PRC, the Company's Articles of Association and the resolution of the 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 the 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 upon approval. The Company has not extracted Discretionary Surplus Reserves for the six months ended June 30, 2019 (for the six months ended June 30, 2018: None).

37 UNDISTRIBUTED PROFITS

	For the six months ended June 30, 2019
Undistributed profits at the beginning of the period	726,168
Add: Net profit attributable to equity holders of the Company	28,420
Less: Ordinary share dividends payable	(16,472)
Undistributed profits at the end of the period	738,116

As authorised by shareholders in the Annual General Meeting on June 13, 2019, the Board of Directors resolved to distribute interim dividends attributable to owners of the Company in respect of 2019 of RMB 0.07765 yuan per share amounting to a total of RMB 14,212 according to the issued 183,021 million shares on August 28, 2019. The dividends were not paid by the end of the reporting period, and were not recognised as liability at the end of the reporting period, as they were declared after the date of the statement of financial position.

(All amounts in RMB millions unless otherwise stated)

38 NON-CONTROLLING INTERESTS

Non-controlling interests attributable to non-controlling interests of subsidiaries

	Percentage of shares held by non-controlling interests (%)	Profit or loss attributable to non-controlling interests	Dividends declared to non-controlling interests	Balance of non-controlling interests
CNPC Exploration and Development Company Limited	50.00	3,853	1,504	77,644
PetroChina Pipelines Company Limited	27.74	2,666	4,852	57,568
Kunlun Energy Company Limited	41.67	5,071	1,047	46,335
PetroKazakhstan Inc.	33.00	20	-	2,361
Other				15,244
				199,152

39 OPERATING INCOME AND COST OF SALES

	Group			
	For the six months ended June 30, 2019		For the six months ended June 30, 2018	
	Income	Cost	Income	Cost
Principal operations (b)	1,171,738	921,161	1,092,675	850,363
Other operations (c)	24,521	23,782	26,962	27,736
Total	1,196,259	944,943	1,119,637	878,099
Including: Revenue from contracts with customers(a)	1,196,082		1,119,495	
Other revenue	177		142	

	Company			
	For the six months ended June 30, 2019		For the six months ended June 30, 2018	
	Income	Cost	Income	Cost
Principal operations (b)	651,111	495,918	630,586	467,344
Other operations (c)	18,016	18,395	19,260	19,763
Total	669,127	514,313	649,846	487,107

(All amounts in RMB millions unless otherwise stated)

(a) Revenue from contracts with customers

For the six months ended June 30, 2019 Contract classification	Exploration and Production	Refining and Chemicals	Marketing	Natural Gas and Pipeline	Head Office and Other	Total
Type of merchandise						
Crude oil	228,732	-	271,770	-	-	500,502
Natural gas	56,118	-	122,078	147,451	-	325,647
Refining products	-	359,368	606,176	-	-	965,544
Chemical products	-	77,928	12,795	-	-	90,723
Pipeline transportation business	-	-	-	34,671	-	34,671
Non-oil sales in gas stations	-	-	10,790	-	-	10,790
Others	41,395	3,059	1,054	13,817	598	59,923
Intersegment elimination	(266,753)	(346,675)	(157,713)	(20,496)	(81)	(791,718)
Total	59,492	93,680	866,950	175,443	517	1,196,082
Geographical classification						
Mainland China	18,496	88,754	427,978	175,443	517	711,188
Others	40,996	4,926	438,972	-	-	484,894
Total	59,492	93,680	866,950	175,443	517	1,196,082

For the six months ended June 30, 2018 Contract classification	Exploration and Production	Refining and Chemicals	Marketing	Natural Gas and Pipeline	Head Office and Other	Total
Type of merchandise						
Crude oil	210,944	-	189,881	-	-	400,825
Natural gas	51,492	-	99,376	120,622	-	271,490
Refining products	-	344,734	615,321	-	-	960,055
Chemical products	-	78,302	12,877	-	-	91,179
Pipeline transportation business	-	-	-	34,362	-	34,362
Non-oil sales in gas stations	-	-	11,562	-	-	11,562
Others	34,847	3,256	665	18,204	365	57,337
Intersegment elimination	(242,277)	(325,492)	(123,809)	(15,686)	(51)	(707,315)
Total	55,006	100,800	805,873	157,502	314	1,119,495
Geographical classification						
Mainland China	18,914	95,240	450,425	157,502	314	722,395
Others	36,092	5,560	355,448	-	-	397,100
Total	55,006	100,800	805,873	157,502	314	1,119,495

(All amounts in RMB millions unless otherwise stated)

(b) Income and cost of sales from principal operations

	Group			
	For the six months ended June 30, 2019		For the six months ended June 30, 2018	
	Income	Cost	Income	Cost
Exploration and Production	317,347	230,159	289,768	220,569
Refining and Chemicals	437,296	320,650	423,036	290,409
Marketing	1,012,843	984,418	917,476	888,551
Natural Gas and Pipeline	193,715	175,406	169,697	152,418
Head Office and Other	67	47	13	19
Intersegment elimination	(789,530)	(789,519)	(707,315)	(701,603)
Total	1,171,738	921,161	1,092,675	850,363

	Company			
	For the six months ended June 30, 2019		For the six months ended June 30, 2018	
	Income	Cost	Income	Cost
Exploration and Production	247,403	194,886	228,255	184,525
Refining and Chemicals	365,942	270,352	365,599	247,533
Marketing	366,951	355,124	375,205	359,781
Natural Gas and Pipeline	167,568	172,318	142,522	147,981
Head Office and Other	67	47	11	19
Intersegment elimination	(496,820)	(496,809)	(481,006)	(472,495)
Total	651,111	495,918	630,586	467,344

(c) Income and cost of sales from other operations

	Group			
	For the six months ended June 30, 2019		For the six months ended June 30, 2018	
	Income	Cost	Income	Cost
Sale of materials	3,602	3,306	3,024	2,859
Other	20,919	20,476	23,938	24,877
Total	24,521	23,782	26,962	27,736

	Company			
	For the six months ended June 30, 2019		For the six months ended June 30, 2018	
	Income	Cost	Income	Cost
Sale of materials	2,928	2,674	2,201	1,777
Other	15,088	15,721	17,059	17,986
Total	18,016	18,395	19,260	19,763

(All amounts in RMB millions unless otherwise stated)

40 TAXES AND SURCHARGES

	For the six months ended June 30, 2019	For the six months ended June 30, 2018
Consumption tax	81,137	73,957
Resource tax	12,088	11,157
City maintenance and construction tax	8,124	8,295
Educational surcharge	5,985	5,647
Crude oil special gain levy	799	1,178
Other	4,286	5,058
	112,419	105,292

41 SELLING EXPENSES

	For the six months ended June 30, 2019	For the six months ended June 30, 2018
Employee compensation costs	10,371	9,761
Depreciation, depletion and amortisation	6,890	4,163
Transportation expense	7,736	7,321
Lease, packing and warehouse storage expenses	1,499	3,895
Other	6,405	5,918
	32,901	31,058

42 GENERAL AND ADMINISTRATIVE EXPENSES

	For the six months ended June 30, 2019	For the six months ended June 30, 2018
Employee compensation costs	13,708	12,044
Depreciation, depletion and amortisation	3,383	2,783
Repair expense	4,133	5,757
Lease, packing and warehouse storage expenses	507	3,248
Safety fund	3,024	2,823
Technology service expense	195	346
Other taxes	404	303
Other	3,251	4,497
	28,605	31,801

(All amounts in RMB millions unless otherwise stated)

43 RESEARCH AND DEVELOPMENT EXPENSES

	For the six months ended June 30, 2019	For the six months ended June 30, 2018
Employee compensation costs	2,397	2,132
Depreciation, depletion and amortisation	672	626
Fuel and material consumption	187	211
Other	4,431	3,115
Total	7,687	6,084

44 FINANCE EXPENSES

	For the six months ended June 30, 2019	For the six months ended June 30, 2018
Interest expense	15,197	11,301
Include: Interest expenditure on lease liabilities	3,504	-
Less: Interest income	(1,893)	(1,438)
Exchange losses	5,197	8,051
Less: Exchange gains	(4,907)	(8,401)
Other	434	403
	14,028	9,916

45 OTHER INCOME

	For the six months ended June 30, 2019	For the six months ended June 30, 2018
Refund of import value-added tax, relating to the import of natural gas	3,341	2,574
Refund of value-added tax, relating to the change from business tax to value-added tax	890	1,474
Other	424	388
	4,655	4,436

(All amounts in RMB millions unless otherwise stated)

46 INVESTMENT INCOME

	Group	
	For the six months ended June 30, 2019	For the six months ended June 30, 2018
Gains on investments in other equity instruments	9	13
Share of profit of associates and joint ventures	4,707	3,824
Gains on disposal of associates and joint ventures	235	6
Gains /(losses) on disposal of subsidiaries	125	(8)
Other	157	104
	5,233	3,939

	Company	
	For the six months ended June 30, 2019	For the six months ended June 30, 2018
Gains on investments in other equity instruments	5	7
Share of profit of associates and joint ventures	2,210	2,406
Dividends declared by subsidiaries	16,048	21,864
Gains /(losses) on disposal of subsidiaries	3	(77)
Other	235	4
	18,501	24,204

47 CREDIT LOSSES

	For the six months ended June 30, 2019	For the six months ended June 30, 2018
Accounts receivable	(217)	1
Other receivables	(8)	(9)
Other non-current assets	-	3
Total	(225)	(5)

48 ASSET IMPAIRMENT LOSSES

	For the six months ended June 30, 2019	For the six months ended June 30, 2018
Impairment losses for declines in the value of inventories	784	14
	784	14

(All amounts in RMB millions unless otherwise stated)

49 GAINS FROM ASSET DISPOSALS

	For the six months ended June 30, 2019	For the six months ended June 30, 2018	Amount included in non-recurring profit/loss items for the six months ended June 30, 2019
Gains from disposal of fixed assets and oil and gas properties	76	37	76
Losses from disposal of construction in progress	(7)	(1)	(7)
Gains from disposal of intangible assets	6	73	6
Gains/(losses) from disposal of other long-term assets	12	(14)	12
	87	95	87

50 NON-OPERATING INCOME AND EXPENSES

(a) Non-operating income

	For the six months ended June 30, 2019	For the six months ended June 30, 2018	Amount included in non-recurring profit/loss items for the six months ended June 30, 2019
Government grants	483	305	483
Other	1,041	574	1,041
	1,524	879	1,524

(b) Non-operating expenses

	For the six months ended June 30, 2019	For the six months ended June 30, 2018	Amount included in non-recurring profit/loss items for the six months ended June 30, 2019
Fines	24	105	24
Donation	29	19	29
Extraordinary loss	24	15	24
Damage or scrapping of non-current assets	1,768	2,515	1,768
Other	2,998	2,392	2,998
	4,843	5,046	4,843

(All amounts in RMB millions unless otherwise stated)

51 TAXATION

	For the six months ended June 30, 2019	For the six months ended June 30, 2018
Income taxes	25,789	20,276
Deferred taxes	(3,151)	2,790
	22,638	23,066

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, 2019	For the six months ended June 30, 2018
Profit before taxation	61,773	61,681
Tax calculated at a tax rate of 25%	15,443	15,420
Tax return true-up	1,162	639
Effect of income taxes from international operations in excess of taxes at the PRC statutory tax rate	2,960	1,727
Effect of preferential tax rate	(4,570)	(4,412)
Tax effect of income not subject to tax	(1,719)	(1,310)
Tax effect of expenses not deductible for tax purposes	8,434	9,506
Tax effect of temporary differences and losses unrecognised at deferred tax assets	928	1,496
Taxation	22,638	23,066

52 EARNINGS PER SHARE

Basic and diluted earnings per share for the six months ended June 30, 2019 and June 30, 2018 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.

(All amounts in RMB millions unless otherwise stated)

53 OTHER COMPREHENSIVE INCOME

Other comprehensive income attributable to equity holders of the Company	December 31, 2018	Addition	Reduction	June 30, 2019
Item that will not be reclassified to profit or loss				
Including: Changes in fair value of investments in other equity instruments	227	139	(1)	365
Items that may be reclassified to profit or loss				
Including: Share of other comprehensive income of equity-accounted investee	486	344	(7)	823
Translation differences arising from translation of foreign currency financial statements	(33,067)	2,093	(1,816)	(32,790)
Others	(43)	-	-	(43)
	(32,397)	2,576	(1,824)	(31,645)

54 SUPPLEMENT TO INCOME STATEMENT

Expenses are analysed by nature:

	For the six months ended June 30, 2019	For the six months ended June 30, 2018
Operating income	1,196,259	1,119,637
Less: Changes in inventories of finished goods and work in progress	(13,669)	6,214
Raw materials and consumables used	(782,434)	(732,276)
Employee benefits expenses	(65,028)	(58,443)
Depreciation, depletion and amortisation expenses	(108,608)	(114,582)
Credit losses	225	5
Asset impairment losses	(784)	(14)
Lease expenses	(1,522)	(8,507)
Finance expenses	(14,028)	(9,916)
Other expenses	(145,319)	(136,270)
Operating profit	65,092	65,848

(All amounts in RMB millions unless otherwise stated)

55 NOTES TO CONSOLIDATED AND COMPANY CASH FLOWS

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

	Group		Company	
	For the six months ended June 30, 2019	For the six months ended June 30, 2018	For the six months ended June 30, 2019	For the six months ended June 30, 2018
Net profit	39,135	38,615	22,749	33,811
Add: Impairment of asset, net	784	14	(18)	41
Credit Losses	(225)	(5)	(265)	(7)
Depreciation and depletion of fixed assets, oil and gas properties and leasing and right-of-use assets	105,176	109,975	62,636	65,441
Amortisation of intangible assets	2,300	2,225	1,859	1,794
Amortisation of long-term prepaid expenses	1,132	2,382	1,227	2,006
Gains on disposal of fixed assets, oil and gas properties, intangible assets and other long-term assets	(87)	(95)	(60)	(546)
Damage or scrapping of fixed assets and oil and gas properties	1,768	2,515	1,731	63
Capitalised exploratory costs charged to expense	5,986	6,943	3,722	6,822
Safety fund reserve	2,335	2,141	1,490	1,267
Finance expense	13,304	9,863	9,871	8,093
Investment income	(5,233)	(3,939)	(18,501)	(24,204)
Changes in deferred taxation	(3,151)	2,790	(2,136)	5,299
Decrease / (increase) in inventories	1,406	(15,961)	3,699	(11,762)
Increase in operating receivables	(24,244)	(40,011)	(572)	(8,239)
(Decrease) /increase in operating payables	(5,961)	30,415	1,641	6,183
Net cash flows from operating activities	134,425	147,867	89,073	86,062

(b) Net increase / (decrease) in cash and cash equivalents

	Group		Company	
	For the six months ended June 30, 2019	For the six months ended June 30, 2018	For the six months ended June 30, 2019	For the six months ended June 30, 2018
Cash at the end of the period	90,640	118,184	19,012	48,871
Less: Cash at the beginning of the period	(85,954)	(123,700)	(13,109)	(44,432)
Add: Cash equivalents at the end of the period	-	-	-	-
Less: Cash equivalents at the beginning of the period	-	-	-	-
Increase / (decrease) in cash and cash equivalents	4,686	(5,516)	5,903	4,439

(All amounts in RMB millions unless otherwise stated)

(c) Cash and cash equivalents

	Group		Company	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Cash at bank and on hand	112,845	95,489	21,212	15,309
Less: Time deposits with maturities over 3 months	(22,205)	(9,535)	(2,200)	(2,200)
Cash and cash equivalents at the end of the period	90,640	85,954	19,012	13,109

56 LEASING

The leases where the Group is a lessee

Right-of-use assets

	January 1, 2019	Addition	Reduction	June 30, 2019
Cost				
Land	94,862	1,493	-	96,355
Buildings	82,423	3,175	-	85,598
Equipment and Machinery	1,872	341	-	2,213
Other	2,625	812	-	3,437
Total	181,782	5,821	-	187,603
Accumulated depreciation				
Land	-	(1,702)	-	(1,702)
Buildings	-	(3,756)	-	(3,756)
Equipment and Machinery	-	(223)	-	(223)
Other	-	(274)	-	(274)
Total	-	(5,955)	-	(5,955)
Fixed assets, net				
Land	94,862			94,653
Buildings	82,423			81,842
Equipment and Machinery	1,872			1,990
Other	2,625			3,163
Total	181,782			181,648
Provision for impairment				
Land	-	-	-	-
Buildings	-	-	-	-
Equipment and Machinery	-	-	-	-
Other	-	-	-	-
Total	-	-	-	-
Net book value				
Land	94,862			94,653
Buildings	82,423			81,842
Equipment and Machinery	1,872			1,990
Other	2,625			3,163
Total	181,782			181,648

Lease Liabilities

Item	As at 30 June, 2019
Long-term lease liabilities	163,838
Less: Lease liabilities due within one year (Note 29)	(7,460)
Total	156,378

57 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 engages in the exploration, development, production and marketing of crude oil and natural gas.

The Refining and Chemicals segment is engages 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 engages in the marketing of refined products and trading business.

The Natural Gas and Pipeline segment is engages 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 centre, 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, 2019 is as follows:

	Exploration and Production	Refining and Chemicals	Marketing	Natural Gas and Pipeline	Head Office and Other	Total
Revenue	326,339	440,451	1,024,738	196,163	598	1,988,289
Less: Intersegment revenue	(266,789)	(346,724)	(157,733)	(20,703)	(81)	(792,030)
Revenue from external customers	59,550	93,727	867,005	175,460	517	1,196,259
Segment expenses (i)	(206,725)	(195,267)	(671,433)	(39,829)	(8,646)	(1,121,900)
Segment result	55,329	6,486	2,719	17,932	(8,107)	74,359
Unallocated expenses						(9,267)
Operating profit						65,092
Segment assets	1,441,761	319,062	501,078	526,718	1,457,574	4,246,193
Other assets						30,671
Elimination of intersegment balances (ii)						(1,639,085)
Total assets						2,637,779
Segment liabilities	594,156	114,748	296,778	263,859	633,368	1,902,909
Other liabilities						62,854
Elimination of intersegment balances (ii)						(754,101)
Total liabilities						1,211,662
Depreciation, depletion and amortisation	(77,089)	(11,495)	(8,274)	(10,910)	(840)	(108,608)
Asset impairment losses	-	14	778	(8)	-	784
Credit losses	42	(9)	(79)	(187)	8	(225)
Capital expenditures	69,383	5,806	3,408	5,083	274	83,954

(All amounts in RMB millions unless otherwise stated)

(b) Segment information as of and for the six months ended June 30, 2018 is as follows:

	Exploration and Production	Refining and Chemicals	Marketing	Natural Gas and Pipeline	Head Office and Other	Total
Revenue	297,364	426,351	929,735	173,286	373	1,827,109
Less: Intersegment revenue	(242,322)	(325,516)	(123,819)	(15,756)	(59)	(707,472)
Revenue from external customers	55,042	100,835	805,916	157,530	314	1,119,637
Segment expenses (i)	(213,280)	(197,899)	(594,093)	(34,500)	(8,126)	(1,047,898)
Segment result	32,639	26,066	4,891	15,951	(7,808)	71,739
Unallocated expenses						(5,891)
Operating profit						65,848
Segment assets	1,253,580	303,903	441,912	521,656	1,427,236	3,948,287
Other assets						26,280
Elimination of intersegment balances (ii)						(1,556,645)
Total assets						2,417,922
Segment liabilities	452,437	75,925	227,716	113,128	598,065	1,467,271
Other liabilities						55,030
Elimination of intersegment balances (ii)						(502,625)
Total liabilities						1,019,676
Depreciation, depletion and amortisation	(85,959)	(10,846)	(6,597)	(10,388)	(792)	(114,582)
Asset impairment losses	-	39	10	(35)	-	14
Credit losses	(2)	(7)	4	-	-	(5)
Capital expenditures	58,361	4,261	3,308	8,221	498	74,649

(i) Segment expenses include operating costs, taxes and surcharges, selling expenses, general and administrative expenses, research and development expenses, and other income.

(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, 2019	For the six months ended June 30, 2018
Mainland China	711,359	722,527
Other	484,900	397,110
	1,196,259	1,119,637

Non-current assets (i)	June 30, 2019	December 31, 2018
Mainland China	1,919,504	1,782,762
Other	208,865	192,807
	2,128,369	1,975,569

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

58 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) Parent Company

(a) General information of parent company

CNPC, the immediate parent of the Company, is a limited liability company directly controlled by the PRC government.

	Type of Legal Entity	Place of incorporation	Legal representative	Principal activities
China National Petroleum Corporation	Limited liability company (wholly state-owned)	PRC	Wang Yilin	Oil and gas exploration and development, refining and petrochemical, oil product marketing, oil and gas storage and transportation, oil trading, construction and technical services and petroleum equipment manufacturing etc.

(b) Equity interest and voting rights of parent company

	June 30, 2019		December 31, 2018	
	Equity interest %	Voting rights %	Equity interest %	Voting rights %
China National Petroleum Corporation	80.81	80.81	81.03	81.03

(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
Petrolneos Refining Limited	Associate
China Petroleum Finance Co., Ltd.	Associate
CNPC Captive Insurance Co., Ltd.	Associate
China National Aviation Fuel Group Limited	Associate
China Marine Bunker (PetroChina) Co., Ltd.	Joint venture
Mangistau Investment B.V.	Joint venture
Trans-Asia Gas Pipeline Co., Ltd.	Joint venture
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 Co., Ltd.	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 Products 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 the basis of the existing Comprehensive Products and Services Agreement, the Company and CNPC entered into a new Comprehensive Products and Services Agreement on August 24, 2017 for a period of three years which took effect on January 1, 2018. The new Comprehensive Products and Services Agreement includes all the terms of the existing Comprehensive Products and Services Agreement.

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 Company and CNPC each issued a confirmation letter to the Land Use Rights Leasing On August 24, 2017, and adjusted area and fee of leasing land. The Company agreed to lease an aggregate area of approximately 1,773 million square meters from CNPC, and adjusted the total fee of land, according to the newly confirmed area of leasing land and the situation of land market. In addition, the annual fee (exclusive of tax and government charges) of land was adjusted to no more than RMB 5,783. Besides area and fee of land, the other lease terms of the Land Use Rights Leasing Contract and Supplemental Land Use Rights Leasing Contract kept the same. The confirmation letter was effective since January 1, 2018.

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. On August 24, 2017, the Company and CNPC entered into a new Buildings Leasing Contract which took effect on January 1, 2018. The Revised Buildings Leasing Contract was terminated on the effective date of the new Buildings Leasing Contract. Under this contract, buildings covering an aggregate area of 1,152,968 square meters were leased at rental payable approximately RMB 730. The New Building Leasing Contract will expire at December 31, 2037. The area and total fee payable for the lease of all such property may, every 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, 2019	For the six months ended June 30, 2018
Sales of goods and services rendered to CNPC and its subsidiaries	(1)	50,291	34,530
Purchase of goods and services from CNPC and its subsidiaries:			
Fees paid for construction and technical services	(2)	46,170	41,126
Fees for production services	(3)	67,048	64,805
Social services charges	(4)	1,075	1,452
Ancillary services charges	(5)	605	1,850
Material supply services	(6)	6,012	5,009
Financial services			
Interest income	(7)	210	155
Interest expense	(8)	4,584	5,009
Other financial services expense	(9)	641	768
Rents and other expenses paid to CNPC	(10)	4,002	3,238
Purchases of assets from CNPC and its subsidiaries	(11)	330	301

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, examine and 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 communication, 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 mainly comprise 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, 2019 were RMB 39,483 (December 31, 2018: RMB 22,532).

(8) The loans from CNPC and fellow CNPC subsidiaries including long-term borrowings, long-term borrowings due within one year and short-term borrowings as of June 30, 2019 were RMB 149,029 (December 31, 2018: RMB 196,161).

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

(10) Rents and other expenses paid to CNPC and its subsidiaries refer to: 1) 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. 2) Rents and other payments made under financial leasing represent the payable by the Group (including all rents, leasing service fees and prices for exercising purchase options) for the period according to the financial leasing agreements entered in to by the Group and CNPC and its fellow subsidiaries.

(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 joint ventures:

The transactions between the Group and its associates and joint ventures are conducted at government-prescribed prices or market prices.

	For the six months ended June 30, 2019	For the six months ended June 30, 2018
(a) Sales of goods		
- Crude Oil	2,184	1,886
- Refined products	14,593	12,230
- Chemical products	193	825
- Natural Gas	256	52
(b) Sales of services	21	16
(c) Purchases of goods	10,001	9,584
(d) Purchases of services	905	469

(5) Commissioned loans

There have been entrusted loans between the Company and its subsidiaries provided through China Petroleum Finance Co., Ltd. and other financial institutions at market interest rates, and they have been offset in the consolidated financial statements. As of 30 June 2019, the above-mentioned offset entrusted loans include the entrusted loans provided by the Company to the subsidiaries with the amount of RMB 3,805 (December 31, 2018:RMB 4,119) and the entrusted loans provided by the subsidiaries to the Company with the amount of RMB 32,766 (December 31, 2018:RMB 38,980).

(6) Guarantees

CNPC and its subsidiaries provided guarantees of part of loans and debentures for the Group, see Note 29, Note 30 and Note 31.

(7) Receivables and payables with related parties

(a) Receivables from related parties

	June 30, 2019	December 31, 2018
CNPC and its subsidiaries		
Accounts receivable	11,776	10,905
Other receivables	5,335	5,005
Advances to suppliers	15,583	6,113
Other non-current assets	11,046	5,442
Associates and joint ventures		
Accounts receivable	1,306	998
Advances to suppliers	5	339
Other current assets	11,016	7,852
Other non-current assets	8,918	11,069
Other receivables	-	10

As of June 30, 2019, the provisions for bad debts of the receivables from related parties amounted to RMB 7 (December 31, 2018: RMB 7).

As of June 30, 2019, the receivables from related parties represented 35% (December 31, 2018: 31%) of total receivables.

(b) Payables to related parties

	June 30, 2019	December 31, 2018
CNPC and its subsidiaries		
Notes payable	187	845
Accounts payable	43,968	58,359
Other payables	2,031	4,602
Contract liabilities	761	505
Lease liabilities	124,930	-
Other non-current liabilities	1,695	2,296
Associates and joint ventures		
Accounts payable	498	638
Other payables	74	67
Contract liabilities	27	63

As of June 30, 2019, the payables to related parties represented 33% (December 31, 2018: 18%) of total payables.

(8) Key management personnel compensation

	For the six months ended June 30, 2019 RMB'000	For the six months ended June 30, 2018 RMB'000
Key management personnel compensation	4,821	4,652

59 CONTINGENT LIABILITIES

(1) Bank and other guarantees

As of June 30, 2019 and December 31, 2018, the Group did not guarantee related parties or third parties any significant borrowings or others.

(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

During the reporting period, the Group has complied with domestic and overseas laws and regulatory requirements. Notwithstanding certain insignificant lawsuits as well as other proceedings outstanding of the Group, 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.

60 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 December 31, 2018 under non-cancellable operating leases are as follows:

	December 31, 2018
Within one year	12,664
Between one and two years	10,917
Between two and three years	9,561
Thereafter	194,793
	227,935

(All amounts in RMB millions unless otherwise stated)

(2) Capital commitments

As of June 30, 2019, the Group's capital commitments contracted but not provided for were RMB 45,884 (December 31, 2018: RMB 41,989).

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 Natural Resources. No payments were incurred for the six months ended June 30, 2019 (for the six months ended June 30, 2018: nil).

Pursuant to the prevailing policies, estimated annual payments for the next five years are as follows:

	June 30, 2019
Within one year	800
Between one and two years	800
Between two and three years	800
Between three and four years	800
Between four and five years	800

(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, 2019	For the six months ended June 30, 2018
Net losses on disposal of non-current assets	(1,446)	(2,414)
Government grants recognised in the income statement	483	305
Reversal of provisions for bad debts against receivables	292	12
Net profit or loss arising from the disposal of the subsidiary	125	(8)
Other non-operating income and expenses	(2,034)	(1,957)
	(2,580)	(4,062)
Tax impact of non-recurring profit/loss items	600	911
Impact of non-controlling interests	14	10
Total	(1,966)	(3,141)

2 SIGNIFICANT DIFFERENCES BETWEEN IFRS AND CAS

The consolidated net profit for the six months under IFRS and CAS were RMB 39,138 and RMB 39,135 respectively, with a difference of RMB 3; the consolidated shareholders' equity for the six months under IFRS and CAS were RMB 1,425,835 and RMB 1,426,117 respectively, with a difference of RMB 282. These differences under the different accounting standards were primarily due to the revaluation for 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, 2019 and June 30, 2018

(Amounts in millions)

	Notes	Six months ended June 30	
		2019	2018[Note]
		RMB	RMB
REVENUE	5	1,196,259	1,119,637
OPERATING EXPENSES			
Purchases, services and other		(796,103)	(726,062)
Employee compensation costs		(65,028)	(58,443)
Exploration expenses, including exploratory dry holes		(12,267)	(10,759)
Depreciation, depletion and amortisation		(108,607)	(114,579)
Selling, general and administrative expenses		(32,695)	(37,071)
Taxes other than income taxes	6	(113,088)	(105,903)
Other income net		2,192	554
TOTAL OPERATING EXPENSES		(1,125,596)	(1,052,263)
PROFIT FROM OPERATIONS		70,663	67,374
FINANCE COSTS			
Exchange gain		4,907	8,400
Exchange loss		(5,197)	(8,051)
Interest income		1,893	1,438
Interest expense		(15,197)	(11,301)
TOTAL NET FINANCE COSTS		(13,594)	(9,514)
SHARE OF PROFIT OF ASSOCIATES AND JOINT VENTURES		4,707	3,824
PROFIT BEFORE INCOME TAX EXPENSE	7	61,776	61,684
INCOME TAX EXPENSE	8	(22,638)	(23,067)
PROFIT FOR THE PERIOD		39,138	38,617
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified to profit or loss			
Fair value changes in equity investment measured at fair value through other comprehensive income		195	(122)
Items that are or may be reclassified subsequently to profit or loss			
Currency translation differences		2,475	(2,159)
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method		337	(4)
OTHER COMPREHENSIVE INCOME, NET OF TAX		3,007	(2,285)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		42,145	36,332
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		28,423	27,441
Non-controlling interests		10,715	11,176
		39,138	38,617
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		29,175	24,263
Non-controlling interests		12,970	12,069
		42,145	36,332
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (RMB)	9	0.155	0.150

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

Note : The comparative amounts in the financial statements are presented as if Dalian West Pacific had been consolidated from the beginning of the earliest financial year presented (see Note 20). Furthermore, the Group has initially applied IFRS 16 at January 1, 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated in this respect (see Note 4).

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As of June 30, 2019 and December 31, 2018

(Amounts in millions)

	Notes	June 30, 2019 RMB	December 31, 2018[Note] RMB
NON-CURRENT ASSETS			
Property, plant and equipment	11	1,690,563	1,709,388
Investments in associates and joint ventures		93,888	89,362
Equity investment measured at fair value through other comprehensive income		927	738
Advance operating lease payments		-	78,240
Right-of-use assets		241,635	-
Intangible and other non-current assets		102,016	98,309
Deferred tax assets		27,018	23,498
Time deposits with maturities over one year		50	3,101
TOTAL NON-CURRENT ASSETS		2,156,097	2,002,636
CURRENT ASSETS			
Inventories	12	175,364	177,577
Accounts receivable	13	73,738	59,522
Prepayments and other current assets		110,424	89,345
Notes receivable		9,022	16,308
Time deposits with maturities over three months but within one year		22,205	9,535
Cash and cash equivalents		90,640	85,954
TOTAL CURRENT ASSETS		481,393	438,241
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	14	312,082	299,848
Contract liabilities		77,337	68,144
Income taxes payable		12,822	5,728
Other taxes payable		32,610	77,560
Short-term borrowings	15	160,004	145,150
Lease liabilities		7,460	-
TOTAL CURRENT LIABILITIES		602,315	596,430
NET CURRENT LIABILITIES		(120,922)	(158,189)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,035,175	1,844,447
EQUITY			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY:			
Share capital		183,021	183,021
Retained earnings		743,114	731,163
Reserves		300,549	299,599
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		1,226,684	1,213,783
NON-CONTROLLING INTERESTS		199,151	195,108
TOTAL EQUITY		1,425,835	1,408,891
NON-CURRENT LIABILITIES			
Long-term borrowings	15	284,690	269,422
Asset retirement obligations		137,262	132,780
Lease liabilities		156,378	-
Deferred tax liabilities		17,415	17,015
Other long-term obligations		13,595	16,339
TOTAL NON-CURRENT LIABILITIES		609,340	435,556
TOTAL EQUITY AND NON-CURRENT LIABILITIES		2,035,175	1,844,447

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

Note : The comparative amounts in the financial statements are presented as if Dalian West Pacific had been consolidated from the beginning of the earliest financial year presented (see Note 20). Furthermore, the Group has initially applied IFRS 16 at January 1, 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated in this respect (see Note 4).

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2019 and June 30, 2018

(Amounts in millions)

	Six months ended June 30	
	2019	2018[Note]
	RMB	RMB
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	39,138	38,617
Adjustments for:		
Income tax expense	22,638	23,067
Depreciation, depletion and amortisation	108,607	114,579
Capitalised exploratory costs charged to expense	5,986	6,943
Safety fund reserve	2,335	2,141
Share of profit of associates and joint ventures	(4,707)	(3,824)
Reversal of provision for impairment of receivables, net	(225)	(5)
Write down in inventories, net	784	14
Loss on disposal of property, plant and equipment	1,692	2,478
Gain on disposal of other non-current assets	(246)	(64)
(Gain)/loss on disposal of subsidiaries	(125)	8
Dividend income	(9)	(13)
Interest income	(1,893)	(1,438)
Interest expense	15,197	11,301
Changes in working capital:		
Accounts receivable, prepayments and other current assets	(24,244)	(40,011)
Inventories	1,406	(15,961)
Accounts payable and accrued liabilities	(20,015)	29,682
Contract liabilities	9,193	2,996
CASH FLOWS GENERATED FROM OPERATIONS	155,512	170,510
Income taxes paid	(21,087)	(22,643)
NET CASH FLOWS FROM OPERATING ACTIVITIES	134,425	147,867

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

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended June 30, 2019 and June 30, 2018

(Amounts in millions)

	Six months ended June 30	
	2019	2018Note
	RMB	RMB
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(119,152)	(97,764)
Acquisition of investments in associates and joint ventures	(652)	(230)
Prepayments on long-term operating leases	(2,142)	(2,235)
Acquisition of intangible assets and other non-current assets	(2,421)	(1,098)
Proceeds from disposal of property, plant and equipment	419	179
Acquisition of subsidiaries	(57)	-
Proceeds from disposal of other non-current assets	190	94
Interest received	1,453	1,175
Dividends received	2,009	1,161
Increase in time deposits with maturities over three months	(9,620)	(796)
NET CASH FLOWS USED FOR INVESTING ACTIVITIES	(129,973)	(99,514)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(330,419)	(317,788)
Repayments of long-term borrowings	(117,485)	(131,013)
Lease liabilities paid	(8,120)	-
Interest paid	(9,272)	(11,334)
Dividends paid to non-controlling interests	(10,315)	(6,825)
Dividends paid to owners of the Company	(1,347)	(781)
Purchase of non-controlling interests	(998)	-
Increase in short-term borrowings	362,205	314,223
Increase in long-term borrowings	115,540	98,739
Capital contribution from non-controlling interests	288	348
Capital reduction of subsidiaries	(44)	(86)
Increase in other long-term obligations	-	26
NET CASH FLOWS FROM /(USED FOR) FINANCING ACTIVITIES	33	(54,491)
TRANSLATION OF FOREIGN CURRENCY	201	622
Increase /(Decrease) in cash and cash equivalents	4,686	(5,516)
Cash and cash equivalents at beginning of the period	85,954	123,700
Cash and cash equivalents at end of the period	90,640	118,184

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

Note: The comparative amounts in the financial statements are presented as if Dalian West Pacific had been consolidated from the beginning of the earliest financial year presented (see Note 20). Furthermore, the Group has initially applied IFRS 16 at January 1, 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated in this respect (see Note 4).

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
For the six months ended June 30, 2019 and June 30, 2018

(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, 2018, as previously reported[Note]	183,021	712,437	298,062	1,193,520	187,799	1,381,319
Adjusted for the acquisition of Dalian West Pacific (Note 20)	-	(1,464)	516	(948)	(2,383)	(3,331)
Balance at January 1, 2018, as adjusted	183,021	710,973	298,578	1,192,572	185,416	1,377,988
Profit for the six months ended June 30, 2018	-	27,441	-	27,441	11,176	38,617
Other comprehensive income for the six months ended June 30, 2018	-	-	(3,178)	(3,178)	893	(2,285)
Special reserve-safety fund reserve	-	-	2,034	2,034	99	2,133
Dividends	-	(11,117)	-	(11,117)	(7,026)	(18,143)
Transaction with non-controlling interests in subsidiaries	-	-	(3)	(3)	-	(3)
Capital contribution from non-controlling interests	-	-	44	44	452	496
Disposal of subsidiaries	-	-	-	-	(645)	(645)
Other	-	(166)	(1)	(167)	(36)	(203)
Balance at June 30, 2018	183,021	727,131	297,474	1,207,626	190,329	1,397,955
Balance at January 1, 2019, as previously reported	183,021	732,182	299,083	1,214,286	196,372	1,410,658
Adjusted for the acquisition of Dalian West Pacific (Note 20)	-	(1,019)	516	(503)	(1,264)	(1,767)
Balance at January 1, 2019, as adjusted	183,021	731,163	299,599	1,213,783	195,108	1,408,891
Profit for the six months ended June 30, 2019	-	28,423	-	28,423	10,715	39,138
Other comprehensive income for the six months ended June 30, 2019	-	-	752	752	2,255	3,007
Special reserve-safety fund reserve	-	-	2,231	2,231	104	2,335
Dividends	-	(16,472)	-	(16,472)	(10,380)	(26,852)
Transaction with non-controlling interests in subsidiaries	-	-	(1,990)	(1,990)	987	(1,003)
Capital contribution from non-controlling interests	-	-	-	-	307	307
Disposal of subsidiaries	-	-	-	-	70	70
Other	-	-	(43)	(43)	(15)	(58)
Balance at June 30, 2019	183,021	743,114	300,549	1,226,684	199,151	1,425,835

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

Note : The comparative amounts in the financial statements are presented as if Dalian West Pacific had been consolidated from the beginning of the earliest financial year presented (see Note 20). Furthermore, the Group has initially applied IFRS 16 at January 1, 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated in this respect (see Note 4).

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 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. 中國石油天然氣集團公司 was renamed 中國石油天然氣集團有限公司 ("CNPC" before and after the change of name) on December 19, 2017. 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 16).

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, 2018, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements, 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, 2019 and for the six months ended June 30, 2019 and June 30, 2018 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, 2019 are not necessarily indicative of the results of operations expected for the year ending December 31, 2019.

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.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 16 "Lease" ("IFRS 16"), which are described in Note 4.

(a) Estimation of oil and gas reserves

Estimates of crude oil and natural gas reserves are key elements in the Group's investment decision-making process. They are also important elements in testing for impairment. Changes in proved oil and 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 oil and gas reserves 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 prices of crude oil, refined and chemical products, the operation costs, the product mix, production volumes and the oil and gas reserves. 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, or not updating assumptions previously made, may allow the Group to avoid the need to impair any assets or make it necessary to reverse an impairment loss recognised in prior periods, whereas unfavourable changes may cause the assets to become impaired. For example, when the assumed future price and production volume of crude oil used for the expected future cash flows are different from the actual price and production volume of crude oil respectively experienced in future, the Group may either over or under recognise the impairment losses for certain assets.

(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.

(d) Deferred tax assets

According to the requirements of the competent tax authority, the Company paid income taxes of its branches in the eastern and western regions in aggregate. The tax losses recorded by the branches in the eastern region have given rise to deferred tax assets, which may be recoverable from future taxable profits generated by the branches in the eastern region. Any policy adjustment may increase or decrease the amount of tax expenses of the Company.

4 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended December 31, 2018.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending December 31, 2019.

The Group has initially adopted IFRS 16 from January 1, 2019. A number of other new standards are effective from January 1, 2019 but they do not have a material effect on the Group's financial statements.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at January 1, 2019. Accordingly, the comparative information presented for 2018 has not been restated. The details of the changes in accounting policies are disclosed below.

(a) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 “Determining Whether an Arrangement Contains a Lease” (“IFRIC 4”). The Group now assesses whether a contract is or contains a lease based on the new definition of a lease under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 “Lease” (“IAS 17”) and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non lease components as a single lease component.

(b) As a lessee

The Group leases many assets, including land, building and equipment.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets and short-term lease. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group presents right-of-use assets and lease liabilities separately in the statement of financial position.

Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Transition

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

– An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments, the Group applied this approach to all other leases.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

– Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term;

– Applied a single discount rate to a portfolio of leases with reasonably similar characteristics;

– Excluded initial direct costs from measuring the right-of-use asset at the date of initial application;

– Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease;

– Relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review;

– No retrospective adjustment shall be made to the lease changes generated before the beginning of the year when the IFRS 16 is initially applied, and accounting treatment shall be carried out based on the IFRS 16 according to the final arrangement of the lease changes.

Impacts on transition

The Group recognised right-of-use assets of RMB 240,642 and the lease liabilities of RMB 163,196 as at January 1, 2019.

Impacts for the period

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised RMB 241,635 right-of-use assets and RMB 163,838 lease liabilities as at June 30, 2019.

Also in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the six months ended June 30, 2019, the Group recognised RMB 7,168 depreciation charges and RMB 3,504 interest costs from these leases.

For the impact of IFRS 16 on segment information, see Notes 16.

(Amounts in millions unless otherwise stated)

5 REVENUE

Revenue represents revenues from the sale of crude oil, natural gas, refined products and chemical products and from the transmission of crude oil, refined products and natural gas. The revenue information for the period ended June 30, 2019 and 2018 are as follows:

For the six months ended June 30, 2019 Type of Category	Exploration and Production	Refining and Chemicals	Marketing	Natural Gas and Pipeline	Head Office and Other	Total
Type of goods and services						
Crude oil	228,732	-	271,770	-	-	500,502
Natural gas	56,118	-	122,078	147,451	-	325,647
Refined products	-	359,368	606,176	-	-	965,544
Chemical products	-	77,928	12,795	-	-	90,723
Pipeline transportation business	-	-	-	34,671	-	34,671
Non-oil sales in gas stations	-	-	10,790	-	-	10,790
Others	41,395	3,059	1,054	13,817	598	59,923
Intersegment elimination	(266,753)	(346,675)	(157,713)	(20,496)	(81)	(791,718)
Revenue from contracts with customers	59,492	93,680	866,950	175,443	517	1,196,082
Other revenue						177
Total						1,196,259
Geographical Region						
Mainland China	18,496	88,754	427,978	175,443	517	711,188
Others	40,996	4,926	438,972	-	-	484,894
Revenue from contracts with customers	59,492	93,680	866,950	175,443	517	1,196,082
Other revenue						177
Total						1,196,259

(Amounts in millions unless otherwise stated)

For the six months ended June 30, 2018 Type of Category	Exploration and Production	Refining and Chemicals	Marketing	Natural Gas and Pipeline	Head Office and Other	Total
Type of goods and services						
Crude oil	210,944	-	189,881	-	-	400,825
Natural gas	51,492	-	99,376	120,622	-	271,490
Refined products	-	344,734	615,321	-	-	960,055
Chemical products	-	78,302	12,877	-	-	91,179
Pipeline transportation business	-	-	-	34,362	-	34,362
Non-oil sales in gas stations	-	-	11,562	-	-	11,562
Others	34,847	3,256	665	18,204	365	57,337
Intersegment elimination	(242,277)	(325,492)	(123,809)	(15,686)	(51)	(707,315)
Revenue from contracts with customers	55,006	100,800	805,873	157,502	314	1,119,495
Other revenue						142
Total						1,119,637
Geographical Region						
Mainland China	18,914	95,240	450,425	157,502	314	722,395
Others	36,092	5,560	355,448	-	-	397,100
Revenue from contracts with customers	55,006	100,800	805,873	157,502	314	1,119,495
Other revenue						142
Total						1,119,637

6 TAXES OTHER THAN INCOME TAXES

	Six months ended June 30	
	2019	2018
	RMB	RMB
Consumption tax	81,137	73,957
Resource tax	12,088	11,157
Crude oil special gain levy	799	1,178
Other	19,064	19,611
	113,088	105,903

(Amounts in millions unless otherwise stated)

7 PROFIT BEFORE INCOME TAX EXPENSE

	Six months ended June 30	
	2019	2018
	RMB	RMB
Items credited and charged in arriving at the profit before income tax expense include:		
Credited		
Dividend income from equity investment measured at fair value through other comprehensive income	9	13
Reversal of provision for impairment of receivables	292	12
Reversal of write down in inventories	62	43
Gain on disposal of investment in subsidiaries	125	-
Charged		
Amortisation of intangible and other assets	2,212	2,070
Depreciation of right-of-use assets	7,111	-
Cost of inventories recognised as expense	932,676	867,310
Provision for impairment of receivables	67	7
Interest expense (i)	15,197	11,301
Loss on disposal of property, plant and equipment	1,692	2,478
Total minimum lease payments for leases previously classified as operating lease under IAS 17 (ii)	-	9,652
Variable lease payments, low-value and short-term lease payment not included in the measurement of lease liabilities	1,522	-
Research and development expenses	7,687	6,290
Write down in inventories	846	57
Loss on disposal of investment in subsidiaries	-	8
(i) Interest expense		
Interest expense	15,812	12,027
Include: Interest on lease liabilities	3,504	-
Less: Amount capitalised	(615)	(726)
	15,197	11,301

(ii) The Group has initially applied IFRS 16 under the modified retrospective approach and adjusted the opening balances at January 1, 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at January 1, 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated.

(Amounts in millions unless otherwise stated)

8 INCOME TAX EXPENSE

	Six months ended June 30	
	2019	2018
	RMB	RMB
Current taxes	25,789	20,276
Deferred taxes	(3,151)	2,791
	22,638	23,067

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.

9 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the six months ended June 30, 2019 and June 30, 2018 have been computed by dividing profit attributable to owners of the Company by 183,021 million shares issued and outstanding during the period.

There are no potentially dilutive ordinary shares.

10 DIVIDENDS

	Six months ended June 30	
	2019	2018
	RMB	RMB
Interim dividends attributable to owners of the Company for 2019 (a)	14,212	-
Interim dividends attributable to owners of the Company for 2018 (c)	-	16,252

(a) As authorised by shareholders in the Annual General Meeting on June 13, 2019, the Board of Directors resolved to distribute interim dividends attributable to owners of the Company in respect of 2019 of RMB 0.07765 yuan per share amounting to a total of RMB 14,212 on August 28, 2019. The dividends were not paid by the end of the reporting period, and were not recognised as liability at the end of the reporting period, as they were declared after the date of the statement of financial position.

(b) Final dividends attributable to owners of the Company in respect of 2018 of RMB 0.09 yuan per share amounting to a total of RMB 16,472 were approved by the shareholders in the Annual General Meeting on June 13, 2019 and were paid on June 28, 2019 (A shares) and August 2, 2019 (H shares).

(c) Interim dividends attributable to owners of the Company in respect of 2018 of RMB 0.08880 yuan per share amounted to a total of RMB 16,252. The dividends were not paid before June 30, 2018 and were not recognised as liability as of June 30, 2018, as they were declared after the date of the statement of financial position.The dividends were paid on September 21, 2018 (A shares) and November 1, 2018 (H shares).

(d) Final dividends attributable to owners of the Company in respect of 2017 of RMB 0.06074 yuan per share amounting to a total of RMB 11,117 were approved by the shareholders in the Annual General Meeting on June 5, 2018 and were paid on June 21, 2018 (A shares) and July 26, 2018 (H shares).

(Amounts in millions unless otherwise stated)

11 PROPERTY, PLANT AND EQUIPMENT

	RMB
Cost	
At January 1, 2019	3,741,441
Additions	85,964
Disposals or write offs	(10,259)
Currency translation differences	4,320
At June 30, 2019	3,821,466
Accumulated depreciation and impairment	
At January 1, 2019	(2,032,053)
Charge for the period and others	(99,436)
Disposals or write offs	2,601
Currency translation differences	(2,015)
At June 30, 2019	(2,130,903)
Net book value	
At June 30, 2019	1,690,563

	RMB
Cost	
At January 1, 2018	3,568,429
Additions	74,307
Disposals or write offs	(12,701)
Currency translation differences	258
At June 30, 2018	3,630,293
Accumulated depreciation and impairment	
At January 1, 2018	(1,861,875)
Charge for the period and others	(110,439)
Disposals or write offs	3,940
Currency translation differences	(712)
At June 30, 2018	(1,969,086)
Net book value	
At June 30, 2018	1,661,207

(Amounts in millions unless otherwise stated)

12 INVENTORIES

	June 30, 2019	December 31, 2018
	RMB	RMB
Crude oil and other raw materials	68,676	58,188
Work in progress	13,013	14,241
Finished goods	96,258	110,103
Spare parts and consumables	108	53
	178,055	182,585
Less: Write down in inventories	(2,691)	(5,008)
	175,364	177,577

13 ACCOUNTS RECEIVABLE

	June 30, 2019	December 31, 2018
	RMB	RMB
Accounts receivable	77,573	63,575
Less: Provision for impairment of accounts receivable	(3,835)	(4,053)
	73,738	59,522

The aging analysis of accounts receivable (net of impairment of accounts receivable) based on the invoice date (or date of revenue recognition, if earlier), as of June 30, 2019 and December 31, 2018 is as follows:

	June 30, 2019	December 31, 2018
	RMB	RMB
Within 1 year	72,966	58,392
Between 1 and 2 years	365	837
Between 2 and 3 years	267	108
Over 3 years	140	185
	73,738	59,522

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	
	2019	2018
	RMB	RMB
At beginning of the period	4,053	4,771
Provision for impairment of accounts receivable	67	4
Receivables written off as uncollectible	(1)	(4)
Reversal of provision for impairment of accounts receivable	(284)	(3)
At end of the period	3,835	4,768

14 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2019	December 31, 2018
	RMB	RMB
Trade payables	114,415	123,069
Salaries and welfare payable	14,983	10,189
Accrued expenses	23,302	5
Dividends payable	15,545	355
Interest payable	3,261	2,978
Construction fee and equipment cost payables	96,030	123,602
Other (i)	44,546	39,650
	312,082	299,848

(i) Other consists primarily of notes payable, insurance payable, etc.

The aging analysis of trade payables as of June 30, 2019 and December 31, 2018 is as follows:

	June 30, 2019	December 31, 2018
	RMB	RMB
Within 1 year	104,831	113,370
Between 1 and 2 years	4,654	5,049
Between 2 and 3 years	2,728	2,386
Over 3 years	2,202	2,264
	114,415	123,069

(Amounts in millions unless otherwise stated)

15 BORROWINGS

	June 30, 2019	December 31, 2018
	RMB	RMB
Short-term borrowings excluding current portion of long-term borrowings	101,773	69,780
Current portion of long-term borrowings	58,231	75,370
	160,004	145,150
Long-term borrowings	284,690	269,422
	444,694	414,572

The movements in borrowings are analysed as follows:

	RMB
Balance at January 1, 2019	414,572
Increase in borrowings	477,745
Decrease in borrowings	(447,904)
Currency translation differences	281
Balance at June 30, 2019	444,694

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, 2019	December 31, 2018
	RMB	RMB
Within 1 year	174,288	158,782
Between 1 and 2 years	129,109	98,939
Between 2 and 5 years	144,560	150,837
After 5 years	38,058	43,879
	486,015	452,437

16 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, derivative petrochemical products and other chemical products.

The Marketing segment is engaged in the marketing of refined products and the 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 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, 2019 and 2018 is as follows:

Six months ended June 30, 2019	Exploration and Production	Refining and Chemicals	Marketing	Natural Gas and Pipeline	Head Office and Other	Total
	RMB	RMB	RMB	RMB	RMB	RMB
Revenue	326,339	440,451	1,024,738	196,163	598	1,988,289
Less: intersegment sales	(266,789)	(346,724)	(157,733)	(20,703)	(81)	(792,030)
Revenue from external customers	59,550	93,727	867,005	175,460	517	1,196,259
Depreciation, depletion and amortisation	(77,094)	(11,489)	(8,274)	(10,910)	(840)	(108,607)
Profit /(loss) from operations	53,628	4,967	1,897	18,302	(8,131)	70,663
Finance costs:						
Exchange gain						4,907
Exchange loss						(5,197)
Interest income						1,893
Interest expense						(15,197)
Total net finance costs						(13,594)
Share of profit of associates and joint ventures	2,325	35	859	173	1,315	4,707
Profit before income tax expense						61,776
Income tax expense						(22,638)
Profit for the period						39,138
Segment assets	1,399,964	317,993	482,758	519,459	1,431,842	4,152,016
Other assets						30,671
Investments in associates and joint ventures	41,584	999	18,311	7,258	25,736	93,888
Elimination of intersegment balances (a)						(1,639,085)
Total assets						2,637,490
Capital expenditures	69,383	5,806	3,408	5,083	274	83,954
Segment liabilities	594,156	114,748	296,778	263,859	633,368	1,902,909
Other liabilities						62,847
Elimination of intersegment balances (a)						(754,101)
Total liabilities						1,211,655

PETROCHINA COMPANY LIMITED
NOTES TO THE UNAUDITED CONSOLIDATED
INTERIM CONDENSED FINANCIAL STATEMENTS
For the six months ended June 30, 2019
(Amounts in millions unless otherwise stated)

Six months ended June 30, 2018	Exploration and Production	Refining and Chemicals	Marketing	Natural Gas and Pipeline	Head Office and Other	Total
	RMB	RMB	RMB	RMB	RMB	RMB
Revenue	297,364	426,351	929,735	173,286	373	1,827,109
Less: intersegment sales	(242,322)	(325,516)	(123,819)	(15,756)	(59)	(707,472)
Revenue from external customers	55,042	100,835	805,916	157,530	314	1,119,637
Depreciation, depletion and amortisation	(86,004)	(10,816)	(6,583)	(10,384)	(792)	(114,579)
Profit/ (loss) from operations	29,889	24,691	4,485	16,105	(7,796)	67,374
Finance costs:						
Exchange gain						8,400
Exchange loss						(8,051)
Interest income						1,438
Interest expense						(11,301)
Total net finance costs						(9,514)
Share of profit of associates and joint ventures	887	31	1,278	176	1,452	3,824
Profit before income tax expense						61,684
Income tax expense						(23,067)
Profit for the period						38,617
Segment assets	1,214,267	302,848	428,435	515,074	1,403,484	3,864,108
Other assets						26,280
Investments in associates and joint ventures	39,097	985	13,468	6,582	23,752	83,884
Elimination of intersegment balances (a)						(1,556,645)
Total assets						2,417,627
Capital expenditures	58,361	4,261	3,308	8,221	498	74,649
Segment liabilities	452,437	75,925	227,716	113,128	598,065	1,467,271
Other liabilities						55,024
Elimination of intersegment balances (a)						(502,625)
Total liabilities						1,019,670

(Amounts in millions unless otherwise stated)

Geographical information

	Revenue		Non-current assets (b)	
	Six months ended June 30, 2019	Six months ended June 30, 2018	June 30, 2019	December 31, 2018 (c)
	RMB	RMB	RMB	RMB
Mainland China	711,359	722,527	1,919,368	1,782,624
Other	484,900	397,110	208,734	192,675
	1,196,259	1,119,637	2,128,102	1,975,299

(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.

(c) The Group has initially applied IFRS 16 at January 1, 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated (see Note 4).

17 CONTINGENT LIABILITIES

(a) Bank and other guarantees

At June 30, 2019 and December 31, 2018, the Group did not guarantee related parties or third parties any significant borrowings or others.

(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

During the reporting period, the Group has complied with domestic and overseas laws and regulatory requirements. Notwithstanding certain insignificant lawsuits as well as other proceedings outstanding of the Group, 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)

18 COMMITMENTS

(a) Operating lease commitments

Operating lease commitments of the Group are mainly for leasing of land, buildings and equipment. Future minimum lease payments as of December 31, 2018 under non-cancellable operating leases are as follows:

	December 31, 2018
	RMB
No later than 1 year	12,664
Later than 1 year and no later than 5 years	39,222
Later than 5 years	176,049
	227,935

The Group is the lessee in respect of a number of properties, plant and equipment held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated (see Note 4). From January 1, 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position.

(b) Capital commitments

At June 30, 2019, the Group's capital commitments contracted but not provided for mainly relating to property, plant and equipment were RMB 45,884 (December 31, 2018: RMB 41,989).

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 Natural Resources. No payments were incurred for the six months ended June 30, 2019 (six months ended June 30, 2018: nil).

According to the current policy, estimated annual payments for the next five years are as follows:

	June 30, 2019	June 30, 2018
	RMB	RMB
Within one year	800	800
Between one and two years	800	800
Between two and three years	800	800
Between three and four years	800	800
Between four and five years	800	800

19 RELATED PARTY TRANSACTIONS

CNPC, the controlling shareholder of the Company, is a limited liability company directly controlled by the PRC government.

Related parties include CNPC and its fellow subsidiaries, associates and joint ventures, 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 joint ventures 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 joint ventures 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 Products 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. On the basis of the existing Comprehensive Products and Services Agreement, the Company and CNPC entered into a new Comprehensive Products and Services Agreement on August 24, 2017 for a period of three years which took effect on January 1, 2018. The new Comprehensive Products and Services Agreement has already incorporated the terms of the current Comprehensive Products and previous Services Agreement.

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 Company and CNPC each issued a confirmation letter to the Land Use Rights Leasing Contract on August 24, 2017, which adjusted the rental payable and the area for the leased land parcels. The Company agreed to rent from CNPC parcels of land with an aggregate area of approximately 1,773 million square metres with annual rental payable (exclusive of tax and government charges) adjusted to no more than RMB 5,783 in accordance with the area of leased land parcels and the current situation of the property market. The Land Use Rights Leasing Contract shall remain unchanged, apart from the rental payable and the leased area. The confirmation letter shall be effective from January 1, 2018.

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 effect thereafter. On August 24, 2017, based on the Buildings Leasing Contract and Supplemental Building Leasing Agreement, the Company and CNPC entered into a Revised Buildings Leasing Contract which took effect on January 1, 2018. Under this contract, buildings covering an aggregate area of 1,152,968 square meters were leased at annual rental payable approximately RMB 730. The Revised Building Leasing Contract will expire at December 31, 2037. The area and total fee payable for the lease of all such property may, every three years, be adjusted with the Company's operating needs and by reference to market price which the adjusted prices will not exceed.

- 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 64,741 for the six months ended June 30, 2019 (six months ended June 30, 2018: RMB 47,305).

- 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 2,797 for the six months ended June 30, 2019 (six months ended June 30, 2018: RMB 2,234).

- 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 131,816 for the six months ended June 30, 2019 (six months ended June 30, 2018: RMB 124,295).

- Purchases of assets principally represent the purchases of manufacturing equipment, office equipment and transportation equipment, etc. The total amount of these transactions amounted to RMB 330 for the six months ended June 30, 2019 (six months ended June 30, 2018: RMB 301).

- Amounts due from and to CNPC and its fellow subsidiaries, associates and joint ventures of the Group included in the following accounts captions are summarised as follows:

(Amounts in millions unless otherwise stated)

	June 30, 2019	December 31, 2018 Note
	RMB	RMB
Accounts receivable	13,075	11,896
Prepayments and other receivables	20,923	11,467
Other current assets	11,016	7,852
Other non-current assets	19,964	16,511
Accounts payable and accrued liabilities	46,758	64,511
Contract liabilities	788	568
Lease liabilities	124,930	-
Other non-current liabilities	1,695	2,296

Note: The Group has initially applied IFRS 16 at January 1, 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated (see Note 4).

- Interest income represents interest from deposits placed with CNPC and its fellow subsidiaries. The total interest income amounted to RMB 210 for the six months ended June 30, 2019 (six months ended June 30, 2018: RMB 155). The balance of deposits at June 30, 2019 was RMB 39,483 (December 31, 2018: RMB 22,532).

- Purchases of financial service principally represents interest charged on the loans from CNPC and its fellow subsidiaries, insurance fee, etc. The total amount of these transactions amounted to RMB 5,225 for the six months ended June 30, 2019 (six months ended June 30, 2018: RMB 5,777).

- The borrowings from CNPC and its fellow subsidiaries at 30 June, 2019 were RMB 149,029 (December 31, 2018: RMB 196,161).

- Rents and other payments paid to CNPC and its fellow subsidiaries represent (1) the rental expense paid by the Group according to Land Use Rights Leasing Contract and Buildings Leasing Contract; (2) the payable by the Group (including all rents, leasing service fees and prices for exercising purchase options) for the period according to the leasing agreements entered into by the Group and CNPC and its fellow subsidiaries. The total rents and other payments amounted to RMB 4,002 for the six months ended June 30, 2019 (six months ended June 30, 2018: RMB 3,238).

(Amounts in millions unless otherwise stated)

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

Apart from transactions with CNPC and its fellow subsidiaries, associates and joint ventures of the Group, the Group's 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.

20 BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL

Business combination involving entities under common control during the period

					From the beginning of the period to the acquisition date			2018	
Name of acquiree	Proportion of equity interests acquired in business combination	Basis for business combination under common control	Acquisition Date	Basis for determination of acquisition date	Revenue	Net profit	Net cash outflow	Revenue	Net profit
Dalian West Pacific Petrochemical Co., Ltd. ("Dalian West Pacific")	56.039%	The Company and Dalian West Pacific are under the ultimate control of CNPC before and after the business combination and the control is not temporary	May 31, 2019	Acquisition of actual control	10,763	1	(53)	37,385	1,563

Dalian West Pacific was established in December, 1990. It principally engages in the manufacturing and sale of petroleum and petrochemical products.

(Amounts in millions unless otherwise stated)

As the Company and Dalian West Pacific are under the ultimate control of CNPC and the control is not temporary. The acquisition of Dalian West Pacific has been reflected in the accompanying consolidated financial statements as combination of entities under common control. Consequently, Dalian West Pacific has been included in the scope of consolidation during the historical period. The opening balance of the interim consolidated financial statements of 2019 and the comparative statements have been adjusted accordingly.

The financial position and results of operation previously reported by the Group as at December 31, 2018 and for the six months ended June 30, 2018 have been restated to include the results of operations and the assets and liabilities of Dalian West Pacific on a consolidation basis as set out below:

	The Group, as previously reported	Dalian West Pacific	Consolidation adjustment	The Group, as restated
	RMB	RMB	RMB	RMB
Summarised statement of comprehensive income for the six months ending June 30, 2018:				
Revenue	1,108,822	17,375	(6,560)	1,119,637
Total operating expenses	(1,042,931)	(15,892)	6,560	(1,052,263)
Proft from operations	65,891	1,483	-	67,374
Profit for the period	37,342	1,275	-	38,617
Profit for the period attributable to owners of the Company	27,088	1,275	(922)	27,441
Profit for the period attributable to non-controlling interests	10,254	-	992	11,176
Basic and diluted earnings per share (RMB Yuan)	0.148			0.150
Summarised financial position as at December 31, 2018:				
Current assets	433,128	5,126	(13)	438,241
Non-current assets	1,999,138	3,498	-	2,002,636
Total assets	2,432,266	8,624	(13)	2,440,877
Current liabilities	586,386	10,057	(13)	596,430
Non-current liabilities	435,222	334	-	435,556
Total liabilities	1,021,608	10,391	(13)	1,031,986
Non-controlling interests	196,372	-	(1,264)	195,108
Total equity attributable to owner of the Company	1,214,286	(1,767)	1,264	1,213,783

DOCUMENTS AVAILABLE FOR INSPECTION

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

1. The financial statements under the hand and seal of the Chairman Mr. Wang Yilin, Director and President Mr. Hou Qijun and Chief Financial Officer Mr. Chai Shouping of the Company.

2. 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.

3. 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 the 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 2019 and concluded that this interim report truly, accurately and completely represents the business performance of the Company in the first half of 2019, it contains no false representations, misleading statements or material omissions and complies with laws, regulations and the requirements of the China Securities Regulatory Commission.

Signatures of the Directors and Senior Management:

Wang Yilin	Zhang Wei	Liu Yuezhen	Liu Hongbin	Jiao Fangzheng
Hou Qijun	Duan Liangwei	Lin Boqiang	Zhang Biyi	Elsie Leung Oi-sie
Tokuchi Tatsuhito	Simon Henry	Sun Longde	Wu Enlai	Li Luguang
Tian Jinghui	Chai Shouping	Ling Xiao	Yang Jigang	Wang Zhongcai

August 29, 2019

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

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