

REPORT OF DIRECTORS

The board of directors (the “Board of Directors”) of PetroChina Company Limited (the “Company”) is pleased to present its report together with the audited financial statements of the Company and its subsidiaries (collectively, the “Group”) for the year ended December 31, 2000.

Group Activities

The Group is engaged in a broad range of petroleum-related activities, including:

- the exploration, development and production of crude oil and natural gas;
- the refining, transportation, storage and marketing, including import and export, of crude oil and petroleum products;
- the production and sale of chemical products; and
- the transmission, marketing and sale of natural gas.

All assets and operations of the Group are located in the People’s Republic of China (the “PRC”).

The operating segment information for these areas is set out in note 35 to the financial statements prepared in accordance with International Accounting Standards (“IAS”).

The principal subsidiaries which the Company had principal interests in and which principally affected the results or assets of the Group are set out in note 16 to the financial statements prepared in accordance with IAS.

New Share Issue and Share Capital Structure

The Company issued 15,824,176,000 H shares (including H shares underlying American Depositary Shares (“ADSs”)) in April 2000. At the same time, CNPC offered 1,758,241,800 shares of the shares held by it in the Company to the public. After the issue and offer, 17,582,418,000 shares of the Company are held by the public, representing 10% of the total share capital of the Company immediately after the issue. The net proceeds from the share issue amounting to RMB 20,337 million were intended to fund the Company’s capital expenditures and investments; to provide additional funds for general corporate purposes; and to repay short-term borrowings from third party financial institutions. The Company’s ADSs and H shares were listed on The New York Stock Exchange (“NYSE”) and The Stock Exchange of Hong Kong Limited (“HKSE”) on April 6, 2000 and April 7, 2000, respectively.

The share capital of the Company in issue as fully paid or credited as fully paid as at

December 31, 1999, amounted to 160,000,000,000 State-owned shares, with a par value of RMB1.00 each. The share capital of the Company in issue as fully paid or credited as fully paid as at December 31, 2000 was 175,824,176,000 shares, with a par value of RMB1.00 each. As at December 31, 2000, the share capital structure of the Company was as follows:

Shares	Number of shares as December 31, 2000	Percentage of the total number of shares in issue as at December 31, 2000 (%)
State-owned shares	158,241,758,000	90
Foreign invested shares (H shares and ADSs)	17,582,418,000	10
Total	175,824,176,000	100

Purchase, Sale or Redemption of Securities

Apart from the issuance of new H shares and ADSs in April 2000 as aforesaid, the Company or any of its subsidiaries has not sold any other types of securities of the Company, nor has it purchased or redeemed any of the securities of the Company during the 12 months ended December 31, 2000.

Dividends

An interim dividend of RMB 0.059042 or HK\$0.0556 per share (inclusive of applicable tax) for the six months ended June 30, 2000 was paid during the year.

The Board of Directors recommends the payment of a final dividend of RMB0.082315 per share which is calculated on the basis of 45% of the net profit for the 12 months ended December 31, 2000 and after deducting the interim dividend of 2000 which was paid on October 5, 2000. This proposed final dividend is subject to the approval by the shareholders at the annual general meeting to be held on June 8, 2000. The final dividend of RMB0.082315 (inclusive of applicable tax) will be paid to shareholders whose names appear on the register of members by close of business on June 7, 2001. The register of members will be closed from May 9, 2001 to June 8, 2001 (both days inclusive) during which no share transfer will be registered. All instruments of transfer and the relevant share certificates should be lodged with Hong Kong Registrars Limited before 4 p.m. on May 8, 2001, in order for share transfers to be registered.

According to article 149 of the articles of association of the Company, dividends payable to shareholders are declared in RMB. Dividends payable to holders of State-owned shares shall be paid in RMB while dividends payable to holders of H shares shall be paid in the local currency of the place of listing. The final dividend payable to holders of H shares shall be paid in Hong Kong dollars and shall be calculated according to the average closing exchange rates for RMB to Hong Kong dollars as announced by the People's Bank of China for the week before June 8, 2001, that is the date of annual general meeting at which the dividend will be

declared.

The final dividend will be paid on or about June 22, 2001.

Use of Proceeds from the Share Offer

In the period from April 10, 2000 to December 31, 2000, the Company has applied a total of RMB 20,337 million of the proceeds from the share offer. The proceeds have been applied in accordance with the manner disclosed in the prospectus of the Company. RMB 12,202 million has been used as capital expenditures and RMB 8,135 million has been used to repay bank loans.

Brief Biography of Directors, Secretary, Supervisors and Senior Management

Directors

Chairman

Ma Fucui, aged 54, is Chairman of the Board of Directors. Mr Ma is also President of China National Petroleum Corporation (“CNPC”). Mr Ma is a senior engineer. Mr Ma graduated from Beijing Petroleum Institute, and has over 30 years’ experience in China’s oil and gas industry. From February 1990 to December 1996, Mr Ma worked as a Deputy Director, Standing Deputy Director, and Director of Shengli Petroleum Administration Bureau, a subsidiary of CNPC. He worked as an Assistant President from November 1996 to December 1996 and Vice President of CNPC from December 1996 to April 1998 as well as Director of Daqing Petroleum Administration Bureau from June 1997 to November 1998. Mr Ma has been President of CNPC since April 1998.

Executive Directors

Huang Yan, aged 59, is a Vice Chairman of the Board of Directors and President of the Company. Mr Huang is a senior engineer. Mr Huang graduated from Nanjing Industry Institute and has over 30 years’ experience in China’s oil and gas industry. From 1984 to 1993, Mr Huang worked as a Deputy Director and Director of Huabei Petroleum Administration Bureau. Mr Huang had been an Assistant President of CNPC since 1993 and a Vice President since 1996. He has been a Vice President of CNPC since April 1998 until November 5, 1999 when he was appointed President of the Company.

Ren Chuanjun, aged 56, is a Director and a Senior Vice President of the Company. Mr Ren is a senior economist. Mr Ren graduated from Hefei Industry University and has over 30 years’ experience in China’s oil and gas and chemical fibres industries. Mr Ren became a Deputy General Manager and General Manager of China Yizheng Fibre Industrial United Corporation in 1983. From 1994, he worked as a Vice Minister of China National Textile