



PetroChina Company Limited

## REPORT OF THE SUPERVISORY COMMITTEE

*Wang Fucheng*

*Chairman of the Supervisory Committee*

Dear Shareholders,

During the year 2005, the Supervisory Committee has carried out their duties conscientiously and in accordance with the relevant provisions of the Companies Law of the PRC, the Articles of Association of the Company and the Organization and Rules of Procedure of the Supervisory Committee. During the year, the Supervisory Committee held four meetings, considered and passed 10 resolutions, completed the review of the Company's 2004 annual report and 2005 interim report and the change of the members of the Supervisory Committee; attended the annual general meeting for the year 2004 and the first and second extraordinary general meetings for the year 2005 and submitted 3 resolutions to these extraordinary general meetings; attended 4 meetings of the Board of Directors of the Company and submitted five written opinions of the Supervisory Committee in respect of its review of the financial reports of the Company, the profit distribution plan (draft) and the assessment of the performance of the President's Work Team. The Supervisory Committee conducted 2 supervisory hearings, received 14 reports submitted by the Financial Controller, the Finance Department, Audit Department, Human Resources Department, Supervisory Department and PricewaterhouseCoopers Zhong Tian CPAs Co Ltd etc., and reviewed and issued relevant opinions on the Company's financial reports, profit distribution, connected transactions and the assessment of the performance of the President's Work Team. The Supervisory Committee completed 2 random financial auditing investigations, sampling 8 departments, prepared 10 reports and put forward 37 recommendations. The Supervisory Committee conducted 1 supervisory inspection tour and 1 investigation and analysis on a specific topic, prepared 2 reports and put forward 9 recommendations. Through the above activities, the Supervisory Committee has reinforced its supervision on the financial affairs of the Company and the performance of duties by the senior management. It has enhanced the effect of supervision and protected the rights of the shareholders as well as the interests of the Company.



The Supervisory Committee is of the opinion that in 2005, the Company has, with a view to achieving scientific development, organized steady production, operated positively and soundly, and strengthened micro management. Results of the Company in these areas were prominent. There was continuous growth in the exploration and production of oil and gas. The operating efficiency of the refining, chemicals and marketing businesses was further improved. The scale of the natural gas and pipeline segment and the international business of the Company have been enlarged steadily. The construction of key projects proceeded smoothly. There was a breakthrough in capital operation. Businesses were further integrated and optimized. There was significant improvement in the overall strength and value of the Company. None of the senior management of the Company was found by the Supervisory Committee to be in breach of any applicable laws and regulations of the PRC and the Company's places of listing and the Company's Articles of Association in the performance of their duties.

The Company's overall financial position was sound. The quality of the current assets of the Company was enhanced notably. The results of receivables management were remarkable and its inventories were controlled within a reasonable level. The quality and the profit-generating potential of the Company's fixed assets were improved. The amount of the Company's interest-bearing debts and interest expenses lowered from previous years. The Company's asset-debt ratio and the capital-debt ratio dropped continuously. Shareholders' equity increased steadily. All these were well reflected in the capital markets.

The Company's connected transactions continue to improve and are more regulated and all such transactions are carried out within the limits approved by the HKSE.

The Supervisory Committee is satisfied with the results achieved by the Company and is confident of the prospects of the Company.

The Supervisory Committee is of the opinion that the financial reports prepared by PricewaterhouseCoopers pursuant to the IFRS gives a true view of the Company's financial position, operating results and cash flow. The Supervisory Committee considers that the unqualified audit report issued by PricewaterhouseCoopers is objective and fair. The Supervisory Committee approves this report.

The Supervisory Committee hopes that the Company will fully implement the concept of scientific development and carry out various tasks soundly and effectively by applying the strategy of "resources, market orientation and internationalization". The Supervisory Committee also hopes that the Company

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will change the form of its economic growth, improve its innovative capability, accentuate its primary businesses, strengthen its capability for growth, improve the quality and efficiency of its operations and sales, stabilise its market supply, strengthen its management of safety and environment protection and establish a long-term effective mechanism for safety and environmental protection. It is also hoped that the Company will cultivate a corporate culture of harmony and advancement to enable the Company to achieve a sustainable, effective, relatively speedy and well-coordinated development.

In 2006, the Supervisory Committee will continue to fulfil its duties including the supervision and assessment of the truthfulness of the Company's financial information, the legal compliance of the Company's connected transactions, and the performance of duties by senior management personnel of the Company conscientiously and in compliance with the Companies Law and the Articles of Association of the Company.

By Order of the Supervisory Committee  
Wang Fucheng  
Chairman of the Supervisory Committee  
Beijing, the PRC  
March 20, 2006