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PETROCHINA CO LTD
Form 6-K
August 29, 2008

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

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

For the month of August 2008

PETROCHINA COMPANY LIMITED

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

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

Form 20-F Form 40-F
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(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes No
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(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-)

PetroChina Company Limited (the "Registrant") is furnishing under the cover of Form 6-K the Registrant's announcement with respect to the renewal of continuing connected transactions in respect of 2009 to 2011 and the revised caps of continuing connected transactions in respect of 2008.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness

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and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any of the contents of this announcement.

(PETROCHINA COMPANY LIMITED LOGO)
(CHINESE CHARACTERS)
PETROCHINA COMPANY LIMITED

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

(STOCK CODE: 857)

1. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF 2009 TO 2011
2. REVISED CAPS OF CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF 2008

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF 2009 TO 2011

References are made to the circular of the Company dated 22 September 2005 in relation to the Continuing Connected Transactions and the circular of the Company dated 14 September 2006 revising certain annual caps of the Continuing Connected Transactions. At the extraordinary general meetings of the Company held on 8 November 2005 and 1 November 2006 respectively, the Independent Shareholders and/or Shareholders (as the case may be) approved the Continuing Connected Transactions and the annual caps for the three years ending 31 December 2008 and the subsequent revision of certain annual caps.

The Company would continue the Continuing Connected Transactions after 31 December 2008 and therefore will, in accordance with the HKEx Listing Rules, comply with the provisions of Chapter 14A of the HKEx Listing Rules in relation to the Continuing Connected Transactions for the next three years (i.e. from 1 January 2009 to 31 December 2011), including disclosing further information thereof in this announcement and seeking approvals from the Independent Shareholders and/or Shareholders for the Non-Exempt Continuing Connected Transactions (including the relevant Proposed Caps).

REVISED CAPS OF CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF 2008

References are made to the circular of the Company dated 22 September 2005 in relation to the Continuing Connected Transactions and the circular of the Company dated 14 September 2006 revising certain annual caps of the Continuing Connected Transactions. At the extraordinary general meetings of the Company held on 8 November 2005 and 1 November 2006 respectively, the Independent Shareholders and/or Shareholders (as the case may be) approved the Continuing Connected Transactions and the annual caps for the three years ending 31 December 2008 and the subsequent revision of certain annual caps.

The Company has closely monitored the performance of the Continuing Connected Transactions. The Board considers that the existing annual cap in respect of 2008 for certain categories of the Continuing Connected Transactions, namely the Relevant Categories, may not be able to satisfy the Group's requirements for the whole year. The Board therefore proposes that the existing annual cap for the Relevant Categories in respect of 2008 be revised in order to cater for the

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Group's demand for the year ending 31 December 2008.

APPROVAL BY INDEPENDENT SHAREHOLDERS

As CNPC holds approximately 86.29% of the issued share capital of the Company, it is a controlling shareholder of the Company. CRMSC, being a substantial shareholder of the Company's subsidiary, PetroChina & CRMSC Oil Marketing. Beijing Gas is a substantial shareholder of the Company's subsidiary, Huayou. By virtue of the above relationships, each of CNPC, CRMSC and Beijing Gas is a connected person of the Company under the HKEx Listing Rules. Transactions between the Company and each of CNPC, CRMSC and Beijing Gas constitute connected transactions of the Company under the HKEx Listing Rules. The Proposed Caps in respect of the Non-Exempt Continuing Connected Transactions and the Revised Non-Exempt Annual Caps are subject to approval by the Independent Shareholders/Shareholders under the HKEx Listing Rules. In view of the interests of CNPC, CNPC and its associates will abstain from voting in relation to the resolutions approving the entering into of the New Comprehensive Agreement and the Proposed Caps in respect of the Non-Exempt Continuing Connected Transactions and the Revised Non-Exempt Annual Caps under the Comprehensive Agreement. In view of the interests of CRMSC, CRMSC and its associates will abstain from voting in relation to the resolutions approving the supplemental agreement to the CRMSC Products and Services Agreement and the Non-Exempt Continuing Connected Transaction under the CRMSC Products and Services Agreement.

An Independent Board Committee has been formed to advise the Independent Shareholders/Shareholders in connection with the terms of the Revised Non-Exempt Annual Caps and the Proposed Caps in respect of the Non-Exempt Continuing Connected Transactions, and the Independent Financial Advisor has been appointed to advise the Independent Board Committee and the Independent Shareholders/Shareholders on the same.

HKEX LISTING RULES IMPLICATIONS

The views of the Independent Board Committee as well as the advice of the Independent Financial Advisor to the Independent Board Committee in respect of the Revised Non-Exempt Annual Caps and the Proposed Caps in respect of the Non-Exempt Continuing Connected Transactions will be stated in a circular to be despatched to the Shareholders.

A circular containing, amongst other things, further information on the terms of the Continuing Connected Transactions, a letter from the Independent Board Committee, an opinion of the Independent Financial Advisor, together with a notice to convene the Extraordinary General Meeting to approve the Revised Non-Exempt Annual Caps and the Proposed Caps in respect of the Non-Exempt Continuing Connected Transactions, is expected to be issued to the Shareholders as soon as practicable.

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1. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF 2009 TO 2011

1.1 Background

References are made to the circular of the Company dated 22 September 2005 in relation to the Continuing Connected Transactions and the circular of the Company dated 14 September 2006 revising certain annual caps of the Continuing Connected Transactions. At the extraordinary general meetings of the Company held on 8 November 2005 and 1 November 2006 respectively, the Independent Shareholders and/or Shareholders (as the case may be)

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approved the Continuing Connected Transactions and the annual caps for the three years ending 31 December 2008 and the subsequent revision of certain annual caps.

The Company would continue the Continuing Connected Transactions after 31 December 2008 and therefore will, in accordance with the HKEx Listing Rules, comply with the provisions of Chapter 14A of the HKEx Listing Rules in relation to the Continuing Connected Transactions for the next three years (i.e. from 1 January 2009 to 31 December 2011), including disclosing further information thereof in this announcement and seeking approvals from the Independent Shareholders and/or Shareholders for the Non-Exempt Continuing Connected Transactions (including the relevant Proposed Caps).

1.2 Continuing connected transactions under the Comprehensive Agreement

1.2.1 The existing Comprehensive Agreement

The Company and CNPC initially entered into the Comprehensive Agreement on 10 March 2000 for the provision (1) by the Group to CNPC and (2) by CNPC to the Group, of a range of products and services which may be required and requested from time to time by either party and/or its subsidiaries and relevant units (including their respective subsidiaries, branches and relevant units). The Comprehensive Agreement was amended by the First Supplemental Comprehensive Agreement and the Second Supplemental Comprehensive Agreement. The material terms are as follows:

- (1) Products and services to be provided by the Group to CNPC and the Jointly-held Entities

Under the Comprehensive Agreement, products and services to be provided by the Group to CNPC include those relating to refined oil products, chemical products, natural gas, crude oil, supply of water, electricity, gas, heating, quantifying and measuring, quality inspection and other products and services as may be requested by CNPC for its own consumption, use or sale from time to time.

Under the Comprehensive Agreement, it was agreed that, among other things, the Group shall provide to the Jointly-held Entities products and services including crude oil, refined products, petrochemical products, natural gas products on the same pricing basis as those products and services to be provided by the Group to CNPC.

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- (2) Products and services to be provided by CNPC to the Group

The products and services to be provided by CNPC to the Group are expected to be more numerous, both in terms of quantity and variety, than those to be provided by the Group to CNPC. They have been grouped together and categorised according to the following types of products and services:

- (a) Construction and technical services, mainly associated with products and services to be provided at the stage prior to commission and production, including but not limited to exploration technology service, downhole operation service, oilfield construction service, oil refinery construction service and engineering and design service;
- (b) Production services, mainly associated with products and

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services to be provided after the formal commission and production has taken place, arising from the day-to-day operations of the Group, including but not limited to water supply, electricity generation and supply, gas supply and communications;

- (c) Material supply services, mainly involving the agency services on the procurement of materials both before and after commission and production, including but not limited to purchase of materials, quality control, storage of materials and delivery of materials, which by virtue of its nature, are not covered in the construction and technical services and production services referred to above;
 - (d) Social and ancillary services, including but not limited to security services, education, hospitals, property management, staff canteen, training centers and guesthouses; and
 - (e) Financial services, including loans and other financial assistance, deposits services, entrustment loans, settlement services and other intermediary services.
- (3) Financial services to be provided by the Group to jointly controlled entities

Financial services including but not limited to provision of entrustment loans and guarantees.

1.2.2 General principles, pricing and terms

The Comprehensive Agreement (as amended) requires in general terms that:

- the quality of products and services to be provided should be satisfactory to the recipient;
- the price at which such products and services are to be provided must be fair and reasonable; and

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- the terms and conditions on which such products and services are to be provided should be no less favourable than those offered by independent third parties.

1.2.3 Pricing determination

The Comprehensive Agreement details specific pricing principles for the products and services to be provided pursuant to the Comprehensive Agreement. If, for any reason, the specific pricing principle for a particular product or service ceases to be applicable, whether due to a change in circumstances or otherwise, such product or service must then be provided in accordance with the following general pricing principles:

- (a) government-prescribed price (at present, this applies to products and services such as refined oil products, natural gas, oil refinery construction, engineering and design, project monitoring and management); or
- (b) where there is no government-prescribed price, then according

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to the relevant market prices (at present, this applies to products and services such as asset leasing, repair of machinery, transportation, purchase of material, and regional facilities); or

(the above definitions were amended by the First Supplemental Agreement. Please refer to the details set out in the sub-section headed "First Supplemental Agreement")

- (c) where neither (a) nor (b) is applicable, then according to:
- (i) the actual cost incurred (at present, this applies to products and services such as library information and filing, maintenance of roads, retirement administration and reemployment training); or
 - (ii) the agreed contractual price, being the actual cost for the provision of such product or service plus an additional margin of not more than:
 - (1) 15 per cent. (which includes finance costs, general and administrative expenses and a profit margin) for certain construction and technical services (at present, this applies to products and services such as geological surveying, drilling, well cementing, logging, mud logging, well testing and oilfield construction) provided that, such agreed contractual price shall not be higher than the prices available for the provision of such products and services in the international market; and
 - (2) 3 per cent. for all other types of products and services priced in accordance with the agreed contractual price (at present, this applies to products and services such as downhole operations, technology research, equipment repairing and supporting, equipment antiseptic testing, communications, fire fighting,

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quality inspection, storage of materials, delivery of materials and training centers).

The definitions of cost price and agreed contractual price include a provision that the aggregate value, in each future financial year, of all products and services which are required to be priced at cost or at agreed contractual prices to be provided under the Comprehensive Agreement, shall not exceed the aggregate value, calculated on an adjusted basis as if the Comprehensive Agreement had been in effect during the year ended 31 December 1998, of all products and services which were required to be priced at cost or at agreed contractual prices during the year ended 31 December 1998, being RMB36.9 billion (the "1998 Amount"), subject to any necessary adjustment for inflation or deflation, as appropriate, for the relevant year.

However, if in any future financial year, the Company, due to any events or factors beyond the control of the Company (e.g. natural disasters) or the development of new projects, is required to

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purchase additional products and services required to be priced at cost or at agreed contractual prices exceeds the 1998 Amount (as adjusted for inflation or deflation as appropriate), then that decision to purchase such additional products or services should be authorised by the Board (with affirmative votes from the independent non-executive Directors) and the management of the Company on the basis of any revised business plan and comprehensive financial analysis, to ensure that such purchases will allow for a reasonable return to the Shareholders. In the event that the relevant Proposed Caps are to be exceeded, the Company will comply with the requirements of the HKEx Listing Rules.

1.2.4 Coordination of annual demand of products and services

Two months prior to the end of each financial year, both parties are required to prepare and submit to each other an annual plan detailing the estimated demand for products and services to be rendered in accordance with the Comprehensive Agreement for the forthcoming financial year.

1.2.5 Rights and obligations

Both the Group and CNPC retain the right to choose to receive products and services, as contemplated under the Comprehensive Agreement, from independent third parties where the terms and conditions as to price or quality of products or services offered by such third parties may be superior to those offered by either of the Group or the CNPC, as appropriate.

In addition, the provision of products and services by either party is on a non-exclusive basis and each party may provide products and services to other third parties, subject always to the obligation that each party must be able to provide those products and services which may be required to be provided in accordance with the Comprehensive Agreement and the annual plan then in force.

1.2.6 Term and termination

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The term of the Comprehensive Agreement was initially 10 years starting from the date when the Company's business license was issued and was amended by the Second Supplemental Agreement to 3 years commencing from 1 January 2006. During the term of the Comprehensive Agreement (as amended), termination of the product and service implementation agreements described below may be effected from time to time by the parties to the product and service implementation agreements providing at least 6 months' written notice of termination in relation to any one or more categories of products or services. Further, in respect of any products or services already contracted to be provided, termination may not take place until after such products and services have been provided.

In the event that CNPC proposes to terminate the provision of any products or services, and the Company is unable to find an alternative product or service provider (which fact shall be communicated by the Company to CNPC from time to time), then unless permitted by the Company, CNPC must continue to provide such products or services in accordance with the terms of the Comprehensive Agreement (as amended).

1.2.7 First Supplemental Agreement

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The First Supplemental Agreement was entered into by CNPC and the Company on 9 June 2005 in which the following definitions under the Comprehensive Agreement were amended as follows:

The definition of "government-prescribed price" was amended to mean the price in respect of certain category of services determined by the laws, regulations, decisions, orders or policies, etc. enacted by governments of the relevant countries or regions (including but not limited to the central government, federal government, provincial government, state or coalition government or any organisation responsible for domestic ruling and foreign affairs in respect to certain specified territory, irrespective of its name, organisation or structure) or other regulatory departments; or

The definition of "market price" was amended to mean the price determined in accordance with the following order:

- (i) the price charged by independent third parties in areas where such type of service is provided and on normal terms in the area where the service is being provided at that time; or
- (ii) the price charged by independent third parties in nearby areas where such type of service is provided and on normal terms in the area or country adjacent to the area where the service is being provided at that time.

1.2.8 Second Supplemental Agreement

The Second Supplemental Agreement was entered into by CNPC and the Company on 1 September 2005 and took effect on 1 January 2006, in which

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CNPC and the Company agreed to amend certain terms of the Comprehensive Agreement, including, among other things, that:

- both CNPC and the Company shall provide and shall procure their respective entities including their subsidiaries, branches and other relevant units to provide products and services in accordance with the terms and principles of the Comprehensive Agreement;
- CNPC will provide certain risk operation services as part of the construction and technical services to the Group, and these include the provision of exploration and production services within certain and specific reserves of the Company with exploration and exploitation difficulties;
- the Group will provide certain financial assistance to the Jointly-held Entities including entrustment loans and guarantees; and
- the Jointly-held Entities will provide certain financial assistance to the Group including entrustment loans and guarantees.

Under the Second Supplemental Agreement, the products and services shall be provided at prices to be determined according to the pricing principles for the corresponding products or services under

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the Comprehensive Agreement.

In particular, the Comprehensive Agreement stipulates, among other things, that:

- the loans and deposit services shall be provided at prices determined in accordance with the relevant interest rate and standard for fees as promulgated by the People's Bank of China. Such prices must also be more favourable to the Group than those provided by independent third parties; and
- the guarantees shall be provided at prices not higher than the fees charged by the state policy banks in relation to the provision of guarantees. References must also be made to the relevant government-prescribed price and market price.

1.3 New Comprehensive Agreement

In October 2007, the Company issued the A Shares which have been listed on the Shanghai Stock Exchange. In order to comply with the HKEx Listing Rules and the Shanghai Listing Rules, on the basis of the existing Comprehensive Agreement, the Company and CNPC entered into a new products and services comprehensive agreement on 27 August 2008 for a period of three years which shall take effect on 1 January 2009. The New Comprehensive Agreement has already incorporated the terms of the First Supplemental Agreement and the Second Supplemental Agreement and the following three amendments are introduced to the Comprehensive Agreement:

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The major amendments to the First Supplemental Agreement and the Second Supplemental Agreement which have already been incorporated into the New Comprehensive Agreement are as follows:

- (1) The following material provisions relating to the regulatory requirements for A Shares have been added to the New Comprehensive Agreement following the issue of A Shares by the Company in 2007:
 - (a) The following description has been added to the "Background" section: "PetroChina conducted a placing of H Shares (which include newly issued Shares and a sale of Shares transferred from CNPC to the National Council for Social Security Fund) in September 2005 and issued Renminbi-denominated ordinary A shares ("A Shares") in the PRC in October 2007 and the A Shares are listed on the Shanghai Stock Exchange. Upon the issue and listing of the A Shares, CNPC remains as the controlling shareholder of PetroChina".
 - (b) Terms stipulating the requirement for obtaining approval of the "Hong Kong Stock Exchange" or the application of the regulatory rules of the Hong Kong Stock Exchange have been amended to refer to "the relevant stock exchange(s) and authorized regulatory authorities of the places of listing", or alternatively, the "Shanghai Stock Exchange" is inserted where appropriate.
- (2) Provisions of the existing Comprehensive Agreement are modified based on the actual operating requirements of the Company:

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- (a) References to "services" provided by a party in the existing agreement have been changed to "products and/or services provided by a party".
 - (b) The scope of financial products and services provided for in the existing Comprehensive Agreement is modified as shown below in italics: "Party A (CNPC) shall, through its subsidiaries or entities including CNPC Finance and other financial institutions to operate in accordance with relevant rules the business of Renminbi and foreign currency deposits and loans, interest earning, provision of guarantee, entrusted management of funds guaranteeing safety in refined products and petrochemical production and other financial services."
 - (c) The pricing principle applicable to financial products and services as set out in the existing Comprehensive Agreement shall be amended as shown below in italics: "The fees for the financial services provided by CNPC Finance and other financial institutions shall be determined by making reference to the interest rate and the relevant fee rate for the same period published by the People's Bank of China or a relevant financial industry regulatory authority, and shall be more favourable than the interest rate, fee rate and other terms for the provision of funds and services for the same period offered by an independent third party to Party B (the Company)."
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- (d) The scope of products and services to be provided by Party B to Party A under the existing Comprehensive Agreement shall be modified as shown below in italics: "Products and services to be provided by the Group to CNPC include those relating to crude oil, natural gas, refined oil products, chemical products, supply of water, electricity, gas, heating, quantifying and measuring, quality inspection, entrusted operation and management and other related or similar products and services.
 - (e) Other modifications include amending the registered addresses, definition of names of companies, etc.
- (3) The term of the agreement: "This agreement shall become effective from 1 January, 2009 for a period of three years after the authorized representatives of both parties have signed and affixed the common seals and after this agreement has been approved by the shareholders of Party B at its shareholders' meeting. The term of this agreement may be extended upon mutual agreement of both parties and subject to the approval of the relevant stock exchange(s) and authorized regulatory authorities of the places of listing and/or the approval of shareholders of Party B at a shareholders' meeting (depending on the requirements of the stock exchanges and authorized regulatory authorities of the places of listing)."

1.4 Rentals to be paid by the Group to CNPC in respect of land

The Company entered into the Land Use Rights Leasing Contract with CNPC on

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10 March 2000 under which CNPC has leased a total of 42,476 parcels of land in connection with and for the purpose of all aspects of the operations and business of the Group covering an aggregate area of approximately 1,145 million square meters, located throughout the PRC, to the Company for a term of 50 years at an annual fee of RMB2,000 million. The Board believes that a term of 50 years is appropriate for the Land Use Rights Leasing Contract, since the Company is China's largest petroleum company engaging in exploration, development, sale and production of crude oil, natural gas and chemicals, and the long stability of a 50 year tenure is required to avoid the unnecessary disruption of its operations; the relevant land leases are of material significance of its operations; and such tenure conforms with normal business practice in the PRC property market. The total fee payable for the lease of all such property may, after the expiration of 10 years from the date of the Land Use Rights Leasing Contract, be adjusted (to reflect market conditions prevalent at such time of adjustment, including current market prices, inflation or deflation, as appropriate, and such other pertinent factors as may be considered in negotiating and agreeing to any such adjustment) by agreement between the Company and CNPC. In addition, any governmental, legal or other administrative taxes and fees required to be paid in connection with the leased properties will be borne by CNPC. However, any additional amount of such taxes payable as a result of changes in the PRC Government policies after the date of the

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contract shall be shared proportionately on a reasonable basis between CNPC and the Company.

In view of the increase in the land consumption tax by 200% per square metre in the PRC with effect from 1 January 2007, the proposed annual cap for the three years ending 31 December 2011, comprising the annual fee of RMB2,000 million and the relevant tax, has been increased to approximately RMB3,800 million per annum.

The Directors (except the independent non-executive Directors, who will, after the Independent Financial Advisor has opined on the same, form their views which will be set out in the Company's forthcoming circular) consider it is normal business practice for the Land Use Rights Leasing Contract to have a term of 50 years. Savills (Hong Kong) Limited, an independent valuer, has reviewed the Land Use Rights Leasing Contract and has confirmed that the term of 50 years and current rentals payable by the Company to CNPC are fair and reasonable to the Company and are in line with the market rentals. The date of valuation is 30 June 2008.

The Independent Financial Adviser will opine, in its advice to be contained in the Company's forthcoming circular, on whether it is normal business practice for the Land Use Rights Leasing Contract to have a term of 50 years.

1.5 Rentals to be paid by the Group to CNPC in respect of buildings

The Company entered into the Buildings Leasing Contract with CNPC on 10 March 2000 pursuant to which CNPC has leased to the Company a total of 191 buildings covering an aggregate area of 269,770 square meters, located throughout the PRC for the use by the Company for its business operation including the exploration, development and production of crude oil, the refining of crude oil and petroleum products, the production and sale of chemicals, etc.

The 191 buildings were leased at a price of RMB145 per square meter per year, that is, at an aggregate annual fee of RMB39,116,650, for a term of

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20 years. The Board believes that a term of 20 years is appropriate for the Buildings Leasing Contract (as amended), since the Company is China's largest petroleum company engaging in exploration, development, sales and production of crude oil, natural gas and chemicals, and the long stability of a 20 year tenure is required to avoid the unnecessary disruption of its operations; the relevant building leases are of material significance of its operations; and such tenure conforms with normal business practice in the PRC property market. The Company is responsible for the payment of any governmental, legal or other administrative taxes and maintenance charges required to be paid in connection with these 191 leased buildings. The Buildings Leasing Contract details the particulars of the buildings leased by members of CNPC to the Company.

Members of CNPC which own one or more of the leased buildings will enter into individual building leasing contracts with the Company. The individual building leasing contracts may only contain provisions which are consistent with the terms and conditions of the Buildings Leasing Contract.

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One month prior to the end of each financial year, CNPC and the Company shall make and agree upon a rental fee distribution plan setting out specific prices for the buildings according to their geographical locations and conditions.

Supplemental Buildings Leasing Agreement

Further to the Buildings Leasing Contract mentioned above, the Company entered into a Supplemental Buildings Leasing Agreement (the "Supplemental Buildings Agreement") with CNPC on 26 September 2002 under which CNPC agreed to lease another 404 buildings to the Group in connection with and for the purpose of the operation and business of the Group covering an aggregate of approximately 442,730 square meters. Leasing of the units in the Supplemental Buildings Agreement is mainly attributable to the expansion of the Company's operations in the areas of oil and natural gas exploration, the West-East natural gas pipeline project and the construction of the Northeast refineries and chemical operation base. The annual fee payable under the Supplemental Buildings Agreement amounts to RMB157,439,540. The Company and CNPC will, based on their needs for production and operation or the changes of the market prices of the buildings, adjust the scale and the amount of all such buildings under the Buildings Leasing Contract as well as the Supplemental Buildings Agreement every three years. The Supplemental Buildings Agreement became effective on 1 January 2003 and will expire at the same time as the Buildings Leasing Contract.

The Directors (except the independent non-executive Directors, who will, after the Independent Financial Advisor has opined on the same, form their views which will be set out in the Company's forthcoming circular) consider it is normal business practice for the Buildings Leasing Contract and the Supplemental Buildings Agreement to have a term of 20 years. Savills (Hong Kong) Limited, an independent valuer, has reviewed both the Buildings Leasing Contract and the Supplemental Buildings Agreement and has confirmed that the term of 20 years and current rentals payable by the Company to CNPC are fair and reasonable to the Company and in line with the market rentals. The date of valuation is 30 June 2008.

The Independent Financial Advisor will opine, in its advice to be contained in the Company's forthcoming circular, on whether it is normal business practice for the Buildings Leasing Contract and the Supplemental Buildings Agreement to have a term of 20 years.

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1.6 Continuing connected transactions under the CRMSC Products and Services Agreement

1.6.1 Products and services to be provided by the Company to CRMSC

Under the CRMSC Products and Services Agreement, products and services to be continuously provided by the Company to CRMSC include, among other things, refined products (such as gasoline, diesel and other petroleum products).

1.6.2 General principles, pricing and terms

The CRMSC Products and Services Agreement requires, in general terms that:

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- (a) The quality of goods and services to be provided should be satisfactory to the recipient;
- (b) The price at which such products and services are to be provided must be fair and reasonable;
- (c) The terms and conditions on which such products and services are to be provided should be no less favourable than those offered by independent third parties; and
- (d) The products and services shall be provided and standardised by contracting under individual product and service agreements.

1.6.3 Pricing determination

The price of any product and service provided pursuant to the CRMSC Products and Services Agreement shall be determined by reference to the government-prescribed price or the market price where there is no government-prescribed price.

1.6.4 Coordination of annual demand of products and services

Before November of each year, CRMSC is required to discuss and confirm with the Company an annual plan detailing the estimated demand for products and services to be rendered in accordance with the CRMSC Products and Services Agreement for the forthcoming year. It is envisaged that from time to time and as required, individual product and service implementation agreements will be entered into between the Company and CRMSC and their respective subsidiaries and units (including subsidiaries, branches and other relevant units), as appropriate, in connection with the provision of products and services under the CRMSC Products and Services Agreement.

1.6.5 Rights and obligations

Both the Company and CRMSC agree and guarantee, among other things, to procure their respective subsidiaries and units (including subsidiaries, branches and other relevant units) to provide the products and services thereof in accordance with the terms and services thereof in accordance with the terms and principles of the CRMSC Products and Services Agreement.

1.6.6 Term and termination

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The term of the CRMSC Products and Services Agreement was initially 3 years commencing from 1 January 2006. Pursuant to the supplemental agreement to the CRMSC Products and Services Agreement dated 27 August 2008, the term of the CRMSC Products and Services Agreement shall be extended for a further period of three years commencing from 1 January 2009 to 31 December 2011.

During the term of the CRMSC Products and Services Agreement (as amended), the product and service implementation agreements may be terminated from time to time by the parties to the product and service

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implementation agreements providing at least 6 months' written notice of termination in relation to any one or more categories of products or services. Further, in respect of any products or services already contracted to be provided, termination may not take place until after such products and services have been provided.

1.7 Continuing connected transactions under the Beijing Gas Products and Services Agreement

1.7.1 Products and services to be provided by the Company to Beijing Gas

Under the Beijing Gas Products and Services Agreement, products and services to be continuously provided by the Company to Beijing Gas include, among other things, natural gas and natural gas related pipe transportation services.

1.7.2 General principles, pricing and terms

The Beijing Gas Products and Services Agreement requires, in general terms that:

- (a) The quality of goods and services to be provided should be satisfactory to the recipient;
- (b) The price at which such products and services are to be provided must be fair and reasonable;
- (c) The terms and conditions on which such products and services are to be provided should be no less favourable than those offered by independent third parties; and
- (d) The products and services shall be provided and standardised by contracting under individual product and service agreements.

1.7.3 Pricing determination

The pricing of any product and service provided pursuant to the Beijing Gas Products and Services Agreement shall be determined by reference to the government-prescribed price or the market price where there is no government-prescribed price.

1.7.4 Coordination of annual demand of products and services

Before November of each year, Beijing Gas is required to discuss and confirm with the Company an annual plan detailing the estimated demand for products and services to be rendered in accordance with

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the Beijing Gas Products and Services Agreement for the forthcoming year. It is envisaged that from time to time and as required, individual product and service implementation agreements will be entered into between the Company and Beijing Gas and their respective subsidiaries and units (including subsidiaries, branches and other relevant units), as appropriate, in connection with the provision of products and services under the Beijing Gas Products and Services Agreement.

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1.7.5 Rights and obligations

Both the Company and Beijing Gas agree and guarantee, among other things, to procure their respective subsidiaries and units (including subsidiaries, branches and other relevant units) to provide the products and services in accordance with the terms and principles of the Beijing Gas Products and Services Agreement.

1.7.6 Term and termination

The term of the Beijing Gas Products and Services Agreement was initially 3 years commencing from 1 January 2006. Pursuant to the supplemental agreement to the Beijing Gas Products and Services Agreement dated 27 August 2008, the term of the Beijing Gas Products and Services Agreement shall be extended for a further period of three years commencing from 1 January 2009 to 31 December 2011.

During the term of the Beijing Gas Products and Services Agreement (as amended), the product and service implementation agreements may be terminated from time to time by the parties to the product and service implementation agreements providing at least 6 months' written notice of termination in relation to any one or more categories of products or services. Further, in respect of any products or services already contracted to be provided, termination may not take place until after such products and services have been provided.

1.8 Historical amounts, existing caps, proposed caps and rationale

The Board has considered and proposed that the following proposed caps in respect of the Continuing Connected Transactions which will serve as the maximum annual value of the relevant transactions above for the period from 1 January 2009 to 31 December 2011:

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TRANSACTIONS	HISTORICAL AMOUNT	EXISTING 2008 ANNUAL CAP	PROPOSED CAPS FOR 2009 TO 2011	BASIS OF DETERMINATION OF THE PROPOSED CAPS
(1) Products and services to be provided by the	For the two years ended 31 December 2007	For the year ending 31 December 2008,	For the three years ending 31 December	The annual proposed caps for the products and services to be provided

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<p>Group to CNPC and Jointly controlled Entities</p>	<p>and the six months ended 30 June 2008, approximately RMB27,714 million, RMB40,730 million and RMB22,186 million, respectively</p>	<p>RMB50,129 million (proposed to be revised to RMB71,289 million)</p>	<p>2011, RMB96,324 million, RMB156,440 million and RMB167,981 million, respectively</p>	<p>by the Group to CNPC and Jointly-held Entities have been determined with reference to the historical transactions and transaction amounts in providing products and services by the Group to CNPC; the estimated business growth of the Group; the estimated business growth of CNPC; the potential fluctuations and increase in the prices of crude oil, petrochemical products, natural gas and other oil products and services both in the international market and in the domestic market; and quantities of crude oil required (by the Government as decreed by the government). The Group is of the view that the proposed increase in annual cap is in line with the estimated development of the business of the Group and the CNPC Group, and is determined based on principles of fairness and reasonableness.</p>
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(2) Products and services to be provided by CNPC to the

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Group

<p>(a) Construction and technical services</p>	<p>For the two years ended 31 December 2007 and the six months ended 30 June 2008, approximately RMB82,741 million, RMB97,257</p>	<p>For the year ending 31 December 2008, RMB105,661 million (proposed to be revised to RMB165,578 million)</p>	<p>For the three years ending 31 December 2011, RMB242,967 million, RMB256,937 million and RMB215,526 million,</p>	<p>The annual proposed cap for the provision of construction and technical services have been determined with reference to the completed transactions and transaction amounts for the construction and technical services</p>
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million and
RMB42,588
million,
respectively

respectively

provided by CNPC to the Group; the estimated business growth of the Company and the increase in capital investment for pipelines construction and refinery projects during 2009-2011.

As it is expected that significant portion of these projects will be completed in 2010, the estimated cap in 2011 is lower than that of 2009-2010.

The Group has obtained construction and technical services from CNPC in the ordinary course of business, and as one of the most experienced companies in the world, the construction and technical services provided to the Group are quality services.

CNPC is also one of the few companies in the PR which provide quality petrochemical related construction and technical services.

The Group is of the view that the proposed increase in annual cap is in line with the estimated development of the business of the Group, is determined based on principles of fairness and reasonableness.

(b) Production services	For the two years ended 31 December 2007 and the six months ended 30 June 2008, approximately RMB32,730 million, RMB49,455 million and RMB38,391	For the year ending 31 December 2008, RMB98,518 million	For the three years ending 31 December 2011, RMB92,912 million, RMB138,221 million and RMB182,798 million, respectively	The annual proposed cap for the production services provided by CNPC to the Group have been determined with reference to the previous transactions conducted and transaction amounts in respect of production services provided by CNPC to the Group; the estimated business growth of the Group; and the potential fluctuations increases in the international and the
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million,
respectively

PRC market prices of crude oil, petroleum and petrochemical products, leading to higher energy costs in the production process.

Production services mainly consist of water supply, electricity generation, steam supply, gas supply by CNPC to the Group and the supply of petroleum and petrochemical products to the Jointly-held Entities to the Group. The Group is of the view that the proposed increase in annual capital expenditure is in line with the estimated development of the business of the Group, and is determined based on the principles of fairness and reasonableness.

(c) Material
supply services

For the two years ended 31 December 2007 and the six months ended 30 June 2008, approximately RMB3,306 million, RMB3,573 million and RMB3,818 million, respectively

For the year ending 31 December 2008, RMB5,574 million (proposed to be revised to RMB5,850 million)

For the three years ending 31 December 2011, RMB6,245 million, RMB7,306 million and RMB6,985 million, respectively

The annual caps for the supply of materials and services paid by the Group to CNPC have been determined by reference to the estimated business growth of the Company; and increases in the volume of purchases by the Group. CNPC is one of the leading buyers of petrochemical raw materials in the PRC. With the economy of scale and to increase the collective bargaining power of CNPC, the centralized materials purchase by CNPC thus stabilise the purchase prices of the Company's raw materials. With the Company's dominant position and increase in the petroleum and petrochemical industries of the PRC, well as the increase in the size of business, these ongoing connected

transactions and transaction amounts are expected to increase. On the other hand, the Group is also involved a number of pipeline construction and refining projects in which CNPC provides to the Group material supply services. As it is expected that significant portion of these projects will be completed in 2010, the estimated cap in 2011 is lower than that

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of 2010. The Group is of the view that the proposed increase in annual cap is in line with the estimated development of the business of the Group, is determined based on principles of fairness and reasonableness.

(d) Social and ancillary services	For the two years ended 31 December 2007 and the six months ended 30 June 2008, approximately RMB4,759 million, RMB4,864 million and RMB2,341 million, respectively	For the year ending 31 December 2008, RMB5,000 million (proposed to be revised to RMB5,811 million)	For the three years ending 31 December 2011, RMB7,045 million, RMB7,581 million and RMB8,040 million, respectively	The annual proposed cap for social and ancillary services have been determined with reference to the previous transactions conducted. The transaction amounts in respect of the social and ancillary services provided by CNPC to the Group; the estimated business growth of the Group. The Group is of view that the proposed increase in annual cap in line with the development of the business of the Group, is determined based on principles of fairness and reasonableness.
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(e) Financial services (note)

(i) Aggregate of	For the two	For the year	For the three	The annual proposed cap
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<p>maximum daily deposits made by the Group with CNPC and the interests thereon</p>	<p>years ended 31 December 2007 and the six months ended 30 June 2008, approximately RMB8,816 million, RMB8,694 million and RMB7,900 million, respectively</p>	<p>ending 31 December 2008, RMB9,126 million</p>	<p>years ending 31 December 2011, RMB18,600 million, RMB18,600 million and RMB18,600 million, respectively</p>	<p>for the financial services (aggregate of deposits interests) provided by CNPC to the Group have been determined with reference to the estimated business growth of the Group; the Group's historical cashflow and levels of deposits; the competitive interest rate offered by CNPC Finance and other financial institutions. In order to optimise cash flow management and capital efficiency of the Group and CNPC, there is the specific target of providing a centralised financial management by CNPC Finance and other financial institutions, which provides a full range of financial services to the Group and CNPC. The Group is of the view that the proposed increase in annual capital in line with</p>
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<p>(ii) Insurance, fees and expenses for entrustment loans, settlement services and other intermediary services</p>	<p>Nil</p>	<p>The annual caps for 2006 to 2008 approved by the Independent Shareholders were combined into the annual caps in respect of the loans and other financial services provided by CNPC to the Group and therefore, no</p>	<p>For the three years ending 31 December 2011, RMB1,864 million, RMB1,928 million and RMB2,016 million, respectively</p>	<p>the development of the business of the Group, is determined based on principles of fairness and reasonableness. To optimise cash flow management and capital efficiency of the Group and CNPC, there is the specific target of providing a centralised financial management by CNPC Finance and other financial institutions, which provides a full range of financial services to the Group and CNPC.</p>
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separate annual caps are available.

(3) Financial services to be provided by the Group to Jointly-held Entities	For the two years ended 31 December 2007 and the six months ended 30 June 2008, approximately RMB1,515 million, RMB2,138 million and RMB353 million, respectively	For the year ending 31 December 2008, RMB44,465 million	For the three years ending 31 December 2011, RMB23,582 million, RMB36,484 million and RMB51,839 million, respectively	The annual proposed caps for the financial services, including but not limited to guarantee and entrustment loans, be provided by the Group to the Jointly-held Entities have been determined with reference to the business development and financial needs of the Jointly-held Entities; and the acquisition opportunities which may arise from time to time in the international market. The Group's strategic objective of becoming an international petroleum company with significant oil assets both onshore and offshore as well as both the PRC and international markets. Group is of the view that the provision of financial services to the Jointly-held Entities will enable them to have sufficient funding for future expansion.
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(4) Rentals to be paid by the Group to CNPC in respect of land	For the two years ended 31 December 2007 and the six months ended 30 June 2008,	For the year ending 31 December 2008, RMB2,260 million (proposed to be	For the three years ending 31 December 2011, RMB3,795 million, RMB3,781	Each of the annual proposed caps comprises of the annual leasing fee and the relevant PR tax, which are in accordance with the Land Use Rights Leasing Contract. Savills
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approximately RMB2,135 million, RMB2,152 million and RMB978 million, respectively	revised to RMB3,506 million)	million and RMB3,786 million, respectively	(Hong Kong) Limited, an independent valuer, has appraised the lands leased to the Group.
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(5) Rentals to be paid by the Group to CNPC in respect of buildings	For the two years ended 31 December 2007 and the six months ended 30 June 2008, approximately RMB140 million, RMB140 million and RMB58 million, respectively	For the year ending 31 December 2008, RMB140 million (proposed to be revised to RMB196 million)	For the three years ending 31 December 2011, RMB210 million, RMB217 million and RMB221 million, respectively	The Board considers that pursuant to the Building Leasing Contract (as amended by the Supplemental Buildings Agreement), the annual proposed caps in respect of the building leases provided by CNPC to the Group can support future business development and planning. The annual proposed caps are in accordance with Building Leasing Contract (as amended by the Supplemental Buildings Agreement), and Savills (Hong Kong) Limited, an independent valuer, has appraised the buildings leased to the Group.
(6) Products and services to be provided by the Group to CRMSC	For the two years ended 31 December 2007 and the six months ended 30 June 2008, approximately RMB11,046 million, RMB12,022 million and RMB7,229 million, respectively	For the year ending 31 December 2008, RMB13,152 million (proposed to be revised to RMB16,833 million)	For the three years ending 31 December 2011, RMB19,814 million, RMB22,012 million and RMB23,729 million, respectively	The annual proposed caps have been determined with reference to (i) the relevant pricing principles, i.e., the government-prescribed price; (ii) the historical transaction levels for the same type of transaction; and (iii) the estimated future transaction levels based on the market needs in coming 3 years.
(7) Products and services to be provided by the Group to Beijing Gas	For the two years ended 31 December 2007 and the six months ended 30 June 2008, approximately RMB4,170 million, RMB4,865 million and RMB3,331 million, respectively	For the year ending 31 December 2008, RMB7,097 million (proposed to be revised to RMB7,936 million)	For the three years ending 31 December 2011, RMB8,296 million, RMB11,775 million and RMB16,200 million, respectively	The annual proposed caps have been determined with reference to (i) the relevant pricing principles, i.e., the government-prescribed price; (ii) the historical transaction levels for same type of transaction and (iii) the estimated future transaction levels based on the market needs in the coming 3 years.

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financial assistance to be provided by CNPC to the Group. These are exempted under Rule 14A.65(4) of the HKEx Listing Rules from the reporting, announcement and the independent shareholders' approval requirements set out in Chapter 14A of the HKEx Listing Rules. Please refer to paragraph 1.10.1 for details.

1.9 Reasons for and benefits of the Continuing Connected Transactions

The Continuing Connected Transactions are and will be conducted in the ordinary and usual course of business of the Company. This category of transactions will continue to be agreed on an arm's length basis with terms that are fair and reasonable to the Company. Due to the long-term relationship between the Company and CNPC and between the Company and Beijing Gas/ CRMSC, the Directors (including the independent non-executive Directors) consider that: (a) it is beneficial to the Company to continue to enter into the Continuing Connected Transactions as these transactions have facilitated and will continue to facilitate the operation and growth of the Group's business; (b) the Continuing Connected Transactions have been conducted on normal commercial terms or on terms no less favourable than those available to the Group from independent third parties, under prevailing local market conditions, and were entered into in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the Proposed Caps are fair and reasonable.

The independent non-executive Directors constituting the Independent Board Committee will give their view on the Non-Exempt Continuing Connected Transactions and the Proposed Caps in respect of the Non-Exempt Continuing Connected Transactions after considering the advice from the Independent Financial Adviser, and their view will be given in the circular to be despatched to the Shareholders.

1.10 Disclosure and independent shareholders' approval requirements

1.10.1 Under the HKEx Listing Rules, loans and other financial assistance to be provided by CNPC to the Group, being financial assistance provided by a connected person for the benefit of the listed issuer on normal commercial terms (or better to the listed issuer) where no security over the assets of the listed issuer is granted in respect thereof, is exempted under Rule 14A.65(4) of the HKEx Listing Rules from the reporting, announcement and the independent shareholders' approval requirements set out in Chapter 14A of the HKEx Listing Rules.

1.10.2 Under the HKEx Listing Rules, the following category of Continuing Connected Transactions is exempted from the reporting, announcement and the independent shareholders' approval requirements set out in Chapter 14A of the HKEx Listing Rules, as each of the percentage ratios under Rule 14.07 of the HKEx Listing Rules (other than the profits ratio), where applicable, in relation of each of these categories is, on an annual basis, expected to be less than 0.1% under Rule 14A.33(3) (a) of the HKEx Listing Rules:

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- (5) Rentals to be paid by the Group to CNPC in respect of buildings

1.10.3 Under the HKEx Listing Rules, the following categories of

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Continuing Connected Transactions are exempted from the independent shareholders' approval requirement but are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the HKEx Listing Rules, as each of the percentage ratios under Rule 14.07 of the HKEx Listing Rules (other than the profits ratio), where applicable, in relation of each of these categories is, on an annual basis, expected to be less than 2.5% under Rule 14A.34(1) of the HKEx Listing Rules:

- 2(c) Material supply services to be provided by CNPC to the Group
- 2(d) Social and ancillary services to be provided by CNPC to the Group
- (2)(e)(i) Aggregate of the maximum daily amount of deposits and the total amount of interest received in respect of these deposits
- (2)(e)(ii) Insurance, fees and expenses for entrustment loans, settlement services and other intermediary services
- (4) Rentals to be paid by the Group to CNPC in respect of land
- (7) Products and services to be provided by the Group to Beijing Gas

1.10.4 Under the HKEx Listing Rules, the following transactions are Non-Exempt Continuing Connected Transactions which are subject to the reporting, announcement and independent shareholders' approval (in respect of products and services to be provided by the Group to CRMSC, Shareholders' approval only) requirements

- (1) Products and services to be provided by the Group to CNPC and Jointly-held Entities
- (2)(a) Construction and technical services to be provided by CNPC to the Group
- (2)(b) Production services to be provided by CNPC to the Group
- (3) Financial services to be provided by the Group to the Jointly-held Entities
- (6) Products and services to be provided by the Group to CRMSC

The Company will seek the Independent Shareholders'/Shareholders' approval at the Extraordinary General Meeting for the Non-Exempt Continuing Connected Transactions and the relevant proposed caps on the condition that:

- (I) the annual amount of each category of the Non-Exempt Continuing Connected Transactions shall not exceed the relevant proposed cap;

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- (II) (i) the Non-Exempt Continuing Connected Transactions will be entered into in the ordinary and usual course of business of the Group and either (A) on

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normal commercial terms or (B) if there is no available comparison, on terms no less favourable than terms available to the Group from independent third parties; and

- (ii) the Non-Exempt Continuing Connected Transactions will be entered into in accordance with the Comprehensive Agreement (for transactions (1), (2) (a)-(b) and (3)), or the CRMSC Products and Services Agreement (for transaction (6)) and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company will comply with relevant provisions of the HKEx Listing Rules in relation to each category of the Non-Exempt Continuing Connected Transactions.

2. REVISED CAPS OF CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF 2008

2.1 Background

References are made to the circular of the Company dated 22 September 2005 in relation to the Continuing Connected Transactions and the circular of the Company dated 14 September 2006 revising certain annual caps of the Continuing Connected Transactions. At the extraordinary general meetings of the Company held on 8 November 2005 and 1 November 2006 respectively, the Independent Shareholders and/or Shareholders (as the case may be) approved the Continuing Connected Transactions and the annual caps for the three years ending 31 December 2008 and the subsequent revision of certain annual caps.

The Company has closely monitored the performance of the Continuing Connected Transactions. However, due to the surge in the international crude oil prices in 2008, the increase in the volume of the refined products, estimated increase in the level of exploration activities by the Group within the PRC, the rise of exploration costs and the expansion of overseas exploration, and taking into account the fact that, based on historical trends, the amount of transactions settled for the second half of each year often accounts for more than two-thirds of the value for the full year, the Board considers that the existing annual cap in respect of 2008 for certain categories of the Continuing Connected Transactions, namely the Relevant Categories, may not be able to satisfy the Group's requirements for the whole year. The Board therefore proposes that the existing annual cap for the Relevant Categories in respect of 2008 be revised in order to cater for the Group's demand for the year ending 31 December 2008.

2.2 The Relevant Categories

2.2.1 Products and services to be provided by the Group to CNPC and Jointly-held Entities

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Under the Comprehensive Agreement, products and services to be provided by the Group to CNPC include those relating to refined oil products, chemical products, natural gas, crude oil, supply of water, electricity, gas, heating, quantifying and measuring, quality inspection and other products and services as may be requested by CNPC for its own consumption, use or sale from time

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to time.

Under the Comprehensive Agreement, it was agreed that, among other things, the Group shall provide to the Jointly-held Entities products and services including crude oil, refined products, petrochemical products, natural gas products on the same pricing basis as those products and services to be provided by the Group to CNPC.

2.2.2 Products and services to be provided by CNPC to the Group

The products and services to be provided by CNPC to the Group are expected to be more numerous, both in terms of quantity and variety, than those to be provided by the Group to CNPC. They have been grouped together and categorised into various types. The Board has proposed to revise the annual cap in respect to the following types of products and services for the year ending 31 December 2008:

- (a) Construction and technical services, mainly associated with products and services to be provided at the stage prior to commission and production, including but not limited to exploration technology service, downhole operation service, oilfield construction service, oil refinery construction service and engineering and design service;
- (c) Material supply services, mainly involving the agency services on the procurement of materials both before and after commission and production, including but not limited to purchase of materials, quality control, storage of materials and delivery of materials, which by virtue of its nature, are not covered in the construction and technical services and production services referred to above; and
- (d) Social and ancillary services, including but not limited to security services, education, hospitals, property management, staff canteen, training centers and guesthouses.

2.2.3 Rentals to be paid by the Group to CNPC in respect of land

The Company entered into the Land Use Rights Leasing Contract with CNPC on 10 March 2000 under which CNPC has leased a total of 42,476 parcels of land in connection with and for the purpose of all aspects of the operations and business of the Group covering an aggregate area of approximately 1,145 million square meters, located throughout the PRC, to the Company for a term of 50 years at an annual fee of RMB2,000 million.

2.2.4 Rentals to be paid by the Group to CNPC in respect of buildings

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The Company entered into the Buildings Leasing Contract with CNPC on 10 March 2000 pursuant to which CNPC has leased to the Company a total of 191 buildings covering an aggregate area of 269,770 square meters, located throughout the PRC for the use by the Company for its business operation including the exploration, development and production of crude oil, the refining of crude oil and petroleum

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products, the production and sale of chemicals, etc.

Further to the Buildings Leasing Contract mentioned above, the Company entered into a Supplemental Buildings Leasing Agreement with CNPC on 26 September 2002 under which CNPC agreed to lease another 404 buildings to the Group in connection with and for the purpose of the operation and business of the Group covering an aggregate of approximately 442,730 square meters.

2.2.5 Products and services to be provided by the Company to CRMSC

Under the CRMSC Products and Services Agreement, products and services to be continuously provided by the Company to CRMSC include, among other things, refined products (such as gasoline, diesel and other petroleum products).

2.2.6 Products and services to be provided by the Company to Beijing Gas

Under the Beijing Gas Products and Services Agreement, products and services to be continuously provided by the Company to Beijing Gas include, among other things, natural gas and natural gas related pipe transportation services.

2.3 Historical amounts, existing caps, revised caps and rationale of the Relevant Categories

The Board has proposed that the following revised caps in respect of the Relevant Categories be set as the maximum annual amount of such transactions for the year ending 31 December 2008:

TRANSACTIONS	HISTORICAL AMOUNT	EXISTING 2008 ANNUAL CAP	REVISED CAPS IN RESPECT OF 2008	BASIS OF DE OF THE REVI
(1) Products and services to be provided by the Group to CNPC and the Jointly-held Entities	For the two years ended 31 December 2007 and the six months ended 30 June 2008, approximately RMB27,714 million, RMB40,730 million and RMB22,186 million, respectively	For the year ending 31 December 2008, RMB50,129 million	For the year ending 31 December 2008, RMB71,289 million	The reason in the tran is mainly d in the tran and the pri crude oil a products. I there have in both the crude oil r export/impo crude oil (decreed by as well as of crude oi as decreed government)

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(2) Products and services to be provided by CNPC to the Group

(a) Construction and technical services	For the two years ended 31 December 2007 and the six months ended 30 June 2008, approximately RMB82,741 million, RMB97,257 million and RMB42,588 million, respectively	For the year ending 31 December 2008, RMB105,661 million	For the year ending 31 December 2008, RMB165,578 million	The volume of natural gas two-dimensional (CHINESE CH) three-dimensional (CHINESE CH) drilling and operations continuous important increased transaction commencement pipeline construction direct deployment materials increases.
(b) Production Services	-	-	No revision	-
(c) Material supply services	For the two years ended 31 December 2007 and the six months ended 30 June 2008, approximately RMB3,306 million, RMB3,573 million and RMB3,818 million, respectively	For the year ending 31 December 2008, RMB5,574 million	For the year ending 31 December 2008, RMB5,850 million	Following the construction of gas facilities construction transaction materials agency fees increased.
(d) Social and ancillary services	For the two years ended 31 December 2007 and the six months ended 30 June 2008, approximately RMB4,759 million, RMB4,864 million and RMB2,341 million,	For the year ending 31 December 2008, RMB5,000 million	For the year ending 31 December 2008, RMB5,811 million	The main reason for the increase in management increases in water and electricity supplies.

respectively

(3) Financial Services	-	-	No revision	-
(4) Rentals to be paid by the Group to CNPC in respect of land	For the two years ended 31 December 2007 and the six months ended 30 June 2008, approximately RMB2,135 million, RMB2,152 million and RMB978 million, respectively	For the year ending 31 December 2008, RMB2,260 million	For the year ending 31 December 2008, RMB3,506 million	The proposed the annual ending 31 D resulted fr in the land by 200% per accordance relevant PR Municipal a governments classificat land.
(5) Rentals to be paid by the Group to CNPC in respect of buildings	For the two years ended 31 December 2007 and the six months ended 30 June 2008, approximately RMB140 million, RMB140 million and RMB58 million, respectively	For the year ending 31 December 2008, RMB140 million	For the year ending 31 December 2008, RMB196 million	The proposed the annual ending 31 D resulted fr execution o leased unde Leasing Con supplementa
(6) Products and services to be provided by the Group to CRMSC	For the two years ended 31 December 2007 and the six months ended 30 June 2008, approximately RMB11,046 million, RMB12,022 million and RMB7,229 million, respectively	For the year ending 31 December 2008, RMB13,152 million	For the year ending 31 December 2008, RMB16,833 million	As a result expansion o network in for goods r addition, t the transac also due to in the refi price.
(7) Products and services to be provided by the Group to Beijing Gas	For the two years ended 31 December 2007 and the six months ended 30 June 2008, approximately RMB4,170 million,	For the year ending 31 December 2008, RMB7,097 million	For the year ending 31 December 2008, RMB7,936 million	The increas transaction to the 2008 Games where green and c surged. In increase in amounts is

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RMB4,865 million
and RMB3,331
million,
respectively

natural gas
in accordan
relevant PR

The continuing connected transactions under the Relevant Categories are and will be conducted in the ordinary and usual course of business of the Company. This category of transactions will continue to be agreed on an arm's length basis with terms that are fair and reasonable to the Company. Due to the long-term relationship between the Company and CNPC and between the Company and CRMSC/Beijing Gas, the Directors (including the independent non-executive Directors) consider that: (a) it is beneficial to the Company to continue to enter into the Relevant Categories of the continuing connected transactions as these transactions have facilitated and will continue to facilitate the operation and growth of the Group's business; (b) the continuing connected transactions under the Relevant Categories have been conducted on normal commercial terms or on terms no less favourable than those available to the Group from independent third parties, under prevailing local market conditions, and were entered into in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the Revised Caps for the Relevant Categories are fair and reasonable.

The independent non-executive Directors constituting the Independent Board Committee will give their view on the Revised Non-Exempt Annual Caps after considering the advice from the Independent Financial Adviser, and their view will be given in the circular to be dispatched to the Shareholders.

2.4 Disclosure and independent shareholders' approval requirements

2.4.1 Under the HKEx Listing Rules, the Revised Caps of the following category of Continuing Connected Transactions is exempted from the reporting, announcement and the independent shareholders' approval requirements set out in Chapter 14A of the HKEx Listing Rules, as each of the percentage ratios under Rule 14.07 of the HKEx Listing Rules (other than the profits ratio), where applicable, in relation of each of these categories is, on an annual basis, expected to be less than 0.1% under Rule 14A.33(3) (a) of the HKEx Listing Rules:

- (5) Rentals to be paid by the Group to CNPC in respect of buildings

2.4.2 Under the HKEx Listing Rules, the Revised Caps of the following categories of the Continuing Connected Transaction are exempted from the independent shareholders' approval requirement but are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the HKEx Listing Rules, as each of the percentage ratios under Rule 14.07 of the HKEx Listing Rules (other

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than the profits ratio), where applicable, in relation of each of these categories is, on an annual basis, expected to be less than 2.5% under Rule 14A.34(1) of the HKEx Listing Rules:

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- (2) (c) Material supply services
- (2) (d) Social and ancillary services
- (4) Rentals to be paid by the Group to CNPC in respect of land
- (6) Products and services to be provided by the Group to CRMSC
- (7) Products and services to be provided by the Group to Beijing Gas

2.4.3 Under the HKEx Listing Rules, the Revised Non-Exempt Annual Caps of the following categories of the Continuing Connected Transactions are subject to the reporting, announcement and independent shareholders' approval requirements.

- (1) Products and services to be provided by the Group to CNPC and the Jointly-held Entities
- (2) (a) Construction and technical services to be provided by CNPC to the Group

The Company will seek the Independent Shareholders' approval at the Extraordinary General Meeting for the Revised Non-Exempt Annual Caps and the relevant revised caps on the condition that:

- (a) the annual amount of each of the above category for the year ending 31 December 2008 shall not exceed the Revised Non-Exempt Annual Caps;
- (b) (i) the above continuing connected transactions will be entered into in the ordinary and usual course of business of the Group and either (A) on normal commercial terms or (B) if there is no available comparison, on terms no less favourable than terms available to the Group from independent third parties; and
- (ii) the above continuing connected transactions will be entered into in accordance with the relevant agreements and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company will comply with relevant provisions of the HKEx Listing Rules and the Shanghai Listing Rules in relation to the continuing connected transactions under the Relevant Categories.

3. APPROVAL BY INDEPENDENT SHAREHOLDERS

As CNPC holds approximately 86.29% of the issued share capital of the Company, it is a controlling shareholder of the Company. CRMSC, being a substantial shareholder of the Company's subsidiary, PetroChina & CRMSC Oil Marketing. Beijing Gas is a substantial shareholder of the Company's subsidiary, Huayou. By virtue of the above relationships, each of CNPC,

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CRMSC and Beijing Gas is a connected person of the Company under the HKEx Listing Rules. Transactions between the Company and each of CNPC, CRMSC and Beijing Gas constitute connected transactions of the Company

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under the HKEx Listing Rules. The Proposed Caps in respect of the Non-Exempt Continuing Connected Transactions and the Revised Non-Exempt Annual Caps are subject to approval by the Independent Shareholders/Shareholders under the HKEx Listing Rules. In view of the interests of CNPC, CNPC and its associates will abstain from voting in relation to the resolutions approving the entering into of the New Comprehensive Agreement and the Proposed Caps in respect of the Non-Exempt Continuing Connected Transactions and the Revised Non-Exempt Annual Caps under the Comprehensive Agreement. In view of the interests of CRMSC, CRMSC and its associates will abstain from voting in relation to the resolutions approving the supplemental agreement to the CRMSC Products and Services Agreement and the Non-Exempt Continuing Connected Transaction under the CRMSC Products and Services Agreement.

An Independent Board Committee has been formed to advise the Independent Shareholders/Shareholders in connection with the terms of the Revised Non-Exempt Annual Caps and the Proposed Caps in respect of the Non-Exempt Continuing Connected Transactions, and the Independent Financial Advisor has been appointed to advise the Independent Board Committee and the Independent Shareholders/Shareholders on the same.

4. GENERAL INFORMATION

4.1 Information on the Company

The Company and its subsidiaries are mainly engaged in petroleum and natural gas-related activities, including:

- (1) the exploration, development, production and sale of crude oil and natural gas;
- (2) the refining, transportation, storage and marketing of crude oil and petroleum products;
- (3) the production and sale of basic petrochemical products, derivative chemical products and other petrochemical products; and
- (4) the transmission of natural gas, crude oil and refined products, and the sale of natural gas.

4.2 Information on CNPC

The controlling shareholder of the Company is CNPC. CNPC is a petroleum and petrochemical conglomerate that was formed in the wake of the restructuring launched by the State Council to restructure the predecessor of CNPC, China National Petroleum Company (CHINESE CHARACTERS). CNPC is also a state-authorized investment corporation and state-owned enterprise. CNPC is an integrated energy corporation with businesses covering oil and gas exploration and development, refining and petrochemical, oil product marketing, oil and gas storage and transportation, oil trading, engineering and technical services and petroleum equipment manufacturing.

4.3 Information on CNPC Finance

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As approved by the People's Bank of China and the China Banking Regulatory Commission, the principal business activities of CNPC Finance include receipt and payment of transaction amounts, insurance agency services, provision of guarantees, entrustment loans and entrustment investments, settlement and clearance of commercial notes, settlement of internal transfers, deposits, loans, financial leases and foreign exchange services.

4.4 Information on CRMSC

CRMSC is a corporation of materials supply in the PRC. China Petroleum Sales Company Limited (CHINESE CHARACTERS), a wholly-owned subsidiary of the Company, and CRMSC jointly established PetroChina & CRMSC Oil Marketing in December 2004, holding respectively 51% and 49% of its equity interest. As far as the Company is aware of, CRMSC is independent of CNPC and Beijing Gas and does not have any relationship with CNPC or Beijing Gas.

4.5 Information on Beijing Gas

Beijing Gas is an operator of natural gas supply network in the PRC. As far as the Company is aware of, Beijing Gas is independent of CNPC and CRMSC and does not have any relationship with CNPC or CRMSC.

5. HKEX LISTING RULES IMPLICATIONS

The views of the Independent Board Committee as well as the advice of the Independent Financial Advisor to the Independent Board Committee in respect of the Revised Non-Exempt Annual Caps and the Proposed Caps in respect of the Non-Exempt Continuing Connected Transactions will be stated in a circular to be despatched to the Shareholders.

A circular containing, amongst other things, further information on the terms of the Continuing Connected Transactions, a letter from the Independent Board Committee, an opinion of the Independent Financial Advisor, together with a notice to convene the Extraordinary General Meeting to approve the Revised Non-Exempt Annual Caps and the Proposed Caps in respect of the Non-Exempt Continuing Connected Transactions, is expected to be issued to the Shareholders as soon as practicable.

6. APPROVAL OF AGREEMENTS

Pursuant to the HKEx Listing Rules and the Shanghai Listing Rules,

- (a) the New Comprehensive Agreement shall be approved or ratified by the Independent Shareholders at the Extraordinary General Meeting, and CNPC and its associates will abstain from voting in view of its interests thereon; and
- (b) the supplemental agreement to the CRMSC Products and Services Agreement shall be approved or ratified by the Shareholders at the Extraordinary General Meeting, and CRMSC and its associates will abstain from voting in view of its interests thereon.

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7. DEFINITIONS

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In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

"associate(s) "	has the meanings ascribed to it under the HKEx Listing Rules
"ADS(s) "	the American Depositary Share(s) issued by the Bank of New York as the depository bank and listed on the New York Stock Exchange, with the ADS representing 100 H Shares
"A Shares"	the domestic ordinary shares issued by the Company to domestic investors for subscription and trading and denominated in Renminbi
"Beijing Gas"	(CHINESE CHARACTERS) (Beijing Gas Group Company Limited*), a company established under the laws of the PRC, and a substantial shareholder of Huayou, holding 40% interests in Huayou
"Beijing Gas Products and Services Agreement"	the agreement dated 1 September 2005 entered into between the Company and Beijing Gas in relation to the provision of certain products and services
"Board"	the board of directors of the Company
"Buildings Leasing Contract"	the buildings leasing contract dated 10 March 2000 entered into between the Company and CNPC pursuant to which CNPC has leased to the Company buildings located throughout the PRC for the use by the Company for its business operation including the exploration, development and production for a term of 20 years, as amended by a supplemental agreement dated 26 September 2002
"CNPC"	China National Petroleum Corporation, a state-owned enterprise incorporated under the laws of the PRC, and the controlling shareholder of the Company, holding approximately 86.29% of the issued share capital of the Company and for the purpose of this announcement, unless otherwise specified, shall include other subsidiaries and units of CNPC (including subsidiaries, branches and relevant units) other than the Group
"CNPC Finance"	(CHINESE CHARACTERS) (China Petroleum Finance Company Limited), a subsidiary of CNPC
"Company"	PetroChina Company Limited, a joint stock company

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	limited by shares incorporated in the PRC on 5 November 1999 under the PRC Company Law, the H shares of which are listed on the Hong Kong Stock Exchange with American Depository Shares listed on the New York Stock Exchange and the A shares are listed on the Shanghai Stock Exchange
"Comprehensive Agreement"	the comprehensive products and services agreement dated 10 March 2000 entered into between CNPC and the Company regarding the provision by the Group to CNPC and by CNPC to the Group, of a range of products and services from time to time, effective as of 5 November 1999
"Continuing Connected Transactions"	the continuing connected transactions which have been and will continue to be entered into between (1) the Group and CNPC; (2) the Group and Beijing Gas; and (3) the Group and CRMSC, details of which are set out in section 2 of this announcement
"controlling shareholder"	has the meanings ascribed to it under the HKEx Listing Rules
"CRMSC"	(CHINESE CHARACTERS) (China Railway Materials and Suppliers Corporation), a State-owned enterprise established under the laws of the PRC, and a substantial shareholder of PetroChina & CRMSC Oil Marketing
"CRMSC Products and Services Agreement"	the agreement dated 1 September 2005 entered into between the Company and CRMSC in relation to the provision of certain products and services
"Director(s) "	directors of the Company
"Extraordinary General Meeting"	an extraordinary general meeting of the Company to be held at Crowne Plaza Beijing Park View Wuzhou Hotel, No. 8 North Si Huan Zhong Road, Chaoyang District, Beijing, PRC at 9 a.m. on 21 October 2008 to approve, among other things, the Revised Non-Exempt Annual Caps, the Non-Exempt Continuing Connected Transactions and the Proposed Caps of the Non-Exempt Continuing Connected Transactions
"First Supplemental Agreement"	the supplemental comprehensive products and services agreement dated 9 June 2005 entered into between the Company and CNPC in relation to certain amendments of the Comprehensive Agreement

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"Group"	the Company and its subsidiaries
"H Share(s) "	the overseas-listed foreign share(s) in the Company's share capital, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and subscribed for in Hong Kong dollars, and which include the H Share(s) and the underlying ADS(s)
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huayou"	(CHINESE CHARACTERS) (Beijing Huayou Natural Gas Company Limited*), a company established under the laws of the PRC with limited liability and a subsidiary of the Company (where the Company has 60% interests in Huayou)
"Independent Board Committee"	the independent committee of the Board, comprising Messrs. Chee-Chen Tung, Liu Hong Ru, Franco Bernabe, Mr Li Yongwu and Mr Cui Junhui, the independent non-executive Directors of the Company, established for the purpose of reviewing and advising the Independent Shareholders or the Shareholders (as the case may be) in respect of the Revised Non-Exempt Annual Caps, the Non-Exempt Continuing Connected Transactions and the relevant Proposed Caps
"Independent Financial Advisor"	ICEA Capital Limited, a licensed corporation carrying out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Revised Non-Exempt Annual Caps, the Non-Exempt Continuing Connected Transactions and the relevant Proposed Caps
"Independent Shareholders"	the shareholders of the Company other than the CNPC and its associates
"Jointly-held Entities"	a company in which both the Company and CNPC are shareholders, and where CNPC and/or its subsidiaries and/or affiliates (individually or together) is/are entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of such

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	company
"Land Use Rights Leasing Contract"	the land use rights leasing contract dated 10 March 2000 entered into between the Company and CNPC pursuant to which CNPC has leased to the Company parcels of land in connection with and for the purpose of all aspects of the operations and business of the Group for a term of 50 years
"HKEx Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"New Comprehensive Agreement"	the comprehensive products and services agreement dated 27 August 2008 entered into between CNPC and the Company regarding the provision by the Group to CNPC and by CNPC to the Group, of a range of products and services from time to time which shall come into effect on 1 January 2009
"Non-Exempt Continuing Connected Transactions"	the Continuing Connected Transactions under the categories of (1), (2) (a)-(b), (3) and (6), as set out in the section headed "Renewal of Continuing Connected Transactions in respect of 2009-2011" in this announcement
"PetroChina & CRMSC Oil Marketing"	(CHINESE CHARACTERS) (PetroChina & CRMSC Oil Marketing Company Limited*), a company established under the laws of the PRC with limited liability
"Proposed Caps"	the proposed annual caps in respect of the Continuing Connected Transactions, including the Non-Exempt Continuing Connected Transactions
"PRC" or "China"	the People's Republic of China
"Relevant Categories"	the relevant categories of the Continuing Connected Transactions the annual caps of which for the year ending 31 December 2008 will be subject to revision
"Revised Caps"	the revised annual caps in respect of the Relevant Categories, including the Revised Non-Exempt Annual Caps
"Revised Non-Exempt Annual Caps"	the revised annual caps in respect of the Relevant Categories which are not exempted
"RMB"	Renminbi, the lawful currency of the PRC
"Second Supplemental"	the supplemental comprehensive products and services

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"Agreement"	agreement dated 1 September 2005 entered into between the Company and CNPC in relation to certain amendments of the Comprehensive Agreement
"Shanghai Stock Exchange"	The Shanghai Stock Exchange Limited
"Shanghai Listing Rules"	the listing rules of the Shanghai Stock Exchange
"Share(s)"	shares of the Company, including the A Share(s) and the H Share(s)
"Shareholder(s)"	holder(s) of Shares of the Company
"subsidiaries"	has the meanings ascribed to it under the HKEx Listing Rules
"substantial shareholder"	has the meanings ascribed to it under the HKEx Listing Rules

By order of the Board
PETROCHINA COMPANY LIMITED
LI HUAIQI
Secretary to the Board

Beijing, the PRC 27 August 2008

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

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SIGNATURE

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

PetroChina Company Limited

Dated: August 29, 2008

By: /s/ Li Huaiqi

Name: Li Huaiqi

Title: Company Secretary