PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended June 30, 2005 and June 30, 2004
(Amounts in millions except for per share data)

	Notes	Six months ended June 30	
		2005	2004
			(Note 2)
		RMB	RMB
TURNOVER	4	252,489	178,404
OPERATING EXPENSES			
Purchases, services and other		(96,362)	(51,272)
Employee compensation costs		(12,800)	(10,540)
Exploration expenses, including exploratory dry holes		(8,528)	(5,630)
Depreciation, depletion and amortisation		(25,791)	(24,746)
Selling, general and administrative expenses		(13,797)	(12,794)
Taxes other than income taxes		(10,660)	(9,417)
Other income, net		986	251
TOTAL OPERATING EXPENSES		(166,952)	(114,148)
PROFIT FROM OPERATIONS		85,537	64,256
FINANCE COSTS			
Exchange gain		96	35
Exchange loss		(16)	(25)
Interest income		537	453
Interest expense		(1,185)	(1,413)
TOTAL FINANCE COSTS		(568)	(950)
SHARE OF PROFIT OF ASSOCIATES		498	603
PROFIT BEFORE TAXATION	5	85,467	63,909
TAXATION	6	(23,246)	(17,899)
PROFIT FOR THE PERIOD		62,221	46,010
ATTRIBUTABLE TO:			
Equity holders of the Company		61,624	45,276
Minority interests		597	734
		62,221	46,010
BASIC AND DILUTED EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY DURING THE PERIOD	7	0.35	0.26
DIVIDENDS ATTRIBUTABLE TO:			
Interim dividend proposed after the balance sheet date	8	27,731	20,381

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

PETROCHINA COMPANY LIMITED

UNAUDITED CONSOLIDATED BALANCE SHEET

As of June 30, 2005 and December 31, 2004

(Amounts in millions)

	Notes	June 30, 2005 RMB	December 31, 2004 (Note 2) RMB
NON CURRENT ASSETS			
Property, plant and equipment	9	471,457	469,705
Investments in associates		7,085	7,953
Available-for-sale investments		2,056	1,510
Advance operating lease payments		12,918	12,283
Intangible and other assets		2,893	3,020
		496,409	494,471
CURRENT ASSETS			
Inventories	10	52,208	46,214
Accounts receivable	11	4,888	2,733
Prepaid expenses and other current assets		26,573	17,089
Notes receivable	12	3,831	4,838
Investments in collateralized loans	13	443	5,620
Time deposits with maturities over three months		1,500	1,400
Cash and cash equivalents		69,857	38,982
		159,300	116,876
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	14	86,226	71,016
Income tax payable		12,357	17,484
Other taxes payable		7,140	4,806
Short-term borrowings	15	28,303	28,093
		134,026	121,399
NET CURRENT ASSETS/(LIABILITIES)		25,274	(4,523)
TOTAL ASSETS LESS CURRENT LIABILITIES		521,683	489,948
EQUITY			
Equity attributable to equity holders of the Company			
Share capital			
-State-owned shares of RMB 1.00 each		158,242	158,242
-H shares of RMB 1.00 each		17,582	17,582
		175,824	175,824
Retained earnings		178,544	142,856
Reserves		106,309	106,318
		460,677	424,998
Minority interests		8,979	9,393
Total equity		469,656	434,391
NON CURRENT LIABILITIES			
Long-term borrowings	15	35,357	38,769
Other long-term obligations		705	2,448
Deferred taxation		15,965	14,340
		52,027	55,557
		521,683	489,948

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, 2005 and June 30, 2004
(Amounts in millions)

	Notes	Six months ended June 30	
		2005	2004 (Note 2)
		RMB	RMB
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		62,221	46,010
Adjustments for:			
Taxation	6	23,246	17,899
Depreciation, depletion and amortisation		25,791	24,746
Dry hole costs		5,130	3,130
Share of profit of associates		(498)	(603)
Impairment of receivables, net	5	(167)	753
Write down in inventories, net	5	(71)	4
Impairment of available-for-sale investment, net	5	(1)	24
Loss on disposal of property, plant and equipment	5	41	99
Loss on disposal of associates		-	2
Loss/(Gain) on disposal of available-for-sale investment		2	(4)
Dividend income	5	(78)	(62)
Interest income		(537)	(453)
Interest expense		1,185	1,413
Advance payments on long-term operating leases		(1,557)	(773)
Changes in working capital:			
Accounts receivable, prepaid expenses and other current assets		(10,324)	(10,159)
Inventories		(5,923)	(6,123)
Accounts payable and accrued liabilities		21,369	12,438
CASH GENERATED FROM OPERATIONS		119,829	88,341
Interest received		537	450
Interest paid		(1,519)	(1,706)
Income taxes paid		(26,748)	(21,215)
NET CASH PROVIDED BY OPERATING ACTIVITIES		92,099	65,870

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, 2005 and June 30, 2004

(Amounts in millions)

	Notes	Six months ended June 30	
		2005	2004 (Note 2)
		RMB	RMB
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures		(35,038)	(30,476)
Acquisition of associates		(108)	(164)
Acquisition of available-for-sale investments		(583)	(6)
Acquisition of investments in collateralized loans with maturities over three months		(443)	(2,681)
Acquisition of intangible assets		(158)	(116)
Acquisition of other non-current assets		(127)	(1)
Proceeds from investments in collateralized loans with maturities over three months		5,620	4,676
Repayment of capital by associates		77	115
Return capital to minority interests due to liquidation of subsidiaries		(848)	-
Proceeds from disposal of property, plant and equipment		65	96
Proceeds from disposal of associates		1,081	26
Proceeds from disposal of available-for-sale investments		8	22
Proceeds from disposal of intangible and other non-current assets		22	-
Dividends received		457	160
(Increase) / Decrease in time deposits with maturities over three months		(100)	1,840
NET CASH USED FOR INVESTING ACTIVITIES		(30,075)	(26,509)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of short-term borrowings		(13,491)	(11,819)
Repayments of long-term borrowings		(8,699)	(13,314)
Principal payment on finance lease obligations		(15)	(25)
Dividends paid to minority interests		(207)	(191)
Cash payment for acquisition of CNPC marketing enterprises		-	(1,476)
Dividends paid to equity holders of the Company	8	(25,936)	(13,947)
Increase in short-term borrowings		14,812	13,997
Increase in long-term borrowings		4,130	8,986
Change in other long-term obligations		(1,743)	248
NET CASH USED FOR FINANCING ACTIVITIES		(31,149)	(17,541)
Increase in cash and cash equivalents		30,875	21,820
Cash and cash equivalents at beginning of period		38,982	30,906
Cash and cash equivalents at end of period		69,857	52,726

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

PETROCHINA COMPANY LIMITED

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended June 30, 2005 and June 30, 2004

(Amounts in millions)

	Attributable to equity holders of the Company			Minority Interests	Total Equity
	Share Capital	Retained Earnings	Reserves		
	RMB	RMB	RMB	RMB	RMB
Balance at January 1, 2004 as previously presented	175,824	89,577	91,212	-	356,613
Representation as a result of the adoption of revised IAS 1 and IAS 27 (Note 2)	-	-	-	5,608	5,608
Adjustment for the acquisition of the refinery and petrochemical businesses (Note 2)	-	(633)	554	5	(74)
Balance at January 1, 2004	175,824	88,944	91,766	5,613	362,147
Profit from January 1 to June 30, 2004	-	45,276	-	734	46,010
Final dividend attributable to equity holders of the Company for 2003 (Note 8)	-	(13,947)	-	-	(13,947)
Dividends to minority interests	-	-	-	(143)	(143)
Other movement	-	-	-	(9)	(9)
Balance at June 30, 2004	175,824	120,273	91,766	6,195	394,058
Balance at January 1, 2005 as previously presented	175,824	143,624	105,764	-	425,212
Representation as a result of the adoption of revised IAS 1 and IAS 27 (Note 2)	-	-	-	9,391	9,391
Adjustment for the acquisition of the refinery and petrochemical businesses (Note 2)	-	(768)	554	2	(212)
Balance at January 1, 2005	175,824	142,856	106,318	9,393	434,391
Profit from January 1 to June 30, 2005	-	61,624	-	597	62,221
Final dividend attributable to equity holders of the Company for 2004 (Note 8)	-	(25,936)	-	-	(25,936)
Payment to CNPC for acquisition of refinery and petrochemical businesses (Note 2)	-	-	(9)	-	(9)
Dividends to minority interests	-	-	-	(214)	(214)
Return capital to minority interests due to liquidation of subsidiaries	-	-	-	(848)	(848)
Other movement	-	-	-	51	51
Balance at June 30, 2005	175,824	178,544	106,309	8,979	469,656

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

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 in Hong Kong and in the United States of America. The Company and its subsidiaries are collectively referred to as the “Group”.

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 have been prepared in accordance with International Accounting Standards (“IAS”) 34 “Interim Financial Reporting”. The accounting policies and methods of computation 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, 2004 except for the ones modified by the Company as a result of the adoption of the new revised International Financial Reporting Standards (“IFRS”).

In 2005, the Group adopted the new revised IFRS below, which are relevant to its operations. The 2004 comparative numbers have been amended as required, in accordance with the relevant requirements. The adoption of the IFRS did not result in substantial changes to the Group’s accounting policies. In summary:

--IAS 1 and 27 (both revised in 2003) has affected the presentation of minority interests. IAS 1 (revised in 2003) also has affected the presentation of share of profit of associates and requires the disclosure of critical accounting estimates.

--IAS 2, 8, 10, 16, 17, 21, 28, 32, 33 (all revised in 2003) and 39 (revised in 2004) and IFRS 2 had no material effect on the Group’s policies.

--IAS 24 (revised in 2003) has affected the identification of related parties and some other related-party disclosures. (See the revised accounting policy below)

--IFRS 5 has resulted in a change in the accounting policy relating to the recognition of assets held for sale or discontinued operation, which did not have any material impact on the results and financial positions of the Group as the Group did not hold material assets in this category during the periods presented.

--The Group early adopted IFRS 6, which did not require a change in the accounting policy for exploration and evaluation activities.

(a) Related Parties

Related parties include CNPC and its subsidiaries, other state-controlled enterprises and their subsidiaries directly or indirectly controlled by the PRC government, corporations in which the Company is able to control or exercise significant influence, key management personnel of the Company and CNPC and their close family members.

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, 2004. The consolidated interim condensed financial statements as of June 30, 2005 and for the six-month periods ended June 30, 2005 and June 30, 2004 included herein are unaudited but reflect, in the opinion of the Board of Directors, all adjustments (which include only normal recurring adjustments) necessary to properly prepare the consolidated interim condensed financial statements, in all material respects, in accordance with IAS 34. The results of operations for the six months ended June 30, 2005 are not necessarily indicative of the results of operations expected for the year ended December 31, 2005.

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, 2005 is principally 25% (six months ended June 30, 2004: 27%).

In accordance with the acquisition agreement between the Company and CNPC dated March 28, 2005, the Company has acquired the petroleum and natural gas-related refinery and petrochemical businesses respectively owned by CNPC's wholly-owned subsidiaries, Ningxia Dayuan Refinery and Petrochemical Company Limited ("Dayuan") and Qingyang Refinery and Petrochemical Company Limited ("Qingyang"), from CNPC for which the Company paid a cash consideration of RMB 9.14. The RMB 9.14 purchase price was included as payable to CNPC at June 30, 2005.

The acquisition is a combination of businesses under common control since the Company and the CNPC's refinery and petrochemical businesses owned by Dayuan and Qingyang are under the common control of CNPC. As a result, the Company has accounted for the acquisition in a manner similar to a uniting of interests, whereby the assets and liabilities acquired are accounted for at historical cost to CNPC (net liabilities of RMB 183 at the effective date). The consolidated financial statements have been restated to give effect to the acquisition with all periods presented as if the operations of the Company and these refinery and petrochemical businesses have always been combined. The difference between RMB 9.14 paid and the net liabilities transferred from CNPC has been adjusted against equity.

The summarised results of operations for the refinery and petrochemical businesses and on a consolidation basis for the six months ended June 30, 2004 are set out below:

For the six months ended June 30, 2005 (Amounts in millions)

	Petrochina	Refinery and petrochemical businesses	Consolidated
	RMB	RMB	RMB
Results of operations:			
Turnover	179,552	1,975	178,404
Profit/(loss) for the period	46,026	(16)	46,010
Basic and diluted earnings per share for profit attributable to the equity holders of the Company (RMB)	0.26	0.00	0.26
Financial position:			
Total Assets	567,172	1,909	569,010
Total Liabilities	173,023	2,000	174,952
Net Assets/(liabilities)	394,149	(91)	394,058

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The matters described below are considered to be the most critical in understanding the judgements that are involved in preparing the Group's financial statements.

(a) Estimation of oil and natural gas reserve

Oil and gas reserves are key elements in the Group's investment decision-making process. They are also an important element in testing for impairment. Changes in proved oil and natural gas reserves, particularly proved developed reserves, will affect unit-of-production depreciation charges to income. Proved reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. In general, changes in the technical maturity of oil and gas reserves resulting from new information becoming available from development and production activities have tended to be the most significant cause of annual revisions. Changes to the Group's estimates of proved reserves, particularly proved developed reserves, affect the amount of depreciation, depletion and amortisation recorded in the Group's financial statements for property, plant and equipment related to oil and gas production activities. A reduction in proved developed reserves will increase depreciation, depletion and amortisation charges (assuming constant production) and reduce net income.

(b) Estimated impairment of property, plant and equipment

Property, plant and equipment, including oil and gas properties, are reviewed for possible impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters, such as future prices of crude oil, refined products and chemical products, production profile, etc. However, the impairment reviews and calculations are based on assumptions that are consistent with the Group's business plan. These assumptions also include those relative to the pricing regulations by the regulatory agencies in China that the policies will not restrict the profit margins of refined products to levels that will be insufficient to recover the carrying cost of the related production assets. Favourable changes to some assumptions might have avoided the need to impair any assets in these periods, whereas unfavourable changes might have caused an additional unknown number of other assets to become impaired.

For the six months ended June 30, 2005 (Amounts in millions)

4 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 16.

5 PROFIT BEFORE TAXATION

	Six months ended June 30	
	2005	2004
	RMB	RMB
Profit before taxation is arrived at after crediting and charging of the following items:		
Crediting		
Dividend income from available-for-sale investments	78	62
Reversal of impairment of receivables	169	274
Reversal of impairment of available-for-sale investments	1	4
Reversal of write down in inventories	87	122
Charging		
Amortisation on intangible and other assets	319	384
Cost of inventories (approximates cost of goods sold) recognised as expense	124,200	79,056
Depreciation on property, plant and equipment, including impairment provision		
- owned assets	24,543	24,063
- assets under finance leases	7	8
Impairment of available-for-sale investments	-	28
Impairment of receivables	2	1,027
Interest expense (Note (a))	1,185	1,413
Loss on disposal of property, plant and equipment	41	99
Operating lease expenses	2,525	1,855
Repair and maintenance	2,493	2,504
Research and development expenditure	1,043	906
Write down in inventories	16	126
Note (a) Interest expense		
Interest expense	1,586	1,760
Less: Amounts capitalized	(401)	(347)
	1,185	1,413

For the six months ended June 30, 2005 (Amounts in millions)

6 TAXATION

	Six months ended June 30	
	2005	2004
	RMB	RMB
Income tax	21,621	18,010
Deferred tax	1,625	(111)
	23,246	17,899

In accordance with the relevant PRC income tax rules and regulations, the PRC income tax rate applicable to the Group is principally 33% (2004: 33%). Operations of the Group in certain regions in China have qualified for certain tax incentives in the form of reduced income tax rate to 15% through the year 2010 or accelerated depreciation of certain plant and equipment.

The tax on the Group's profit before taxation 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	
	2005	2004
	RMB	RMB
Profit before taxation	85,467	63,909
Tax calculated at a tax rate of 33%	28,204	21,090
Prior year tax return adjustment	364	2
Effect of preferential tax rate	(4,946)	(2,668)
Income not subject to tax	(406)	(592)
Expenses not deductible for tax purposes	30	67
Tax charge	23,246	17,899

7 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the six months ended June 30, 2005 and 2004 have been computed by dividing the profit attributable to equity holders of the Company by the number of 175,824 million shares issued and outstanding for each of the period.

There are no dilutive potential ordinary shares.

8 DIVIDENDS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	Six months ended June 30	
	2005	2004
	RMB	RMB
Final dividend attributable to equity holders of the Company for 2003 (Note(i))	-	13,947
Final dividend attributable to equity holders of the Company for 2004 (Note (ii))	25,936	-
	25,936	13,947

For the six months ended June 30, 2005 (Amounts in millions)

(i) A final dividend attributable to equity holders of the Company in respect of 2003 of RMB 0.079324 per share amounting to a total of RMB 13,947 was paid on June 2, 2004, and was accounted for in equity as an appropriation of retained earnings in the six months ended June 30, 2004.

(ii) A final dividend attributable to equity holders of the Company in respect of 2004 of RMB 0.147511 per share amounting to a total of RMB 25,936 was paid on June 10, 2005, and was accounted for in equity as an appropriation of retained earnings in the six months ended June 30, 2005.

(iii) As authorised by shareholders in the Annual General Meeting on May 26, 2005, the Board of Directors, in a meeting held on August 24, 2005, resolved to distribute an interim dividend attributable to equity holders of the Company in respect of 2005 of RMB 0.157719 per share amounting to a total of RMB 27,731. These financial statements do not reflect this dividend payable, as it was not authorised until after the balance sheet date.

9 PROPERTY, PLANT AND EQUIPMENT

	RMB
Cost or valuation	
At January 1, 2005	774,180
Additions	31,592
Disposals and write off	(5,412)
At June 30, 2005	800,360
Accumulated depreciation	
At January 1, 2005	(304,475)
Charge for the period	(24,550)
Disposals and write off	122
At June 30, 2005	(328,903)
Net book value	
At June 30, 2005	471,457

	RMB
Cost or valuation	
At January 1, 2004	695,405
Additions	28,691
Disposals and write off	(6,600)
At June 30, 2004	717,496
Accumulated depreciation	
At January 1, 2004	(266,375)
Charge for the period	(24,071)
Disposals and write off	2,860
At June 30, 2004	(287,586)
Net book value	
At June 30, 2004	429,910

	RMB
Cost or valuation	
At July 1, 2004	717,496
Additions	66,823
Disposals and write off	(10,139)
At December 31, 2004	774,180
Accumulated depreciation	
At July 1, 2004	(287,586)
Charge for the period	(21,069)
Disposals and write off	4,180
At December 31, 2004	(304,475)
Net book value	
At December 31, 2004	469,705

For the six months ended June 30, 2005 (Amounts in millions)

The depreciation charge of the Group for the six months ended June 30, 2005 included RMB 1,725 (six months ended June 30, 2004: RMB 1,957) relating to impairment provision for property, plant and equipment held for use. Of this amount, RMB Nil (six months ended June 30, 2004: RMB 740) was related to the Chemicals and Marketing segment, RMB 975 (six months ended June 30, 2004: RMB 352) was for the Refining and Marketing segment and RMB 750 (six months ended June 30,2004: RMB 865) was for the Exploration and Production segment.

A valuation of the Group's property, plant and equipment, excluding oil and gas reserves, was carried out during 1999 by independent valuers. The valuation was based on depreciated replacement costs.

As at September 30, 2003, a revaluation of the Group's refining and chemical production equipment was undertaken by a firm of independent valuers, China United Assets Appraiser Co., Ltd, in the PRC on a depreciated replacement cost basis.

The June 1999 revaluation resulted in RMB 80,549 in excess of the prior carrying value and a revaluation loss of RMB 1,122 on certain property, plant and equipment.

The September 2003 revaluation resulted in RMB 872 in excess of the carrying value of certain property, plant and equipment immediately prior to the revaluation and a revaluation loss of RMB 1,257.

Bank borrowings are secured on property, plant and equipment at net book value of RMB 72 at June 30, 2005 (December 31, 2004: RMB 246).

10 INVENTORIES

	June 30, 2005	December 31, 2004
	RMB	RMB
Crude oil and other raw materials	20,228	14,072
Work in progress	5,322	5,418
Finished goods	27,442	27,570
Spare parts and consumables	43	59
	53,035	47,119
Less: Write down in inventories	(827)	(905)
	52,208	46,214

11 ACCOUNTS RECEIVABLE

	June 30, 2005	December 31, 2004
	RMB	RMB
Accounts receivable due from third parties	4,684	3,524
Accounts receivable due from related parties	4,788	3,962
Less: Impairment provision	(4,584)	(4,753)
	4,888	2,733

Amounts due from related parties are interest free, unsecured and repayable in accordance with no fixed terms of repayment.

For the six months ended June 30, 2005 (Amounts in millions)

The aging analysis of accounts receivable at June 30, 2005 is as follows:

	June 30, 2005	December 31, 2004
	RMB	RMB
Within 1 year	4,565	2,387
Between 1 to 2 years	96	64
Between 2 to 3 years	120	144
Over 3 years	4,691	4,891
	9,472	7,486

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

12 NOTES RECEIVABLE

Notes receivable represent mainly the bills of acceptance issued by banks for sale of goods and products. All notes receivable are due within one year.

13 INVESTMENTS IN COLLATERALIZED LOANS

Securities, in the form of loans collateralized by principally PRC government bonds, purchased by the Group are recorded as investments in collateralized loans. These securities have terms ranging from 3 days to 182 days. The difference between the purchase price and the amount that the Company can receive upon the maturity of these securities is treated as interest income and accrued over the life of these securities using the effective yield method. Investments in collateralized loans are accounted for as collateralized financing transactions and are recorded at their contractual amounts plus interest accrued. All investments in collateralized loans with maturities not greater than three months are included in cash and cash equivalents.

14 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2005	December 31, 2004
	RMB	RMB
Trade payables	9,206	7,090
Advances from customers	5,575	5,961
Salaries and welfare payable	6,780	5,898
Accrued expenses	2,547	7
Dividends payable by subsidiaries to minority shareholders	18	8
Interest payable	9	6
Construction fee and equipment cost payables	7,493	9,366
One-time employee housing remedial payment payable	1,647	1,740
Other payables	10,372	7,931
Amounts due to related parties	42,579	33,009
	86,226	71,016

For the six months ended June 30, 2005 (Amounts in millions)

Other payables consist primarily of customer deposits.

Amounts due to related parties are interest-free, unsecured and with no fixed terms of repayment.

The aging analysis of trade payables at June 30, 2005 is as follows:

	June 30, 2005	December 31, 2004
	RMB	RMB
Within 1 year	8,672	6,578
Between 1 to 2 years	117	143
Between 2 to 3 years	105	57
Over 3 years	312	312
	9,206	7,090

15 BORROWINGS

	June 30, 2005	December 31, 2004
	RMB	RMB
Short-term borrowings	28,303	28,093
Long-term borrowings	35,357	38,769
	63,660	66,862

The movements in the borrowings can be analysed as follows:

	RMB
Balance at January 1, 2005	66,862
Increase in borrowings	19,070
Repayments of borrowings	(22,272)
Balance at June 30, 2005	63,660

For the six months ended June 30, 2005 (Amounts in millions)

The long-term borrowings can be analysed as follows:

	June 30, 2005 RMB	December 31, 2004 RMB
Unsecured Loans	51,009	55,502
Secured loans	-	15
Obligations under finance leases	6	21
Current portion of long-term liabilities	(15,658)	(16,769)
	35,357	38,769
The analysis of the above is as follows:		
Bank loans		
- Wholly repayable within five years	22,419	26,735
- Not wholly repayable within five years	1,615	1,758
Other loans and obligations under finance leases		
- Wholly repayable within five years	20,543	20,590
- Not wholly repayable within five years	6,438	6,455
	51,015	55,538
Current portion of long-term liabilities	(15,658)	(16,769)
	35,357	38,769

Other loans and obligations under finance leases not wholly repayable within five years are repayable by installments through April 2032. Interest is charged on the outstanding balances at the rate of 1.55% to 6.32% per annum (December 31, 2004: 1.55% to 6.32% per annum).

At June 30, 2005, the Group's bank loans and other borrowings were repayable as follows:

	Bank loans		Other loans and obligations under finance leases	
	June 30, 2005 RMB	December 31, 2004 RMB	June 30, 2005 RMB	December 31, 2004 RMB
Within 1 year	4,625	8,747	11,033	8,022
Between 1 to 2 years	10,312	3,909	5,459	4,458
Between 2 to 5 years	8,165	14,764	4,211	8,271
After 5 years	932	1,073	6,278	6,294
	24,034	28,493	26,981	27,045

16 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 Marketing and Natural Gas and Pipeline.

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, transportation, storage and marketing of crude oil and petroleum products.

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

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

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 center, research and development, and other business services to the operating business segments of the Group.

Substantially 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. In addition to its operations in the PRC, the Group conducts exploration and production of crude oil and natural gas in Indonesia.

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, 2004 and 2005 is presented below:

For the six months ended June 30, 2005 (Amounts in millions)

Primary reporting format – business segments

Six months ended June 30, 2004	Exploration and Production	Refining and Marketing	Chemicals and Marketing	Natural Gas and Pipeline	Other	Total
	RMB	RMB	RMB	RMB	RMB	RMB
Turnover (including intersegment)	99,526	137,491	25,434	8,917	-	271,368
Less: Intersegment sales	(80,270)	(9,504)	(1,332)	(1,858)	-	(92,964)
Turnover from external customers	19,256	127,987	24,102	7,059	-	178,404
Depreciation, depletion and amortisation	(14,511)	(4,909)	(4,002)	(1,274)	(50)	(24,746)
Segment result	55,607	17,087	3,190	1,321	(406)	76,799
Other costs	(2,906)	(8,103)	(1,237)	(88)	(209)	(12,543)
Profit/(loss) from operations	52,701	8,984	1,953	1,233	(615)	64,256
Finance costs						(950)
Share of profit/(loss) of associates	86	(11)	20	8	500	603
Profit before taxation						63,909
Taxation						(17,899)
Profit for the period						46,010
Interest income (including intersegment)	1,019	266	165	20	2,483	3,953
Less: Intersegment interest income						(3,500)
Interest income from external entities						453
Interest expense (including intersegment)	(1,419)	(900)	(316)	(350)	(1,928)	(4,913)
Less: Intersegment interest expense						3,500
Interest expense to external entities						(1,413)
Segment assets	324,142	121,813	53,316	51,163	478,110	1,028,544
Elimination of intersegment balances						(465,753)
Investments in associates	1,267	1,939	252	88	2,673	6,219
Total assets						569,010
Segment capital expenditure						
- for property, plant and equipment	19,146	4,526	1,062	3,905	52	28,691
Segment liabilities	104,174	69,083	17,800	30,051	103,881	324,989
Other liabilities						30,400
Elimination of intersegment balances						(180,437)
Total liabilities						174,952

For the six months ended June 30, 2005 (Amounts in millions)

Primary reporting format – business segments (continued)

Six months ended June 30, 2005	Exploration and Production	Refining and Marketing	Chemicals and Marketing	Natural Gas and Pipeline	Other	Total
	RMB	RMB	RMB	RMB	RMB	RMB
Turnover (including intersegment)	143,895	200,883	37,035	11,874	-	393,687
Less: Intersegment sales	(121,484)	(15,098)	(2,125)	(2,491)	-	(141,198)
Turnover from external customers	22,411	185,785	34,910	9,383	-	252,489
Depreciation, depletion and amortisation	(16,073)	(5,135)	(2,452)	(2,083)	(48)	(25,791)
Segment result	87,205	2,959	6,736	1,666	(218)	98,348
Other costs	(2,512)	(8,908)	(980)	(188)	(223)	(12,811)
Profit/(loss) from operations	84,693	(5,949)	5,756	1,478	(441)	85,537
Finance costs						(568)
Share of profit of associates	105	46	18	28	301	498
Profit before taxation						85,467
Taxation						(23,246)
Profit for the period						62,221
Interest income (including intersegment)	1,533	384	78	62	2,829	4,886
Less: Intersegment interest income						(4,349)
Interest income from external entities						537
Interest expense (including intersegment)	(1,605)	(1,193)	(319)	(514)	(1,903)	(5,534)
Less: Intersegment interest expense						4,349
Interest expense to external entities						(1,185)
Segment assets	357,993	170,354	65,308	61,745	575,685	1,231,085
Elimination of intersegment balances						(582,461)
Investments in associates	1,455	2,941	274	218	2,197	7,085
Total assets						655,709
Segment capital expenditure						
- for property, plant and equipment	20,630	4,614	2,633	3,651	64	31,592
Segment liabilities	118,083	110,722	25,582	37,340	132,478	424,205
Other liabilities						35,652
Elimination of intersegment balances						(273,804)
Total liabilities						186,053

For the six months ended June 30, 2005 (Amounts in millions)

Note (a) – Intersegment sales are conducted principally at market price.

Note (b) – Segment result is profit from operations before other costs. Other costs include selling, general and administrative expenses and other net income.

Note (c) – Segment result for the six months ended June 30, 2004 and 2005 included impairment provision for property, plant and equipment (Note 9).

Note (d) – Other liabilities mainly include income tax payable, other taxes payable and deferred taxation.

Note (e) – Elimination of intersegment balances represents elimination of intersegment current accounts and investments.

Secondary reporting format – geographical segments

	Turnover		Total assets		Capital expenditure	
Six months ended June 30,	2005	2004	2005	2004	2005	2004
	RMB	RMB	RMB	RMB	RMB	RMB
PRC	251,853	177,896	651,945	565,359	31,285	28,291
Other	636	508	3,764	3,651	307	400
	252,489	178,404	655,709	569,010	31,592	28,691

17 CONTINGENT LIABILITIES

(a) Bank and other guarantees

At June 30, 2005, the Group had contingent liabilities in respect of guarantees made to China Petroleum Finance Company Limited ("CP Finance"), a subsidiary of CNPC, from which it is anticipated that no material liabilities will arise.

	June 30, 2005	December 31,2004
	RMB	RMB
Guarantee of borrowings of associates	211	203

(b) Environmental liabilities

CNPC and the Group have operated in China for many years. 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, except for the amounts which have already been reflected in the financial statements that will have a material adverse effect on the financial position of the Group.

(c) Legal contingencies

The Group is the named defendant in certain insignificant 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 material 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 in 1999 upon the formation of the Company, CNPC has undertaken to the Company the following:

• CNPC will 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 will 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 will 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.

As at June 30, 2005, CNPC has obtained formal land use right certificates in relation to 26,549 out of the above-mentioned 28,649 parcels of land, some building ownership certificates for the above-mentioned buildings, but 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 on future incidents cannot be reasonably assessed at present, management believes that it may have a material impact on the operating results but will not have a material adverse effect on the financial position of the Group.

(f) Other

In December 2003, a gas blow-out incident occurred at one of the gas wells of the Group. The blow-out caused the leakage of a large quantity of sulfurated hydrogen, causing injuries and death to many residents living in the surrounding area. As a result of an investigation conducted by the PRC government, CNPC, which provided drilling services for the well, was held liable for this blow-out. The incident has not had, and the Company does not believe it will have, a material adverse effect on the results of operations and financial position of the Group.

For the six months ended June 30, 2005 (Amounts in millions)

18 COMMITMENTS

(a) Operating lease commitments

Operating lease commitments of the Group are mainly for leasing of land and buildings and equipment. Leases range from one to fifty years and usually do not contain renewal options. Future minimum lease payments as of June 30, 2005 and December 31, 2004 under non-cancelable operating leases are as follows:

	June 30, 2005	December 31, 2004
	RMB	RMB
First year	2,798	2,701
Second year	2,501	2,473
Third year	2,501	2,452
Fourth year	2,416	2,434
Fifth year	2,348	2,356
Thereafter	81,752	83,035
	94,316	95,451

Operating lease expenses for land and buildings and equipment were RMB 2,525 for the six months ended June 30, 2005 (six months ended June 30, 2004 were RMB 1,855).

(b) Capital commitments

	June 30, 2005	December 31, 2004
	RMB	RMB
Contracted but not provided for		
Oil and gas properties	1,132	645
Plant and equipment	4,014	4,614
Other	54	111
	5,200	5,370

(c) Long-term natural gas supply commitments

The Group markets a portion of its natural gas production under long-term take-or-pay contracts. Under these contracts, the customers are required to take or pay, and the Group is obligated to deliver, minimum quantities of natural gas annually. The prices for the natural gas are based on those approved by the PRC State Development and Reform Commission at the time of deliveries.

For the six months ended June 30, 2005 (Amounts in millions)

At June 30, 2005 and December 31, 2004, future minimum delivery commitments under contracts are as follows:

	June 30, 2005	December 31, 2004
	Quantities (billion of cubic feet)	Quantities (billion of cubic feet)
2005	164	229
2006	443	443
2007	581	581
2008	637	637
2009	701	701
2010 and thereafter	6,111	6,111
	8,637	8,702

(d) 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 233 for the six months ended June 30, 2005 (six months ended June 30, 2004 were RMB 211).

Estimated annual payments in the future are as follows:

	RMB
2005	618
2006	681
2007	712
2008	712
2009	712

19 RELATED PARTY TRANSACTIONS

CNPC, the immediate parent of the Company, is a state-controlled enterprise directly controlled by the PRC government. The PRC government is the Company's ultimate controlling party. State-controlled enterprises and their subsidiaries, in addition to CNPC group companies, directly or indirectly controlled by the PRC government are also related parties of the Group. Neither CNPC nor the PRC government publishes financial statements available for public use.

The Group has extensive transactions with other members of the CNPC group. Because of the relationship, it is possible that the terms of the transactions between the Group and other members of the CNPC group are not the same as those that would result from transactions with other related parties or wholly unrelated parties.

As a result of the restructuring of CNPC to form the Company in 1999, 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.

For the six months ended June 30, 2005 (Amounts in millions)

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 Leasing Contract provides for the lease of an aggregate area of approximately 1,145 million square meters of land located throughout the PRC to business units of the Group 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. The Company also entered into a Supplemental Buildings Leasing Agreement with CNPC in September 2002 to lease an additional 404 buildings covering approximately 442,730 square meters at an annual rental of RMB 157. The Supplemental Buildings Leasing Agreement will expire at the same time as the Buildings Leasing Agreement.

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 its related parties during the periods and balances arising from related party transactions at the end of the periods indicated below:

(a) Bank deposits

	Notes	June 30, 2005	December 31, 2004
		RMB	RMB
Bank deposits balance at the end of the period			
CP Finance	(i)	5,261	1,782
State-controlled banks and other financial institutions		64,594	10,614
		69,855	12,396

	Notes	Six months ended June 30	
		2005	2004
		RMB	RMB
Interest income from bank deposits			
CP Finance	(i)	11	12
State-controlled banks and other financial institutions		236	93
		247	105

(i) CP Finance is a subsidiary of CNPC and a non-bank financial institution approved by the People's Bank of China. The deposits yield interest at prevailing saving deposit rates.

For the six months ended June 30, 2005 (Amounts in millions)

(b) Sales of goods and services

	Six months ended June 30	
	2005	**2004**
	RMB	**RMB**
Sales of goods		
Associates		
- Crude oil	453	410
- Refined Products	5,014	3,954
- Chemical Products	107	62
Fellow subsidiaries (CNPC Group)		
- Crude Oil	139	45
- Refined Products	3,967	2,404
- Chemical Products	1,781	1,253
- Natural Gas	426	367
- Other	96	158
Other state-Controlled enterprises		
- Crude Oil	18,090	15,123
- Refined Products	21,795	18,300
- Chemical Products	4,047	2,921
- Natural Gas	5,213	3,836
	61,128	48,833

Sales of goods to related parties are conducted at market prices.

	Six months ended June 30	
	2005	**2004**
	RMB	**RMB**
Sales of services		
Fellow subsidiaies (CNPC Group)	523	487
Other state-controlled enterprises	2,190	2,399
	2,713	2,886

Sales of services principally represent the provision of the services in connection with the transportation of crude oil and natural gas at market prices.

For the six months ended June 30, 2005 (Amounts in millions)

(c) Purchases of goods and services

	Notes	Six months end June 30	
		2005	2004
		RMB	RMB
Purchases of goods	(i)		
Associates		2,824	1,859
Other state-controlled enterprises		17,875	11,702
Purchases of services			
Associates		23	14
Fellow subsidiaies (CNPC Group)			
-Fees paid for construction and technical services	(ii)	19,554	17,343
-Exploration and development services	(iii)	13,799	12,542
-Other construction and technical services	(iv)	5,755	4,801
-Fees for production services	(v)	8,945	7,825
-Social services charges	(vi)	707	582
-Ancillary services charges	(vii)	915	899
-Commission expense and other charges	(viii)	724	380
Other state-controlled enterprises	(ix)	3,319	2,234
		54,886	42,838

(i) Purchases of goods principally represent the purchases of raw materials, spare parts and low cost consumables at market prices.

(ii) 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.

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

(iv) 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.

(v) The fees paid for production services comprise fees for the repair of machinery, supply of water, electricity and gas at the state-prescribed prices, provision of services such as communications, transportation, fire fighting, asset leasing, environmental protection and sanitation, maintenance of roads, manufacture of replacement parts and machinery at cost or market prices.

(vi) These represent expenditures for social welfare and support services which are charged at cost.

(vii) Ancillary services charges represent mainly fees for property management, the provision of training centers, guesthouses, canteens, public shower rooms, etc at market prices.

(viii) CNPC purchases materials on behalf of the Company and charges commission thereon. The commission is calculated at rates ranging from 1% to 5% of the goods purchased.

(ix) Purchases of services from other state-controlled enterprises principally represent the purchases of the construction and technical services at market prices.

For the six months ended June 30, 2005 (Amounts in millions)

(d) Purchases of assets

	Six months ended June 30	
	2005	2004
	RMB	RMB
Purchases of assets		
Associates	3	-
Fellow subsidiaries (CNPC Group)	1,395	1,672
Other state-controlled enterprises	3,605	2,184
	5,003	3,856

Purchases of assets principally represent the purchases of manufacturing equipments, office equipments, transportation equipments, etc at market prices.

(e) Period-end balances arising from sales/purchases of goods/services/assets

	June 30, 2005	December 31, 2004
	RMB	RMB
Accounts receivable from related parties at the end of the period		
Associates	745	15
Fellow subsidiaries (CNPC Group)	943	477
Other state-controlled enterprises	3,100	3,470
Less: Impairment provision		
Fellow subsidiaries (CNPC Group)	(416)	(399)
Other state-controlled enterprises	(1,366)	(1,451)
	3,006	2,112
Prepayment and other receivables from related parties at the end of the period		
Associates	1,386	538
Parent (CNPC)	3,407	3,385
Fellow subsidiaries (CNPC Group)	8,713	3,346
Other state-controlled enterprises	4,158	3,171
Less: Impairment provision		
Associates	(241)	(295)
Fellow subsidiaries (CNPC Group)	(16)	(20)
Other state-controlled enterprises	(370)	(365)
	17,037	9,760
Accounts payable and accrued liabilities to related parties at the end of the period		
Associates	735	570
Parent (CNPC)	2,558	2,681
Fellow subsidiaries (CNPC Group)	19,848	12,203
Other state-controlled enterprises	19,438	17,555
	42,579	33,009

For the six months ended June 30, 2005 (Amounts in millions)

	Six months ended June 30	
	2005	2004
	RMB	RMB
Impairment provision of accounts receivable from related parties charged to the profit and loss account		
Associates	-	(6)
Fellow subsidiaries (CNPC Group)	1	(9)
Other state-controlled enterprises	(58)	16
	(57)	1
Impairment provision of repayment and other receivables from related parties charged to the profit and loss account		
Associates	(4)	135
Fellow subsidiaries (CNPC Group)	-	(46)
Other state-controlled enterprises	(3)	(3)
	(7)	86

(f) Leases

	Notes	Six months ended June 30	
		2005	2004
		RMB	RMB
Advance operating lease payments paid to related parties	(i)		
Parent (CNPC)		131	126
Other state-controlled enterprises		11	7
		142	133
Other operating lease payments paid to related parties			
Parent (CNPC)	(ii)	1,116	1,124
Other state-controlled enterprises		5	5
		1,121	1,129

(i) Advance operating lease payments principally represent the advance payment paid for the long-term operating lease of land and gas stations at prices prescribed by local governments or market prices.

(ii) Other operating lease payments to CNPC principally represent the rental paid for the operating lease of land and bulidings at the prices prescribed in the Land Use Rights Leasing Contract, the Buildings Leasing Contract and Supplemental Buildings Leasing Agreement with CNPC.

For the six months ended June 30, 2005 (Amounts in millions)

	June 30, 2005 RMB	December 31, 2004 RMB
Operating lease payable to related parties		
Parent (CNPC)	78	52
Other state-controlled enterprises	37	33
	115	85

(g) Loans

	Six months ended June 30	
	2005	2004
Loans to related parties	RMB	RMB
Loans to associates:		
Beginning of the period	70	362
Loan advanced during period	-	90
Interest charged	2	12
Interest received	(2)	(12)
End of the period	70	452

The loans to related parties are mainly with interest rates at 5.26% per annum as of June 30, 2005, with maturities through 2005.

For the six months ended June 30, 2005 (Amounts in millions)

	Notes	Six months ended June 30	
		2005	2004
Loans from related parties		RMB	RMB
Loans from CP Finance:	(i)		
Beginning of the period		24,252	26,081
Loan received during period		3,000	6,450
Loan repayments paid		(3,183)	(8,350)
Interest charged		558	554
Interest paid		(558)	(554)
End of the period		24,069	24,181
Loans from state-controlled banks and other financial institutions:	(ii)		
Beginning of the period		36,562	38,341
Loan received during period		13,582	12,830
Loan repayments paid		(17,281)	(11,787)
Interest charged		839	683
Interest paid		(830)	(697)
End of the period		32,872	39,370
Loans from other related parties:	(iii)		
Beginning of the period		16	13
Loan repayments paid		(1)	-
Interest charged		-	1
Interest paid		-	(1)
End of the period		15	13

(i) The loans from CP Finance are mainly with interest rates ranging from 3.46% to 5.18% per annum as of June 30, 2005, with maturities through 2032;

(ii) The loans from state-controlled banks and other financial institutions are mainly with interest rates ranging from free to 8.66% per annum as of June 30, 2005, with maturities through 2038;

(iii) The loans from other related parties are mainly with interest rates ranging from free to 6.32% per annum as of June 30, 2005, with no fixed repayment term.

The secured loans from related parties amounts RMB 19 at June 30, 2005 (June 30, 2004: RMB 88).

The guaranteed loans amounts RMB 727 at June 30, 2005 (June 30, 2004: RMB 796) all these guaranteed loans are from non-related parties, long-term and guaranteed by CNPC.

For the six months ended June 30, 2005 (Amounts in millions)

(h) Key management compensation

	Six months ended June 30	
	2005	2004
	RMB'000	RMB'000
Fee for key management personnel	62	58
Salaries, allowances and other benefits	1,386	1,255
Pension costs-defined contribution plans	46	35
	1,494	1,348

As at June 30, 2005, none of the key management personnel has exercised the stock appreciation rights. The liability for the units awarded to key management personnel amounted to approximately RMB 207 (June 30, 2004: RMB 129) at June 30, 2005.

(i) Contingent liabilities

The Group has disclosed in Note 17 in respect of the contingent liabilities arising from the guarantees made for related parties.

20 EVENTS AFTER BALANCE SHEET DATE

On June 8, 2005, the Board of Directors of the Company approved entering into a purchase agreement whereby the Company will acquire a 50% ownership interest in Zhong You Kan Tan Kai Fa Company Limited ("Newco"). Currently Newco is 100% owned by China National Oil and Gas Exploration and Development Corporation ("CNODC", wholly-owned by CNPC) and one of its subsidiaries. The Company's investment in Newco is expected to be approximately RMB 20,741. Concurrent with the purchase agreement, the Company also agreed in a transfer agreement to sell its wholly-owned subsidiary, PetroChina International Limited, to Newco for a consideration of approximately RMB 579.

The purchase and transfer agreements have been approved by the shareholders of the Company at the extraordinary general meeting held on August 16, 2005. These agreements are still subject to the approval by relevant regulatory authorities.

Upon completion of the purchase and transfer agreements, each of CNODC and the Company will own a 50% interest in Newco. The Company will have the right to appoint four of the seven directors of Newco, which will enable the Company to maintain effective control over Newco. Its investment in Newco and the transfer of PetroChina International Limited to Newco will be accounted for in a manner similar to a uniting of interests since these transactions are among entities under common control by CNPC. The consolidated financial statements of the Company will be restated as if the operations of the Company and Newco had always been combined.

For the six months ended June 30, 2005 (Amounts in millions)

SIGNIFICANT DIFFERENCES BETWEEN IFRS AND US GAAP

The consolidated interim condensed financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) which differ in certain material respects from the accounting principles generally accepted in the United States of America (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 income of significant differences between IFRS and US GAAP is as follows:

	Six months ended June 30	
	2005	2004
	RMB	RMB
Profit for the period under IFRS	62,221	46,010
US GAAP adjustments:		
Depreciation charges on property, plant and equipment revaluation gain	3,436	4,391
Depreciation charges on property, plant and equipment revaluation loss	(127)	(465)
Loss on disposal of revalued property, plant and equipment	2	47
Income tax effect	(1,092)	(1,311)
Minority interests	(627)	(764)
Net income under US GAAP	63,813	47,908
Basic and diluted net income per share under US GAAP (RMB)	0.36	0.27

Effect on equity of significant differences between IFRS and US GAAP is as follows:

	June 30, 2005	December 31, 2004
	RMB	RMB
Equity under IFRS	469,656	434,391
US GAAP adjustments:		
Reversal of property, plant and equipment revaluation gain	(80,555)	(80,555)
Depreciation charges on property, plant and equipment revaluation gain	48,879	45,443
Reversal of property, plant and equipment revaluation loss	1,513	1,513
Depreciation charges on property, plant and equipment revaluation loss	(1,437)	(1,310)
Loss on disposal of revalued property, plant and equipment	1,316	1,314
Deferred tax assets on revaluation	9,999	11,091
Minority interests	(8,705)	(9,089)
Effect on the retained earnings from the one-time remedial payments for staff housing borne by the state shareholder of the Company	(2,553)	(2,553)
Effect on the other reserves of the shareholders' equity from the one-time remedial payments for staff housing borne by the state shareholder of the Company	2,553	2,553
Shareholders' equity under US GAAP	440,666	402,798

For the six months ended June 30, 2005 (Amounts in millions)

Changes in shareholders' equity under US GAAP for each of the periods ended June 30, 2005 and June 30, 2004 are as follows:

	Six months ended June 30	
	2005	2004
	RMB	RMB
Beginning of the period	402,798	329,126
Net profit for the period	63,813	47,908
Final dividend for year 2003	-	(13,947)
Final dividend for year 2004	(25,936)	-
Payment to CNPC for acquisition of refinery and petrochemical businesses (Note 2)	(9)	-
End of the period	440,666	363,087

In preparing the summary of differences between IFRS 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 realisability, 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 property, plant and equipment

The property, plant and equipment, 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. As at September 30, 2003, a revaluation of the Group's refining and chemical production equipment was undertaken by a firm of independent valuers registered in the PRC, China United Assets Appraiser Co., Ltd, on a depreciated replacement cost basis.

The June 1999 revaluation resulted in RMB 80,549 in excess of the prior carrying value and a revaluation loss of RMB 1,122 on certain property, plant and equipment.

The September 2003 revaluation resulted in RMB 872 in excess of the carrying value of certain property, plant and equipment immediately prior to the revaluation and a revaluation loss of RMB 1,257.

The depreciation charge, which includes impairment charge, on the revaluation surplus from January 1, 2005 to June 30, 2005 was RMB 3,436, and from January 1, 2004 to June 30, 2004 was RMB 4,391.

The depreciation charge, which includes impairment charge, on the revaluation loss from January 1, 2005 to June 30, 2005 was RMB 127, and from January 1, 2004 to June 30, 2004 was RMB 465.

The loss on disposal of revalued property, plant and equipment from January 1, 2005 to June 30, 2005 was RMB 2, and from January 1, 2004 to June 30, 2004 was RMB 47.

For purposes of reconciling to the US GAAP financial data, the effect of the revaluation, the related depreciation charges and loss on disposal is reversed. A deferred tax asset relating to the reversal of the effect of revaluation in 1999 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 in 1999 is available as additional depreciation base for purposes of determining taxable income.

(b) One-time remedial payments for staff housing

The Ministry of Finance of the PRC issued several public notices and regulations during the year ended December 31, 2000 and 2001 with respect to the one-time remedial payments for staff housing payable to certain employees who joined the workforce prior to December 31, 1998 and have housing conditions below local standards as determined in accordance with government regulations and guidelines. These Ministry of Finance notices and regulations also provided that the portion of remedial payments attributable to the periods prior to a restructuring of the employer enterprise from a wholly state-owned status to a less than wholly state-owned status is to be borne by the state shareholder of the enterprise.

The restructuring that resulted in the formation of the Group took place in November 1999. As such, the one-time remedial housing payments payable to the eligible employees of the Group are to be borne by the state shareholder of the Group.

Under IFRS, such direct payments to employees or reimbursements will not be recorded through the consolidated profit and loss account 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 profit and loss account. In the last quarter of year 2002, the Group and CNPC completed the process of estimating the amount payable to qualified employees of the Group. This amount, RMB 2,553, was reflected in determining net income of the Group for the year ended December 31, 2002, under US GAAP. Since this amount is borne by CNPC, a corresponding amount has been included as an addition to the other reserves in the shareholders' equity of the Group. There were no significant changes in this estimate during 2004 and the first half of 2005.

(c) Minority interests

In accordance with the revised IAS 1 and IAS 27, minority interests becomes part of the profit for the period and total equity of the Group, whereas under US GAAP, it is respectively excluded from the net income and shareholders' equity of the Group. In addition, this reconciling item also includes the impact of minority interests' share of the revaluation gain and loss, on the property, plant and equipment of non-wholly owned subsidiaries, to net income and shareholders' equity under US GAAP.

(d) Recent US accounting pronouncements

In December 2004, the FASB revised FAS No.123 (FAS 123(R)). FAS 123(R), "Share-based Payment", requires all share-based payments to employees, including grants of employee stock options, to be recognised in the financial statements based on their fair values. Pro forma disclosure is no longer an alternative to financial statement recognition. FAS 123(R) is effective as of the beginning of the company's first fiscal year that begins after June 15, 2005. The Group is evaluating the transition provisions allowed by FAS 123(R). The Group does not expect the adoption of FAS 123(R) to have a material impact on the Group's financial position or operational results.

On November 24, 2004, the FASB issued Statement No.151, "Inventory Costs", an amendment of ARB No. 43, Chapter 4 (FAS 151). FAS 151 requires that abnormal amounts of idle capacity and spoilage costs be excluded from the cost of inventory and expensed when incurred. The provisions of FAS 151 are applicable to inventory costs incurred during fiscal years beginning after June 15, 2005. The Group does not expect the adoption of FAS 151 to have a material impact on the Group's financial position or results of operation.

On December 15, 2004, the FASB issued Statement No.153, "Exchanges of Nonmonetary Assets", an amendment of APB Opinion No.29 (FAS 153). FAS 153 requires exchanges of productive assets to be accounted for at fair value, rather than at carryover basis, unless (1) neither the asset received nor the asset surrendered has a fair value that is determinable within reasonable limits or (2) the transactions lack commercial substance. FAS 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The Group does not expect the adoption of FAS 153 to have a material impact on the Group's financial position or results of operation.

In May 2005, the FASB issued FAS No.154, "Accounting Changes and Error Corrections" (FAS 154) which replaces APB Opinion No. 20 "Accounting Changes" and FAS No. 3, "Reporting Accounting Changes in Interim Financial Statements - An Amendment of APB Opinion No. 28". FAS 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes retrospective application, or the earliest date practicable, as the required method for reporting a change in accounting principle and the reporting of a correction of an error. FAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Group is currently evaluating the effect that the adoption of FAS 154 will have on its consolidated results of operations and financial condition but does not expect it to have a material impact.