

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended June 30, 2001 and June 30, 2000

(Amounts in millions except for per share data)

	Notes	Six months ended June 30	
		2001	2000
		RMB	RMB
TURNOVER	3	122,169	110,896
OPERATING EXPENSES			
Purchases, services and other		(35,129)	(30,584)
Employee compensation costs		(6,328)	(6,291)
Exploration expenses, including exploratory dry holes		(3,729)	(3,869)
Depreciation, depletion and amortisation		(18,195)	(18,009)
Selling, general and administrative expenses		(10,334)	(8,162)
Taxes other than income taxes		(7,390)	(6,591)
Other income/(expense)		434	(59)
TOTAL OPERATING EXPENSES		(80,671)	(73,565)
PROFIT FROM OPERATIONS		41,498	37,331
FINANCE COSTS			
Exchange gain		289	1,141
Exchange loss		(2)	(245)
Interest income		389	482
Interest expense		(2,479)	(4,235)
TOTAL FINANCE COSTS		(1,803)	(2,857)
SHARE OF PROFIT OF ASSOCIATED COMPANIES		303	172
PROFIT BEFORE TAXATION	4	39,998	34,646
TAXATION	5	(13,160)	(11,482)
PROFIT BEFORE MINORITY INTERESTS		26,838	23,164
MINORITY INTERESTS		330	(95)
NET PROFIT		27,168	23,069
BASIC AND DILUTED EARNINGS PER SHARE	6	0.15	0.14

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

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED BALANCE SHEET

As of June 30, 2001 and december 31, 2000

(Amounts in millions)

	Notes	June 30, 2001 RMB	December 31, 2000 RMB
NON CURRENT ASSETS			
Property, plant and equipment	8	339,398	341,229
Long-term investments		5,506	4,784
Intangible and other assets		3,146	2,586
		<u>348,050</u>	<u>348,599</u>
CURRENT ASSETS			
Inventories	9	33,758	31,514
Accounts receivable	10	13,150	12,695
Prepaid expenses and other current assets		28,065	8,933
Notes receivable	11	3,447	2,464
Unlisted short-term investments		12,270	5,815
Time deposits with maturities over three months		3,394	-
Cash and cash equivalents		15,241	18,060
TOTAL CURRENT ASSETS		<u>109,325</u>	<u>79,481</u>
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	12	57,048	36,802
Income tax payable		8,377	9,399
Other taxes payable		8,248	7,171
Short-term borrowings	13	17,752	39,076
		<u>91,425</u>	<u>92,448</u>
NET CURRENT ASSETS / (LIABILITIES)		<u>17,900</u>	<u>(12,967)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>365,950</u>	<u>335,632</u>
FINANCED BY:			
Share capital			
-State-owned shares of RMB1.00 each			
		158,242	158,242
-H share of RMB 1.00 each			
		13,447	13,447
-ADS (each representing 100 H share)			
		4,135	4,135
		<u>175,824</u>	<u>175,824</u>
Retained earnings		45,752	33,057
Reserves		64,132	64,076
Shareholders' equity		<u>285,708</u>	<u>272,957</u>
Minority interests		5,092	4,989
NON CURRENT LIABILITIES			
Long-term borrowings	13	69,452	53,341
Deferred credits and other long-term obligations		1,306	1,176
Deferred taxation		4,392	3,169
		<u>75,150</u>	<u>57,686</u>
		<u>365,950</u>	<u>335,632</u>

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

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended June 30, 2001 and June 30, 2000

(Amounts in millions)

	Six months ended June 30	
	2001	2000
	RMB	RMB
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	39,998	34,646
Adjustments for:		
Depreciation, depletion and amortisation	18,195	18,009
Dry hole cost	2,025	2,409
Provision for doubtful debts	1,631	401
(Reversal of provision)/Provision for diminution in value of inventories	(743)	132
Loss on disposal of property, plant and equipment	39	99
(Reversal of provision)/Provision for diminution in value of investments	(8)	9
Loss on disposal of long-term investments	19	-
Dividend income	(38)	(10)
Interest income	(389)	(482)
Interest expense	2,479	4,235
Changes in working capital:		
-Accounts receivable, prepaid expenses and other assets, notes receivable	(22,324)	(1,313)
-Inventories	(1,501)	(2,842)
-Payables and accrued liabilities	16,551	11,203
CASH GENERATED FROM OPERATIONS	55,934	66,496
Interest received	389	482
Interest paid	(2,048)	(3,994)
Income taxes paid	(12,870)	(5,361)
NET CASH PROVIDED BY OPERATING ACTIVITIES	41,405	57,623

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

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended June 30, 2001 and June 30, 2000

(Amounts in millions)

	Six months ended June 30	
	2001	2000
	RMB	RMB
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditures	(14,105)	(16,038)
Proceeds from disposal of property, plant and equipment	620	981
Acquisition of associated companies	(495)	(180)
Share of profit of associated companies	(303)	(172)
Acquisition of short-term investments	(6,455)	(1,803)
Acquisition of long-term investments	(176)	(307)
Proceeds from disposal of long-term investments	87	-
Purchase of intangible assets	(408)	(92)
Purchase of other assets	(473)	(327)
Dividends received	129	98
Increase in time deposits with maturities over three months	(3,394)	-
NET CASH USED FOR INVESTING ACTIVITIES	(24,973)	(17,840)
CASH FLOWS FROM FINANCING ACTIVITIES		
New short-term borrowings	12,480	1,583
Repayments of short-term borrowings	(28,182)	(32,626)
New long-term borrowings	19,233	599
Repayments of long-term borrowings	(8,664)	(23,251)
Principal repayment on finance lease obligations	(80)	(21)
Distribution to CNPC (Note 7(i))	-	(2,640)
Dividends paid to minority interests	(54)	(85)
Capital contribution from minority interests	359	712
Dividends paid (Note 7(ii))	(14,473)	-
Issue of shares	-	20,336
Change in deferred credits and other long-term obligations	130	324
NET CASH USED FOR FINANCING ACTIVITIES	(19,251)	(35,069)
(Decrease)/Increase in cash and cash equivalents	(2,819)	4,714
Cash and cash equivalents at beginning of period	18,060	17,848
Cash and cash equivalents at end of period	15,241	22,562

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

PETROCHINA COMPANY LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended June 30, 2001 and June 30, 2000

(Amounts in millions)

	Share Capital	Retained Earnings	Reserves	Total
	RMB	RMB	RMB	RMB
Balance at January 1, 2000	160,000	3,326	47,085	210,411
Net profit from January 1 to June 30, 2000	-	23,069	-	23,069
Issue of shares	15,824	-	4,512	20,336
Distribution to CNPC (Note 7(i))	-	-	(2,640)	(2,640)
Balance at June 30, 2000	<u>175,824</u>	<u>26,395</u>	<u>48,957</u>	<u>251,176</u>
Balance at January 1, 2001	175,824	33,057	64,076	272,957
Net profit from January 1 to June 30, 2001	-	27,168	-	27,168
Premium arising from issue of shares by an associated company	-	-	56	56
Dividend paid (Note 7(ii))	-	(14,473)	-	(14,473)
Balance at June 30, 2001	<u>175,824</u>	<u>45,752</u>	<u>64,132</u>	<u>285,708</u>

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

PETROCHINA COMPANY LIMITED

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2001

(Amounts in millions)

1 ORGANISATION AND PRINCIPAL ACTIVITIES

PetroChina Company Limited (the "Company") was established in the People's Republic of China (the "PRC" or "China") on November 5, 1999 as a joint stock company with limited liability as a result of a group restructuring (the "Restructuring") of China National Petroleum Corporation ("CNPC") in preparation for the listing of the Company's shares on the New York Stock Exchange and The Stock Exchange of Hong Kong Limited.

In accordance with the Restructuring Agreement between CNPC and the Company effective as of November 5, 1999, the Company issued 160 billion state-owned shares in exchange for the assets and liabilities transferred to the Company by CNPC. The 160 billion state-owned shares were the initial registered capital of the Company with a par value of RMB1.00 per share. On April 7, 2000, the Company issued 17,582,418,000 shares, represented by 13,447,897,000 H shares and 41,345,210 American Depositary Shares ("ADSs", each representing 100 H shares) in a global offering and the trading of the H shares and the ADSs on the Stock Exchange of Hong Kong Limited and the New York Stock Exchange commenced on April 7, 2000 and April 6, 2000, respectively. Pursuant to the approval of the China Securities Regulatory Commission, 1,758,242,000 state-owned shares of the Company owned by CNPC were converted into H shares for sale in the global offering.

2 ACCOUNTING POLICIES

The consolidated interim condensed financial statements are prepared in accordance with IAS 34 "Interim Financial Reporting". The accounting policies used in the preparation of the consolidated interim condensed financial statements are consistent with those used in the preparation of the financial statements for the year ended December 31, 2000.

PETROCHINA COMPANY LIMITED

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2001

(Amounts in millions)

The consolidated interim condensed financial statements presented herein should be read in conjunction with the consolidated financial statements and notes thereto included in the annual report of the Group for the year ended December 31, 2000. The consolidated interim condensed financial statements as of June 30, 2001 and for the six-month periods ended June 30, 2001 and June 30, 2000 included herein are unaudited but reflect, in the opinion of the Board of Directors, all adjustments (which include only normal recurring adjustments) necessary to fairly present the results of operations for such periods. The results of operations for the six months ended June 30, 2001 are not necessarily indicative of the results of operations expected for the year ending December 31, 2001.

Costs that incur unevenly during the financial year are anticipated or deferred in these interim financial statements only if it would be also appropriate to anticipate or defer such costs at the end of the financial year.

Income tax expense is recognised based on the best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended June 30, 2000 and 2001 is 33%.

3 TURNOVER

Turnover represents revenues from the sale of crude oil, natural gas, refined products and petrochemical products and from the transportation of crude oil and natural gas. Analysis of turnover by segment is shown in Note 14.

PETROCHINA COMPANY LIMITED

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2001

(Amounts in millions)

4 PROFIT BEFORE TAXATION

	Six months ended June 30	
	2001	2000
	RMB	RMB
Profit before taxation is arrived at after crediting and charging of the following items:		
<u>Crediting</u>		
Dividend income from other investments	38	10
Reversal of provision for diminution in value of inventories	743	-
<u>Charging</u>		
Amortisation on intangible and other assets	321	201
Cost of inventory (approximates cost of goods sold) recognised as expense	57,097	52,069
Depreciation on property, plant and equipment		
- owned assets	17,861	17,794
- assets under finance leases	13	14
Interest expense (note (a))	2,479	4,235
Loss on disposal of property, plant and equipment	39	99
Operating lease rentals on land and buildings	1,221	1,074
Provision for doubtful debts	1,631	401
Provision for diminution in value of inventories	-	132
Repair and maintenance	2,128	2,209
Research and development expenditure	453	374
Note (a) Interest expense		
Interest expense	2,631	4,487
Less: Amounts capitalised	(152)	(252)
	2,479	4,235

PETROCHINA COMPANY LIMITED

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2001

(Amounts in millions)

5 TAXATION

	Six months ended June 30	
	2001	2000
	RMB	RMB
PRC current tax	11,848	9,922
Deferred tax	1,223	1,520
Share of tax of associated companies	89	40
	<u>13,160</u>	<u>11,482</u>

The tax on the profit before taxation of the Company, its subsidiaries and its associated companies (the "Group") differs from the theoretical amount that would arise using the basic tax rate in the PRC applicable to the Group as follows:

	Six months ended June 30	
	2001	2000
	RMB	RMB
Profit before taxation	<u>39,998</u>	<u>34,646</u>
Tax calculated at a tax rate of 33%	13,199	11,433
(Income) /Loss not subject to tax	(39)	49
Tax charge	<u>13,160</u>	<u>11,482</u>

6 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the six months ended June 30, 2001 has been computed by dividing net profit by the number of 175.824 billion shares issued and outstanding for the period.

Basic and diluted earnings per share for the six months ended June 30, 2000 has been computed by dividing net profit by the weighted average number of 167.390 billion shares issued and outstanding for the period.

There are no dilutive potential ordinary shares.

7 DIVIDENDS

	Six months ended June 30	
	2001	2000
	RMB	RMB
Distribution to CNPC (Note (i))	-	2,640
Final dividend for 2000 (Note (ii))	14,473	-
	<u>14,473</u>	<u>2,640</u>

PETROCHINA COMPANY LIMITED

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2001

(Amounts in millions)

(i) In accordance with the restructuring agreement entered into between the Company and CNPC, during the six months ended June 30, 2000, the Company paid a distribution to CNPC of RMB 2,640 which represents the net profit for the period from October 1, 1999 to November 4, 1999 determined in accordance with the PRC accounting regulations. Accordingly, this distribution was recorded as a reduction to capital reserve.

(ii) At the meeting on April 23, 2001, the Board of Directors proposed a final dividend in respect of 2000 of RMB 0.082315 per share amounting to a total of RMB 14,473. The dividend payment was approved by the shareholders in the annual general meeting on June 8, 2001. This dividend payable was not accounted for in the Company's financial statements for the year ended December 31, 2000. It was paid on June 22, 2001, and was accounted for in shareholders' equity as an appropriation of retained earnings in the six months ended June 30, 2001.

(iii) As authorised by shareholders in the Annual General Meeting on June 8, 2001, the Board of Directors, in a meeting held on August 30, 2001, resolved to distribute an interim dividend in respect of 2001 of RMB 0.069535 per share amounting to RMB 12,226. These financial statements do not reflect this dividend payable, as it was not proposed until after the balance sheet date.

8 PROPERTY, PLANT AND EQUIPMENT

	RMB
Cost or valuation	
At January 1, 2001	538,266
Additions	18,727
Disposals and write off	(4,285)
At June 30, 2001	<u>552,708</u>
Accumulated depreciation	
At January 1, 2001	(197,037)
Charge for the period	(17,874)
Disposals and write off	1,601
At June 30, 2001	<u>(213,310)</u>
Net book value	
At June 30, 2001	<u>339,398</u>

Borrowings are secured on property, plant and equipment at net book value of RMB 699 at June 30, 2001 (December 31, 2000:RMB 786).

PETROCHINA COMPANY LIMITED

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2001

(Amounts in millions)

9 INVENTORIES

	<u>June 30, 2001</u>	<u>December 31, 2000</u>
	RMB	RMB
Oil products	29,696	28,890
Chemical products	4,020	3,437
Materials and supplies	732	646
	<u>34,448</u>	<u>32,973</u>
Less: Provision for diminution in value of inventories	(690)	(1,459)
	<u>33,758</u>	<u>31,514</u>

Inventories of the Group carried at net realizable value amounted to RMB 9,059 at June 30, 2001 (December 31, 2000: RMB 14,378).

10 ACCOUNTS RECEIVABLES

	<u>June 30, 2001</u>	<u>December 31, 2000</u>
	RMB	RMB
Accounts receivable due from third parties	16,989	17,589
Less: Provision for doubtful debts	(6,694)	(5,516)
	<u>10,295</u>	<u>12,073</u>
Accounts receivable due from related parties		
- Fellow subsidiaries	2,635	-
- Associated companies	220	622
	<u>13,150</u>	<u>12,695</u>

Amounts due from related parties are interest free, unsecured and repayable in accordance with normal commercial terms.

The ageing analysis of accounts receivable at June 30, 2001 is as follows:

	<u>June 30, 2001</u>	<u>December 31, 2000</u>
	RMB	RMB
Within 1 year	9,989	10,050
Between 1 to 2 years	1,911	1,418
Between 2 to 3 years	1,824	1,221
Over 3 years	6,120	5,522
	<u>19,844</u>	<u>18,211</u>

PETROCHINA COMPANY LIMITED

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2001

(Amounts in millions)

In year 2001, the Group offers its customers the credit terms of no more than 180 days, except for certain selected customers.

11 NOTES RECEIVABLE

All notes receivable are due within one year.

12 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2001	December 31, 2000
	RMB	RMB
Trade payables	10,657	10,697
Advances from customers	2,458	2,445
Salaries and welfare payable	3,097	3,008
Accrued expenses	8,881	33
Dividends payable by subsidiaries to minority shareholders	15	69
Interest payable	627	44
Construction fee and equipment cost payables	8,115	4,110
Payable to Sinopec	624	849
Advances from Sinopec	115	65
Other payables	7,585	11,520
Amounts due to related parties		
-CNPC	35	17
- Fellow subsidiaries	13,575	2,830
- Associated companies	1,264	1,115
	<u>57,048</u>	<u>36,802</u>

Amounts due to related parties are interest-free, unsecured and repayable in accordance with normal commercial terms.

The ageing analysis of trade payables is as follows:

	June 30, 2001	December 31, 2000
	RMB	RMB
Within 1 year	7,953	9,069
Between 1 to 2 years	1,876	1,007
Between 2 to 3 years	222	311
Over 3 years	606	310
	<u>10,657</u>	<u>10,697</u>

PETROCHINA COMPANY LIMITED

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2001

(Amounts in millions)

13 BORROWINGS

	<u>June 30, 2001</u>	<u>December 31, 2000</u>
	RMB	RMB
Short-term borrowings	17,752	39,076
Long-term borrowings	<u>69,452</u>	<u>53,341</u>
	<u>87,204</u>	<u>92,417</u>

The movements in the borrowings can be analysed as follows:

Balance at January 1, 2001	92,417
New borrowings	31,713
Repayments of borrowings	<u>(36,926)</u>
Balance at June 30, 2001	<u>87,204</u>

The long term borrowings can be analysed as follows:

	<u>June 30, 2001</u>	<u>December 31, 2000</u>
	RMB	RMB
Loans		
Unsecured	73,416	62,849
Secured	<u>4</u>	<u>2</u>
	73,420	62,851
Obligations under finance leases	313	393
Current portion of long-term liabilities	<u>(4,281)</u>	<u>(9,903)</u>
	<u>69,452</u>	<u>53,341</u>

The analysis of the above is as follows:

Bank loans

- Wholly repayable within five years	29,880	27,439
- Not wholly repayable within five years	19,136	21,503

Other loans and obligations under finance leases

- Wholly repayable within five years	18,841	8,340
- Not wholly repayable within five years	<u>5,876</u>	<u>5,962</u>

Current portion of long-term liabilities

	73,733	63,244
	<u>(4,281)</u>	<u>(9,903)</u>
	<u>69,452</u>	<u>53,341</u>

PETROCHINA COMPANY LIMITED

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2001

(Amounts in millions)

Other loans and obligations under finance leases not wholly repayable within five years are repayable by installments from July 1, 2001 to September 8, 2007. Interest is charged on the outstanding balances at the rate of 4.5 % per annum (December 31, 2000: 3.4% to 9.0% per annum).

At June 30, 2000, the group's bank loans and other borrowings were repayable as follows:

	Bank loans		Other loans and obligations under finance leases	
	June 30, 2001	December 31, 2000	June 30, 2001	December 31, 2000
	RMB	RMB	RMB	RMB
Within one year	3,919	8,852	362	1,051
In the second year	6,057	4,715	510	332
In the third to fifth year	25,845	18,982	18,498	7,499
After the fifth year	13,195	16,393	5,347	5,420
	<u>49,016</u>	<u>48,942</u>	<u>24,717</u>	<u>14,302</u>

14 SEGMENT INFORMATION

The Group is engaged in a broad range of petroleum related activities through its four major business segments: Exploration and Production, Refining and Marketing, Chemicals and Natural Gas and Pipelines.

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

The Refining and Marketing segment is engaged in the refining of crude oil, and transportation, storage and marketing of crude oil and petroleum products.

The Chemicals segment is engaged in the production and sale of basic petrochemical products, derivative petrochemical products, and other chemical products.

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

In addition to these four major business segments, the Other segment includes the assets, income and expenses relating to cash management, financing activities, the corporate centre, research and development, and other business services to the operating business segments of the Group.

PETROCHINA COMPANY LIMITED

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2001

(Amounts in millions)

All assets and operations of the Group are located in the PRC, which is considered as one geographic location in an economic environment with similar risks and returns.

The accounting policies of the operating segments are the same as those described in Note 2—"Accounting Policies".

Operating segment information for the six months ended June 30, 2000 and 2001 is presented below:

Six months ended June 30, 2001	Exploration and Production	Refining and Marketing	Chem- icals	Natural Gas and Pipelines	Other	Total
	RMB	RMB	RMB	RMB	RMB	RMB
Turnover (including intersegment)	78,849	86,380	15,913	5,391	-	186,533
Less: Intersegment sales	(58,393)	(4,346)	(232)	(1,393)	-	(64,364)
Turnover from external customers	20,456	82,034	15,681	3,998	-	122,169
Depreciation, depletion and amortisation	(11,929)	(2,923)	(2,740)	(555)	(48)	(18,195)
Segment result	44,114	6,512	722	329	(280)	51,397
Other costs	(2,216)	(5,931)	(1,541)	(168)	(43)	(9,899)
Profit from operations	41,898	581	(819)	161	(323)	41,498
Finance costs						(1,803)
Share of profit/(loss) of associated companies	238	(1)	14	9	43	303
Profit before taxation						39,998
Taxation						(13,160)
Minority interests						330
Net profit						27,168
Interest income (including intersegment)	260	94	11	7	3,661	4,033

PETROCHINA COMPANY LIMITED

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2001

(Amounts in millions)

Six months ended June 30, 2001	Exploration and Production RMB	Refining and Marketing RMB	Chem- icals RMB	Natural Gas and Pipelines RMB	Other RMB	Total RMB
Less: Intersegment interest income						(3,644)
Interest income from external entities						389
Interest expense (including intersegment)	(1,560)	(1,230)	(1,023)	(151)	(2,159)	(6,123)
Less: Intersegment interest expense						3,644
Interest expense to external entities						(2,479)
Segment assets	264,162	115,409	74,037	21,647	387,074	862,329
Elimination of intersegment balances						(408,867)
Investments in associated companies	1,254	1,372	253	364	670	3,913
Total assets						457,375
Segment capital expenditure - for property, plant and equipment	13,265	4,035	590	685	152	18,727
Segment liabilities	(95,972)	(74,089)	(49,523)	(11,597)	(98,182)	(329,363)
Elimination of inter segment balances						183,886
Other liabilities						(21,098)
Total liabilities						(166,575)

PETROCHINA COMPANY LIMITED

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months ended June 30, 2001

(Amounts in millions)

Six months ended June 30, 2000	Exploration and Production	Refining and Marketing	Chem- icals	Natural Gas and Pipelines	Other	Total
	RMB	RMB	RMB	RMB	RMB	RMB
Turnover (including intersegment)	81,442	70,666	16,787	3,554	1	172,450
Less: Intersegment sales	<u>(57,032)</u>	<u>(4,372)</u>	<u>(112)</u>	<u>(38)</u>	<u>-</u>	<u>(61,554)</u>
Turnover from external customers	<u>24,410</u>	<u>66,294</u>	<u>16,675</u>	<u>3,516</u>	<u>1</u>	<u>110,896</u>
Depreciation, depletion and amortisation	(11,969)	(2,980)	(2,742)	(288)	(30)	(18,009)
Segment result	45,883	(2,219)	2,051	79	(243)	45,551
Other costs	<u>(2,627)</u>	<u>(4,644)</u>	<u>(720)</u>	<u>(14)</u>	<u>(215)</u>	<u>(8,220)</u>
Profit from operations	<u>43,256</u>	<u>(6,863)</u>	<u>1,331</u>	<u>65</u>	<u>(458)</u>	<u>37,331</u>
Finance costs						(2,857)
Share of profit of associated companies	55	53	3	-	61	<u>172</u>
Profit before taxation						34,646
Taxation						(11,482)
Minority interests						<u>(95)</u>
Net profit						<u>23,069</u>
Interest income (including intersegment)	252	123	186	10	758	1,329
Less: Intersegment interest income						<u>(847)</u>
Interest income from external entities						<u>482</u>

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Six months ended June 30, 2000	Exploration and Production	Refining and Marketing	Chem- icals	Natural Gas and Pipelines	Other	Total
	RMB	RMB	RMB	RMB	RMB	RMB
Interest expense (including intersegment)	(2,045)	(1,027)	(1,461)	(121)	(428)	(5,082)
Less: Intersegment interest expense						<u>847</u>
Interest expense to external entities						<u>(4,235)</u>
Segment assets	251,638	110,218	75,315	10,107	290,935	738,213
Elimination of intersegment balances						(324,474)
Investment in associated companies	1,988	310	112	4	792	<u>3,206</u>
Total assets						<u>416,945</u>
Segment capital expenditure -for property, plant and equipment	11,330	1,669	855	232	47	14,133
Segment liabilities	(101,698)	(66,334)	(56,035)	(6,403)	(33,431)	(263,901)
Elimination of intersegment balances						118,684
Other liabilities						<u>(15,546)</u>
Total liabilities						<u>160,763</u>

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Effective January 1, 2001, the results of operations, together with the corresponding assets and liabilities, of certain pipeline operations of the Group are reclassified from the Refining and Marketing Segment to the Natural Gas and Pipeline Segment to reflect the changes in the manner under which these operations are managed. The results of operations, together with the corresponding assets and liabilities, of these pipeline operations were included in the Refining and Marketing Segment in the segment information for the six months ended June 30, 2000. Selected financial data of these pipeline operations as of and for the six months ended June 30, 2000 are as follows:

Turnover (including intersegment)	1,286
Turnover from external customers	550
Depreciation, depletion and amortisation	269
Segment result	192
Other costs	74
Profit from operations	118
Share of profit/(loss) of associated companies	36
Interest income	1
Interest expense	33
Segment assets	7,478
Segment liabilities	2,592

15 CONTINGENT LIABILITIES

(a) Bank and other guarantees

At June 30, 2001, the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

	<u>June 30, 2001</u>	<u>December 31, 2000</u>
	<u>RMB</u>	<u>RMB</u>
Guarantee of bank loans of associated companies	<u>1,373</u>	<u>1,385</u>

(b) Environmental liabilities

CNPC and the Group have operated in China for many years and certain environmental problems have developed. China has adopted extensive environmental laws and regulations that affect the operation of the oil and gas industry. The outcome of environmental liabilities under proposed or future environmental legislation cannot reasonably be estimated at present, and could be material. Under existing legislation, however, management believes that there are no probable liabilities, that are in addition to amounts which have already been reflected in the financial statements, that will have a materially adverse effect on the financial position of the Group.

(c) Legal contingencies

The Group is the named defendant in certain lawsuits as well as the named party in other proceedings arising in the ordinary course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, management believes that any resulting liabilities will not have a materially adverse effect on the financial position of the Group.

(d) Leasing of roads, land and buildings

According to the Restructuring Agreement entered into between the Company and CNPC, CNPC has undertaken to the Company the following:

- CNPC should use its best endeavours to obtain formal land use right certificates to replace the entitlement certificates in relation to the 28,649 parcels of land which were leased or transferred to the Company from CNPC, within one year from August, September and October 1999 when the relevant entitlement certificates were issued;
- CNPC should complete, within one year from November 5, 1999, the necessary governmental procedures for the requisition of the collectively-owned land on which 116 service stations owned by the Company are located; and
- CNPC should obtain individual building ownership certificates in the name of the Company for all of the 57,482 buildings transferred to the Company by CNPC, before November 5, 2000.

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CNPC has obtained part of formal land use right certificates for the above-mentioned parcels of land, individual building ownership certificates for the above-mentioned buildings, and has completed none of the necessary governmental procedures for the above-mentioned service stations located on collectively-owned land. The Directors of the Company confirm that the use of and the conduct of relevant activities at the above-mentioned parcels of land, service stations and buildings are not affected by the fact that the relevant land use right certificates or individual building ownership certificates have not been obtained or the fact that the relevant governmental procedures have not been completed. In management's opinion, the outcome of the above events will not have a material adverse effect on the results of operations or the financial position of the Group.

(e) Group insurance

Except for limited insurance coverage for vehicles and certain assets subject to significant operating risks, the Group does not carry any other insurance for property, facilities or equipment with respect to its business operations. In addition, the Group does not carry any third-party liability insurance against claims relating to personal injury, property and environmental damages or business interruption insurance since such insurance coverage is not customary in China. While the effect of under-insurance cannot be reasonably estimated at present, management believes it could have a material impact on the operating results or financial position of the Group.

(f) Cost reduction measures

In addition to the employee separation program and shut-down of certain manufacturing facilities during the year ended December 31, 2000, the Company is currently evaluating options to further streamline production facilities and implement other cost reduction measures within the next several years to further improve the operating efficiency and competitiveness of the Group. Management has not approved all significant actions to be taken to complete such plan. Management does not believe it will have a materially adverse impact on the Group's financial position, but it could have a materially adverse effect on the Group's results of operations.

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(Amounts in millions)

16 COMMITMENTS

(a) Operating lease commitments

Operating lease commitments of the Group are mainly for leasing of buildings and equipment. Leases range from one to fifty years and usually do not contain renewal options. Future minimum lease payments as of December 31, 2000 and June 30, 2001 under non-cancellable operating leases are as follows:

	June 30, 2001	December 31, 2000
	RMB	RMB
First year	2,383	2,118
Second year	2,126	2,115
Third year	2,092	2,109
Fourth year	2,078	2,098
Fifth year	2,079	2,113
Thereafter	87,722	88,734
	<u>98,480</u>	<u>99,287</u>

Operating lease expenses for land and buildings were RMB 1,221 for the six months ended June 30, 2001 (six months ended June 30, 2000 were RMB 1,074).

(b) Capital commitments

	June 30, 2001	December 31, 2000
	RMB	RMB
Contracted but not provided for		
Oil and gas properties	776	193
Plant and equipment	737	228
Other	39	124
	<u>1,552</u>	<u>545</u>

PETROCHINA COMPANY LIMITED

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(c) Exploration and production licenses

The Company is obligated to make annual payments with respect to its exploration and production licenses to the Ministry of Land and Resources. Payments incurred were approximately RMB 124 for the six months ended June 30, 2001 (six months ended June 30, 2000 was nil).

Estimated annual payments in the future are as follows:

	RMB
2001	183
2002	256
2003	328
2004	421
2005 and thereafter	539

(d) Dividends

Dividends received from the Company are likely to be one of the principal sources of funding for CNPC. Subject to the relevant provisions of the PRC Company Law and the Articles of Association of the Company, CNPC, as the major shareholder of the Company, may seek to influence the determination of the amount of dividends paid by the Company with a view to satisfying its cash flow requirements including those relating to its obligations to provide supplementary social services to its employees and a limited number of third parties. The Ministry of Finance has committed to provide subsidies to enable CNPC to fund a portion of future operating shortfalls arising out of CNPC's obligations to provide social services. The directors believe that these subsidies will substantially reduce CNPC's reliance on dividends from the Company.

17 RELATED PARTY TRANSACTIONS

The Group is part of the larger group of companies under CNPC and has extensive transactions and relationships with members of the CNPC group. Because of these relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties. Related parties refer to corporations in which CNPC is a major shareholder and is able to exercise significant influence.

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CNPC itself is a state-owned enterprise. In accordance with a specific exemption in IAS-24, the Group does not accumulate or disclose transactions with other state-owned enterprises as related party transactions, other than those with other CNPC group companies and significant customers.

The majority of the Group's business activities are conducted with state-owned enterprises. Sales of certain products to these state-owned enterprises are at state-prescribed prices. The Group considers that these sales are activities in the ordinary course of business and has not accumulated or disclosed such as related party transactions.

As a result of the Restructuring, the Company and CNPC entered into a Comprehensive Products and Services Agreement for a range of products and services which may be required and requested by either party; a Land Use Rights Leasing Contract under which CNPC leases 42,476 parcels of land located throughout the PRC to the Company; and a Buildings Leasing Contract under which CNPC leases 191 buildings located throughout the PRC to the Company.

The term of the Comprehensive Products and Services Agreement is 10 years commencing from November 5, 1999. The products and services to be provided by the CNPC group to the Company under the Comprehensive Products and Services Agreement include construction and technical services, production services, supply of material services, social services, ancillary services and financial services. The products and services are provided in accordance with (1) state-prescribed prices; or (2) where there is no state-prescribed price, relevant market prices; or (3) where neither (1) nor (2) is applicable, actual cost incurred; or the agreed contractual price, being the actual cost plus a margin of no more than 15% for certain construction and technical services, and 3% for all other types of services.

The Land Use Rights Contract provides for the lease of an aggregate area of approximately 1,145 million square meters of land located throughout the PRC to members of the Company for a term of 50 years at an annual fee of RMB 2,000. The total fee payable for the lease of all such property may, after the expiration of 10 years, be adjusted by agreement between the Company and CNPC.

Under the Buildings Leasing Contract, 191 buildings covering an aggregate area of 269,770 square meters located throughout the PRC are leased at an aggregate annual fee of RMB 39 for a term of 20 years.

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Prior to the establishment of the Company, allocation of costs from companies and operating units retained by CNPC primarily represented direct costs of exploration, drilling, production, construction, maintenance, procurement and other services. Following the establishment of the Company, costs are based on the terms of the agreements entered into with CNPC as described above.

In addition to the related party information shown elsewhere in the financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and entities controlled by CNPC during the periods indicated below:

	Notes	Six months ended June 30	
		2001	2000
		RMB	RMB
Sale of goods	(a)	12,766	9,377
Fees paid for construction and technical services	(b)		
- Exploration and development services	(c)	10,543	10,700
- Other construction and technical services	(d)	2,838	2,659
Fees for production services	(e)	6,972	6,255
Social services charge	(f)	624	606
Ancillary service charges	(g)	1,012	964
Interest income	(h)	14	31
Interest expense	(i)	576	418
Rental expense	(j)	987	1,074
Commission expense and other charges	(k)	461	650

Notes:

(a) Represents sale of crude oil, refined and chemical products principally at market price.

(b) Under the Comprehensive Products and Services Agreement entered into between CNPC and the Company, certain construction and technical services provided by CNPC are charged at cost plus an additional margin of no more than 15%, including exploration and development services and oilfield construction services, starting from November 5, 1999.

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For the six months ended June 30, 2001

(Amounts in millions)

(c) Direct costs for exploration and development services, comprise geophysical survey, drilling, well cementing, logging and well testing.

(d) The fees paid for other construction and technical services, comprise fees for construction of refineries and chemical plants and technical services in connection with oil and gas exploration and production activities such as oilfield construction, technology research, engineering and design, etc.

(e) The fees paid for production services, comprise fees for the repair of machinery, supply of water, electricity and gas, provision of services such as communications, transportation, fire fighting, asset leasing, environmental protection and sanitation, maintenance of roads, manufacture of replacement parts and machinery.

(f) These represent expenditures for social welfare and support services .

(g) Ancillary service charges represent mainly fees for property management, the provision of training centres, guesthouses, canteens, public shower rooms, etc.

(h) The Group had deposits placed with China Petroleum Finance Company Limited ("CP Finance"), a subsidiary of CNPC and a non-bank financial institution approved by the People's Bank of China, amounting to RMB 805 (December 31, 2000: RMB 1,018) as of June 30, 2001. The deposits yield interest at prevailing saving deposit rates.

(i) The Group had short-term and long-term loans from CP Finance amounting to RMB24,520 (December 31, 2000: RMB 23,896) as of June 30, 2001 included under loans from related parties. The loans were unsecured and interest bearing at below market rates.

(g) Rental expenses are calculated in accordance with the lease agreements entered into between the Company and CNPC effective on November 5, 1999.

(k) With effect from November 5, 1999, CNPC purchased materials on behalf of the Company and charged commission thereon. The commission is calculated at rates ranging from 1% to 5% of the goods purchased.

(l) The Group had a 4.73% equity interest in CP Finance at a book value of RMB 85 as of June 30, 2001 and December 31, 2000.

PETROCHINA COMPANY LIMITED
SUPPLEMENTARY INFORMATION ON SIGNIFICANT DIFFERENCES
BETWEEN IAS AND US GAAP

For the six months ended June 30, 2001
(Amounts in millions)

SIGNIFICANT DIFFERENCES BETWEEN IAS AND US GAAP

The consolidated financial statements have been prepared in accordance with IAS which may differ in certain material respects from US GAAP. Such differences involve methods for measuring the amounts shown in the financial statements, as well as additional disclosures required by US GAAP.

Effect on net income of significant differences between IAS and US GAAP is as follows:

	Six months ended June 30	
	2001	2000
	RMB	RMB
Net income under IAS	27,168	23,069
US GAAP adjustments:		
Depreciation charges on fixed asset revaluation gain	4,301	4,207
Depreciation charges on fixed asset revaluation loss	(56)	(56)
Loss on disposal of fixed assets	27	63
Income tax effect	(1,410)	(1,390)
Minority interests	(30)	(30)
Net income under US GAAP	<u>30,000</u>	<u>25,863</u>
Basic and diluted net income per share under US GAAP	<u>0.17</u>	<u>0.15</u>

PETROCHINA COMPANY LIMITED
SUPPLEMENTARY INFORMATION ON SIGNIFICANT DIFFERENCES
BETWEEN IAS AND US GAAP

For the six months ended June 30, 2001
(Amounts in millions)

Effect on shareholders' equity of significant differences between IAS and US GAAP is as follows:

	<u>June 30, 2001</u>	<u>December 31, 2000</u>
	RMB	RMB
Shareholders' equity under IAS	285,708	272,957
US GAAP adjustments:		
Reversal of fixed asset revaluation	(80,549)	(80,549)
Depreciation charges on fixed asset revaluation gain	17,059	12,758
Reversal of revaluation loss	1,122	1,122
Depreciation charges on fixed asset revaluation loss	(168)	(112)
Loss on disposal of fixed assets	90	63
Deferred tax assets on revaluation	20,607	22,017
Minority interests	514	544
Shareholders' equity under US GAAP	<u>244,383</u>	<u>228,800</u>

In preparing the summary of differences between IAS and US GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the estimates of revenues and expenses. Accounting estimates have been employed in these financial statements to determine reported amounts, including realizability, useful lives of tangible and intangible assets, income taxes and other areas. Actual results could differ from those estimates.

A summary of the principal differences and additional disclosures applicable to the Group is set out below:

(a) Revaluation of fixed assets

The fixed assets, excluding oil and gas reserves, transferred to the Company by CNPC were appraised as of June 30, 1999, as required by the relevant PRC regulations, by a firm of independent valuers registered in the PRC, China Enterprise Appraisal. The revaluation of the fixed assets transferred resulted in RMB 80,549 in excess of the prior carrying value and a revaluation loss of RMB 1,122 on certain fixed asset items. The depreciation charge on the revaluation surplus for the six months ended June 30, 2001 was RMB 4,301 (six months ended June 30, 2000 was RMB 4,207).

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SUPPLEMENTARY INFORMATION ON SIGNIFICANT DIFFERENCES
BETWEEN IAS AND US GAAP

For the six months ended June 30, 2001

(Amounts in millions)

For purposes of reconciling to the US GAAP financial data, the effect of the revaluation and the related depreciation charges is reversed. A deferred tax asset relating to the reversal of the revaluation effect is established, together with a corresponding increase in the shareholders' equity. Under a special approval granted by the Ministry of Finance, the effect of the revaluation will be available as additional depreciation base for purposes of determining taxable income.

(b) Related party transactions

The Group has disclosed in Note 17 transactions and balances with its immediate parent, CNPC, and related companies. CNPC is owned by the PRC government, which also owns a significant portion of the productive assets in the PRC. IAS exempts state controlled enterprises from disclosing transactions with other state controlled enterprises. IAS also excludes from related parties government departments and agencies to the extent that such dealings are in the normal course of business. US GAAP contains no similar exemptions but requires disclosure of material related party transactions. The Group believes that it has provided meaningful disclosures in Note 17. Although the majority of the Group's activities are with PRC government authorities and affiliates and other state controlled enterprises, none individually constitutes a major customer or supplier other than those disclosed.

(c) One-time remedial payments for staff housing

Under regulations issued by the Ministry of Finance of the PRC in 2000 and in January 2001, certain employees of the Group who joined the workforce prior to December 31, 1998 and have housing conditions below local standards are to be reimbursed for such differentials. These one-time remedial payments are to be borne by the state-owner of the Company, CNPC. Under IAS, such direct payments to employees or reimbursements by CNPC will not be recorded through the consolidated income statement of the Group. US GAAP contains no such exemption but requires this principal shareholder's action on behalf of the Company to be recorded in the consolidated income statement. To the extent that a reliable estimate can be established for such one-time remedial housing payments, the amount will be reflected in the consolidated income statement for purposes of reconciling to the US GAAP financial data.

PETROCHINA COMPANY LIMITED
SUPPLEMENTARY INFORMATION ON SIGNIFICANT DIFFERENCES
BETWEEN IAS AND US GAAP

For the six months ended June 30, 2001

(Amounts in millions)

(d) Recent US accounting pronouncements

The Group adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended by Statement of Financial Accounting Standards No. 137, "Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB Statement No. 133, an amendment of FASB Statement No. 133", effective January 1, 2001 and the adoption of these standards did not have a significant impact on the results of operations or financial position of the Group. The Group historically has not used derivative instruments to hedge any aspects of its operations.

In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS 141 is effective for all business combinations initiated after June 30, 2001, and for all business combinations accounted for using the purchase method for which the date of acquisition is July 1, 2001, or later. SFAS 142 is effective for fiscal years beginning after December 15, 2001, except that goodwill and intangible assets acquired after June 30, 2001, will be subject immediately to the amortization and nonamortization provisions of the Statement. Adoption of SFAS 141 and SFAS 142 is not expected to have a significant effect on the Group's prior business combinations but could affect possible future transactions.

The FASB also recently issued SFAS 143, "Accounting of Asset Retirement Obligations". Adoption of this statement is required no later than January 1, 2003. This statement significantly changes the method of accruing for costs associated with the retirement of fixed assets such as oil and gas production and other facilities for which an entity is legally obligated to incur. The Group will further review the effect and timing of implementing SFAS 143.

On behalf of the Board

Chairman
Ma Fucai

Beijing, China, August 30, 2001