PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended June 30, 2006 and June 30, 2005
(Amounts in millions except for per share data)

	Notes	Six months ended June 30 2006 RMB	2005 (Note 2) RMB
TURNOVER	4	326,545	260,618
OPERATING EXPENSES			
Purchases, services and other		(112,758)	(96,956)
Employee compensation costs		(16,993)	(13,052)
Exploration expenses, including exploratory dry holes		(8,750)	(8,729)
Depreciation, depletion and amortisation		(29,910)	(26,678)
Selling, general and administrative expenses		(19,104)	(14,902)
Taxes other than income taxes	5	(24,259)	(11,253)
Other income, net		522	919
TOTAL OPERATING EXPENSES		(211,252)	(170,651)
PROFIT FROM OPERATIONS		115,293	89,967
FINANCE COSTS			
Exchange gain		830	231
Exchange loss		(798)	(213)
Interest income		959	709
Interest expense		(1,848)	(1,526)
TOTAL FINANCE COSTS		(857)	(799)
SHARE OF PROFIT OF ASSOCIATES		1,482	1,001
PROFIT BEFORE TAXATION	6	115,918	90,169
TAXATION	7	(30,675)	(25,229)
PROFIT FOR THE PERIOD		85,243	64,940
ATTRIBUTABLE TO:			
Equity holders of the Company		80,681	62,363
Minority interest		4,562	2,577
		85,243	64,940
BASIC AND DILUTED EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY DURING THE PERIOD	8	0.45	0.35
DIVIDENDS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY:			
Interim dividends proposed after the balance sheet date	9	36,307	27,731

The accompanying notes are an integral part of these financial statements

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED BALANCE SHEET
As of June 30, 2006 and December 31, 2005
(Amounts in millions)

	Notes	June 30, 2006 RMB	December 31, 2005 (Note 2) RMB
NON CURRENT ASSETS			
Property, plant and equipment	10	578,894	563,890
Investments in associates		12,153	12,378
Available-for-sale investments		1,963	1,230
Advance operating lease payments		17,674	16,235
Intangible and other assets		5,080	5,011
Time deposits with maturities over one year		2,990	3,428
		618,754	602,172
CURRENT ASSETS			
Inventories	11	80,824	62,733
Accounts receivable	12	10,531	4,630
Prepaid expenses and other current assets		32,548	22,673
Notes receivable	13	4,058	3,028
Investments in collateralised loans	14	-	235
Time deposits with maturities over three months but within one year		3,881	1,691
Cash and cash equivalents		92,630	80,905
TOTAL CURRENT ASSETS		224,472	175,895
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	15	112,373	99,758
Income tax payable		13,317	20,567
Other taxes payable		16,848	4,824
Short-term borrowings	16	34,004	28,689
		176,542	153,838
NET CURRENT ASSETS		47,930	22,057
TOTAL ASSETS LESS CURRENT LIABILITIES		666,684	624,229
EQUITY			
Equity attributable to equity holders of the Company			
Share capital			
-State-owned shares of RMB 1.00 each		157,922	157,922
-H shares of RMB 1.00 each		21,099	21,099
		179,021	179,021
Retained earnings		252,211	203,812
Reserves		130,817	132,556
		562,049	515,389
Minority interest		30,072	28,278
TOTAL EQUITY		592,121	543,667
NON CURRENT LIABILITIES			
Long-term borrowings	16	35,804	44,570
Other long-term obligations		948	1,046
Asset retirement obligations	17	14,690	14,187
Deferred taxation		23,121	20,759
		74,563	80,562
		666,684	624,229

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, 2006 and June 30, 2005

(Amounts in millions)

	Notes	Six months ended June 30 2006 RMB	2005 (Note 2) RMB
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		85,243	64,940
Adjustments for:			
Taxation	7	30,675	25,229
Depreciation, depletion and amortisation		29,910	26,678
Dry hole costs		4,430	5,130
Share of profit of associates		(1,482)	(1,001)
Impairment of receivables, net	6	(55)	(247)
Write down in inventories, net	6	(80)	(72)
Impairment of available-for-sale investments, net	6	1	(1)
Loss on disposal of property, plant and equipment	6	185	41
Loss on disposal of intangible assets		1	-
Gain on disposal of associates		(18)	-
Loss on disposal of available-for-sale investments		4	2
Dividends income	6	(173)	(88)
Interest income		(959)	(709)
Interest expense		1,848	1,526
Advance payments on long-term operating leases		(2,080)	(1,557)
Changes in working capital:			
Accounts receivable, prepaid expenses and other current assets		(15,800)	(19,093)
Inventories		(17,862)	(5,701)
Accounts payable and accrued liabilities		23,517	32,090
CASH GENERATED FROM OPERATIONS		137,305	127,167
Interest received		934	709
Interest paid		(1,851)	(1,810)
Income taxes paid		(35,563)	(27,899)
NET CASH PROVIDED BY OPERATING ACTIVITIES		100,825	98,167

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, 2006 and June 30, 2005
(Amounts in millions)

		Six months ended June 30	
	Notes	2006	2005 (Note2)
		RMB	RMB
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures		(45,574)	(36,821)
Acquisition of associates		(1,085)	(494)
Acquisition of available-for-sale investments		(59)	(583)
Acquisition of investments in collateralised loans with maturities over three months		-	(433)
Acquisition of intangible assets		(318)	(252)
Acquisition of other non-current assets		(387)	(127)
Proceeds from investments in collateralised loans with maturities over three months		-	5,620
Repayment of capital by associates		83	77
Purchase from minority interest of subsidiaries	18	(4,574)	-
Return capital to minority interest due to liquidation of subsidiaries		-	(848)
Proceeds from disposal of property, plant and equipment		100	171
Proceeds from disposal of associates		69	1,081
Proceeds from disposal of available-for-sale investments		3	53
Proceeds from disposal of intangible and other non-current assets		2	22
Net proceeds of investments in collateralised loans with maturities not greater than three months		235	27,388
Dividends received		1,283	553
Increase in time deposits with maturities over three months		(1,752)	(827)
NET CASH USED FOR INVESTING ACTIVITIES		(51,974)	(5,430)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of short-term borrowings		(13,109)	(18,930)
Repayments of long-term borrowings		(14,007)	(9,707)
Principal payment on finance lease obligations		-	(15)
Dividends paid to minority interest		(1,493)	(411)
Dividends paid to equity holders of the Company	9	(32,282)	(25,936)
Capital contribution from minority interest		63	90
Increase in short-term borrowings		13,541	15,820
Increase in long-term borrowings		10,094	7,727
Change in other long-term obligations		(98)	(1,662)
NET CASH USED FOR FINANCING ACTIVITIES		(37,291)	(33,024)
CURRENCY TRANSLATION DIFFERENCES		165	(119)
Increase in cash and cash equivalents		11,725	59,594
Cash and cash equivalents at beginning of period		80,905	11,688
Cash and cash equivalents at end of period		92,630	71,282

The accompanying notes are an integral part of these financial statements

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2006 and June 30, 2005
(Amounts in millions)

	Attributable to equity holders of the Company				Minority Interest	Total Equity
	Share Capital	Retained Earnings	Reserves	Subtotal		
	RMB	RMB	RMB	RMB	RMB	RMB
Balance at January 1, 2005 (Note 2)	175,824	143,115	108,834	427,773	15,199	442,972
Currency translation differences	-	-	(140)	(140)	(281)	(421)
Net loss recognised directly in equity	-	-	(140)	(140)	(281)	(421)
Profit from January 1 to June 30, 2005	-	62,363	-	62,363	2,577	64,940
Total recognised income/(loss) from January 1 to June 30, 2005	-	62,363	(140)	62,223	2,296	64,519
Final dividends for 2004 (Note 9)	-	(25,936)	-	(25,936)	-	(25,936)
Dividends to minority interest	-	-	-	-	(418)	(418)
Return capital to minority interest due to liquidation of subsidiaries	-	-	-	-	(848)	(848)
Payment to CNPC for the acquisition of refinery and petrochemical businesses	-	-	(9)	(9)	-	(9)
Capital contribution to CNPC Exploration and Development Company Limited (Note 2)	-	-	25	25	25	50
Other movement of minority interest	-	-	-	-	91	91
Balance at June 30, 2005	175,824	179,542	108,710	464,076	16,345	480,421
Balance at January 1, 2006	179,021	203,812	132,556	515,389	28,278	543,667
Currency translation differences	-	-	439	439	924	1,363
Net income recognised directly in equity	-	-	439	439	924	1,363
Profit from January 1 to June 30, 2006	-	80,681	-	80,681	4,562	85,243
Total recognised income from January 1 to June 30, 2006	-	80,681	439	81,120	5,486	86,606
Final dividends for 2005 (Note 9)	-	(32,282)	-	(32,282)	-	(32,282)
Dividends to minority interest	-	-	-	-	(1,426)	(1,426)
Purchase from minority interest of subsidiaries (Note 18)	-	-	(2,178)	(2,178)	(2,396)	(4,574)
Other movement of minority interest	-	-	-	-	130	130
Balance at June 30, 2006	179,021	252,211	130,817	562,049	30,072	592,121

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.

In September 2005, the Company issued 3,196,801,818 new H shares at HK$ 6.00 per share and net proceed to the Company was approximately RMB 19,692. CNPC also sold 319, 680,182 state-owned shares it held concurrently with PetroChina's sale of new H shares in September 2005.

2 ACCOUNTING POLICIES

The consolidated interim condensed financial statements have been prepared in accordance with International Accounting Standard ("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, 2005 except for the ones modified by the Company as a result of the adoption of the new or revised International Financial Reporting Standards ("IFRS").

In 2006, the Group adopted the following new standards, amendments to standards and interpretations which are relevant to its operations and mandatory for financial year ending December 31, 2006. The adoption of these new and revised IFRS did not result in substantial changes to the Group's accounting policies. In summary:

-- International Financial Reporting Interpretations Committee ("IFRIC") Interpretation 4, Determining whether an Arrangement contains a Lease, effective for annual periods beginning on or after January 1, 2006.

-- IFRIC Interpretaion 8, Scope of IFRS 2, effective for annual periods beginning on or after May 1, 2006.

-- IAS 39 and IFRS 4 (Amendments), Financial Guarantee Contracts, effective for annual periods beginning on or after January 1, 2006.

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, 2005. The consolidated interim condensed financial statements as of June 30, 2006 and for the six-month periods ended June 30, 2006 and June 30, 2005 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, 2006 are not necessarily indicative of the results of operations expected for the year ending December 31, 2006.

For the six months ended June 30, 2006 (Amounts in millions)

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, 2006 is 26% (six months ended June 30, 2005: 28%).

In August 2005 the shareholders of the Company approved the acquisition and transfer agreements relating to the Company's acquisition of a 50% ownership interest in Zhong You Kan Tan Kai Fa Company Limited (CNPC Exploration and Development Company Limited ("CNPC E&D")). CNPC E&D was formed in 2005 and was wholly owned by China National Oil and Gas Exploration and Development Corporation ("CNODC", wholly owned by CNPC) and one of its subsidiaries. Under the terms of the related agreements, CNODC transferred certain oil and gas exploration operations into CNPC E&D and the Company contributed to CNPC E&D its wholly-owned subsidiary, PetroChina International Limited ("PTRI"), and cash amounting to approximately RMB 20,162, which is the difference between the cash contribution of RMB 20,741 payable by the Company according to the acquisition agreement and cash consideration of RMB 579 for PTRI receivable by the Company.

The terms of the agreements grant the Company the right to appoint four of the seven directors of CNPC E&D and enable the Company to maintain effective control over CNPC E&D.

The investment in CNPC E&D and related transactions have been accounted for in a manner similar to uniting of interests as all entities involved are under common control by CNPC. The consolidated financial statements of the Company have been restated as if the operations of the Company and CNPC E&D have always been combined. The payment was made directly to CNPC E&D, therefore the difference between RMB 20,162 paid and the net assets of RMB 35,551 at the effective date acquired (including RMB 20,162 contributed by the Company and RMB 50 for the contributed paid-in capital by CNODC and its subsidiary) has been adjusted against equity.

The summarised results of operations for the separate entities and on a consolidated basis for the six months ended June 30, 2005, are set out below:

	PetroChina (As previously reported)	CNPC E&D	Consolidated
	RMB	RMB	RMB
Results of operations:			
Turnover	252,489	8,129	260,618
Profit for the period	62,221	2,719	64,940
Basic and diluted earnings per share for profit attributable to the equity holders of the Company (RMB)	0.35	0.00	0.35
Equity items:			
Currency translation differences	-	(421)	(421)
Dividends to minority interest	(214)	(204)	(418)
Other movement of minority interest	51	40	91

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 causes 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 significant management estimates and judgements such as future prices of crude oil, refined products and chemical products and production profile. 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.

(c) Estimation of asset retirement obligations

Provisions are recognised for the future decommissioning and restoration of oil and gas properties. The amounts of the provisions recognised are the present values of the estimated future expenditures. The estimation of the future expenditures is based on current local conditions and requirements, including legal requirements, technology, price level, etc.. In addition to these factors, the present values of these estimated future expenditures are also impacted by the estimation of the economic life of oil and gas properties. Changes in any of these estimates will impact the net income and the financial position of the Group over the remaining economic life of oil and gas properties.

For the six months ended June 30, 2006 (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 19.

5 TAXES OTHER THAN INCOME TAXES

Taxes other than income taxes include RMB 10,289 for the six months ended June 30, 2006 (Six months ended June 30, 2005: RMB Nil) of special levy which is payable on the portion of income realised by petroleum exploration enterprises from the domestic sales of crude oil at prices higher than a specific level. This levy is introduced by the PRC government and was effective from March 26, 2006.

6 PROFIT BEFORE TAXATION

	Six months ended June 30	
	2006	**2005**
	RMB	**RMB**
Profit before taxation is arrived at after crediting and charging of the following items:		
Crediting		
Dividends income from available-for-sale investments	173	88
Reversal of impairment of receivables	108	249
Reversal of impairment of available-for-sale investments	1	1
Reversal of write down in inventories	136	88
Charging		
Amortisation on intangible and other assets	589	328
Cost of inventories (approximates cost of goods sold) recognised as expense	146,273	126,623
Depreciation on property, plant and equipment, including impairment provision		
- owned assets	28,677	25,420
- assets under finance leases	3	7
Impairment of available-for-sale investments	2	-
Impairment of receivables	53	2
Interest expense (Note (a))	1,848	1,526
Loss on disposal of property, plant and equipment	185	41
Operating lease expenses	2,429	2,528
Repair and maintenance	2,978	2,496
Research and development expenditure	2,024	1,043
Write down in inventories	56	16
Note (a) Interest expense		
Interest expense	2,252	1,927
Less: Amounts capitalised	(404)	(401)
	1,848	1,526

For the six months ended June 30, 2006 (Amounts in millions)

7 TAXATION

	Six months ended June 30	
	2006	2005
	RMB	RMB
Income tax	28,682	23,746
Deferred tax	1,993	1,483
	30,675	25,229

In accordance with the relevant PRC income tax rules and regulations, the PRC income tax rate applicable to the Group is principally 33% (2005: 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	
	2006	2005
	RMB	RMB
Profit before taxation	115,918	90,169
Tax calculated at a tax rate of 33%	38,253	29,756
Prior year tax return adjustment	243	364
Effect of preferential tax rate	(7,319)	(4,946)
Tax effect of income not subject to tax	(983)	(406)
Tax effect of expenses not deductible for tax purposes	481	461
Tax charge	30,675	25,229

For the six months ended June 30, 2006 (Amounts in millions)

8 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the six months ended June 30, 2006 have been computed by dividing the profit attributable to equity holders of the Company by the number of 179,021 million shares issued and outstanding for the period.

Basic and diluted earnings per share for the six months ended June 30, 2005 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 the period.

There are no dilutive potential ordinary shares.

9 DIVIDENDS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

	Six months ended June 30	
	2006	2005
	RMB	RMB
Final dividends attributable to equity holders of the Company for 2004 (Note (i))	-	25,936
Final dividends attributable to equity holders of the Company for 2005 (Note (ii))	32,282	-
	32,282	25,936

(i) 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.

(ii) A final dividend attributable to equity holders of the Company in respect of 2005 of RMB 0.180325 per share amounting to a total of RMB 32,282 was paid on June 9, 2006, and was accounted for in equity as an appropriation of retained earnings in the six months ended June 30, 2006.

(iii) As authorised by shareholders in the Annual General Meeting on May 26, 2006, the Board of Directors, in a meeting held on August 23, 2006, resolved to distribute an interim dividend attributable to equity holders of the Company in respect of 2006 of RMB 0.202806 per share amounting to a total of RMB 36,307. These financial statements do not reflect this dividends payable, as it was not authorised until after the balance sheet date.

For the six months ended June 30, 2006 (Amounts in millions)

10 PROPERTY, PLANT AND EQUIPMENT

	RMB
Cost or valuation	
At January 1, 2006	921,606
Additions	47,263
Disposals or write off	(6,115)
Currency translation differences	1,938
At June 30, 2006	964,692
Accumulated depreciation	
At January 1, 2006	(357,716)
Charge for the period	(28,680)
Disposals or write off	1,370
Currency translation differences	(772)
At June 30, 2006	(385,798)
Net book value	
At June 30, 2006	578,894

	RMB
Cost or valuation	
At January 1, 2005	799,480
Additions	33,389
Disposals or write off	(5,736)
Currency translation differences	(557)
At June 30, 2005	826,576
Accumulated depreciation	
At January 1, 2005	(313,868)
Charge for the period	(25,427)
Disposals or write off	340
Currency translation differences	217
At June 30, 2005	(338,738)
Net book value	
At June 30, 2005	487,838

	RMB
Cost or valuation	
At July 1, 2005	826,576
Additions	104,670
Disposals or write off	(9,328)
Currency translation differences	(312)
At December 31, 2005	921,606
Accumulated depreciation	
At July 1, 2005	(338,738)
Charge for the period	(23,784)
Disposals or write off	4,702
Currency translation differences	104
At December 31, 2005	(357,716)
Net book value	
At December 31, 2005	563,890

For the six months ended June 30, 2006 (Amounts in millions)

The depreciation charge of the Group for the six months ended June 30, 2006 included RMB 1,535 (six months ended June 30, 2005: RMB 1,725) relating to impairment of property, plant and equipment to be disposed. Of this amount, RMB 1,535 (six months ended June 30, 2005: RMB 975) was for the Refining and Marketing segment and RMB Nil (six months ended June 30, 2005: RMB 750) 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.

As at March 31, 2006, a revaluation of the Group's oil and gas properties was undertaken by independent valuers, China United Assets Appraisal Co., Ltd and China Enterprise Appraisals, on a depreciated replacement cost basis. The revaluation result was substantially in line with the carrying value of the oil and gas properties, no adjustment was made to the carrying value of the oil and gas properties.

Bank borrowings are secured on property, plant and equipment at net book value of RMB 66 at June 30, 2006 (December 31, 2005: RMB 75).

11 INVENTORIES

	June 30, 2006	December 31, 2005
	RMB	**RMB**
Crude oil and other raw materials	33,559	22,396
Work in progress	7,079	5,933
Finished goods	40,833	35,131
Spare parts and consumables	42	43
	81,513	63,503
Less: Write down in inventories	(689)	(770)
	80,824	62,733

For the six months ended June 30, 2006 (Amounts in millions)

12 ACCOUNTS RECEIVABLE

	June 30, 2006	December 31, 2005
	RMB	RMB
Accounts receivable due from third parties	11,701	6,483
Accounts receivable due from related parties	2,738	2,145
Less: Impairment provision	(3,908)	(3,998)
	10,531	4,630

Amounts due from related parties are interest free and unsecured.

The aging analysis of accounts receivable at June 30, 2006 is as follows:

	June 30, 2006	December 31, 2005
	RMB	RMB
Within 1 year	10,233	4,280
Between 1 to 2 years	82	70
Between 2 to 3 years	68	46
Over 3 years	4,056	4,232
	14,439	8,628

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

13 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.

14 INVESTMENTS IN COLLATERALISED LOANS

Securities, in the form of loans collateralised by principally PRC government bonds, purchased by the Group are recorded as investments in collateralised 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 collateralised loans are accounted for as collateralised financing transactions and are recorded at their contractual amounts plus interest accrued.

For the six months ended June 30, 2006 (Amounts in millions)

15 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2006	December 31, 2005
	RMB	RMB
Trade payables	16,087	13,749
Advances from customers	9,169	7,698
Salaries and welfare payable	8,545	7,353
Accrued expenses	6,874	4
Dividends payable by subsidiaries to minority shareholders	26	93
Interest payable	1	27
Construction fee and equipment cost payables	17,337	16,420
One-time employee housing remedial payment payable	1,102	1,174
Amounts due to related parties	40,945	41,082
Other payables	12,287	12,158
	112,373	99,758

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, 2006 is as follows:

	June 30, 2006	December 31, 2005
	RMB	RMB
Within 1 year	14,860	12,876
Between 1 to 2 years	749	434
Between 2 to 3 years	85	85
Over 3 years	393	354
	16,087	13,749

For the six months ended June 30, 2006 (Amounts in millions)

16 BORROWINGS

	June 30, 2006	December 31, 2005
	RMB	RMB
Short-term borrowings	34,004	28,689
Long-term borrowings	35,804	44,570
	69,808	73,259

The movements in the borrowings can be analysed as follows:

	RMB
Balance at January 1, 2006	73,259
Increase in borrowings	24,237
Repayments of borrowings	(27,688)
Balance at June 30, 2006	69,808

The long-term borrowings can be analysed as follows:

	June 30, 2006	December 31, 2005
	RMB	RMB
Unsecured Loans	55,341	58,821
Secured loans	651	1,074
Current portion of long-term borrowings	(20,188)	(15,325)
	35,804	44,570
The long-term borrowings can be further analysed as follows:		
Bank loans		
- Wholly repayable within five years	23,006	26,268
- Not wholly repayable within five years	1,869	1,313
Loans other than bank loans		
- Wholly repayable within five years	20,461	21,501
- Not wholly repayable within five years	10,656	10,813
	55,992	59,895
Current portion of long-term borrowings	(20,188)	(15,325)
	35,804	44,570

Loans other than bank loans not wholly repayable within five years are repayable by installments through April 2032. Interest is charged on the outstanding balances at rates ranging from 1.55% to 9.50% per annum (December 31, 2005: 1.55% to 9.50% per annum).

PETROCHINA COMPANY LIMITED
NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
For the six months ended June 30, 2006 (Amounts in millions)

At June 30, 2006, the Group's long-term borrowings were repayable as follows:

	Bank loans		Loans other than bank loans	
	June 30, 2006	December 31, 2005	June 30, 2006	December 31, 2005
	RMB	RMB	RMB	RMB
Within 1 year	11,640	5,378	8,548	9,947
Between 1 to 2 years	7,332	11,009	2,649	7,364
Between 2 to 5 years	4,701	10,417	9,423	4,525
After 5 years	1,202	777	10,497	10,478
	24,875	27,581	31,117	32,314

17 ASSET RETIREMENT OBLIGATIONS

	RMB
At January 1, 2006	14,187
Liabilities incurred	11
Accretion expense	380
Currency translation differences	112
At June 30, 2006	14,690

	RMB
At January 1, 2005	919
Liabilities incurred	14
Accretion expense	31
Currency translation differences	(37)
At June 30, 2005	927

	RMB
At July 1, 2005	927
Liabilities incurred	13,244
Liabilities settled	(1)
Accretion expense	29
Currency translation differences	(12)
At December 31, 2005	14,187

For the six months ended June 30, 2006 (Amounts in millions)

18 SUBSIDIARIES

Principal subsidiaries are:

Company Name	Country of Incorporation	Paid-up Capital RMB	Type of Legal Entity	Attributable Equity Interest%	Principal Activities
*Daqing Oilfield Company Limited	PRC	47,500	Φ	100.00	Exploration, production and the sale of crude oil and natural gas; production and sale of refined products
*Jinzhou Petrochemical Company Limited (i)	PRC	788	Ψ	98.92	Production and sale of oil and chemical products
*Jilin Chemical Industrial Company Limited (ii)	PRC	3,561	Ψ	98.89	Production and sale of chemical products
Daqing Yu Shu Lin Oilfield Company Limited	PRC	1,272	Φ	88.16	Exploration and production of crude oil and natural gas
*Liaohe Jinma Oilfield Company Limited (iii)	PRC	1,100	Ψ	99.49	Exploration, production, transportation and sale of crude oil and natural gas
*CNPC Exploration and Development Company Limited	PRC	100	Φ	50.00	Exploration and production of crude oil and natural gas outside of the PRC

Φ -- Limited liability company.

Ψ -- Joint stock company with limited liability.

* -- Subsidiaries directly held by the Company as of June 30, 2006.

(i) Pursuant to the resolution passed at the Board of Directors' meeting held on October 26, 2005, the Company offered to acquire all of the 150,000,000 outstanding A shares of Jinzhou Petrochemical Company Limited ("JPCL") from minority shareholders at RMB 4.25 per share. As at June 30, 2006, the Company had paid a total cash consideration of RMB 602 and acquired 141,497,463 A shares, representing approximately 17.97% of the total issued shares of JPCL. Upon this acquisition, the Company owns 98.92% of the outstanding shares of JPCL. The excess of the cost of purchase over the carrying value of the underlying assets and liabilities acquired was recorded in equity. As approved by China Securities Regulatory Commission, JPCL was delisted from the Shenzhen Stock Exchange on January 4, 2006.

PETROCHINA COMPANY LIMITED
NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
For the six months ended June 30, 2006 (Amounts in millions)

(ii) Pursuant to the resolution passed by the Board of Directors' meeting held on October 26, 2005, the Company offered to acquire all the 200,000,000 outstanding A shares and 964,778,000 H shares (including ADS) of Jilin Chemical Industrial Company Limited ("JCIC") from minority shareholders at RMB 5.25 per A share and HK$2.80 per H share respectively. As at June 30, 2006, the Company had paid a total cash consideration of RMB 3,719 and acquired 186,623,617 A shares and 938,751,999 H shares (including ADS), representing approximately 31.60% of the total issued shares of JCIC. Upon this acquisition, the Company owns 98.89% of the outstanding shares of JCIC. The excess of the cost of purchase over the carrying value of the underlying assets and liabilities acquired was recorded in equity. JCIC was delisted from the Stock Exchange of Hong Kong Limited and the New York Stock Exchange on January 23, 2006 and February 15, 2006, respectively. As approved by China Securities Regulatory Commission, JCIC was delisted from the Shenzhen Stock Exchange on February 20, 2006.

(iii) Pursuant to the resolution passed by the Board of Directors' meeting held on October 26, 2005, the Company offered to acquire all of the 200,000,000 outstanding A shares of Liaohe Jinma Oilfield Company Limited ("LJOCL") from minority shareholders at RMB 8.80 per share. As at June 30, 2006, the Company had paid a total cash consideration of RMB 1,713 and acquired 194,360,943 A shares, representing approximately 17.67% of the total issued shares of LJOCL. Upon this acquisition, the Company owns 99.49% of the outstanding shares of LJOCL. The excess of the cost of purchase over the carrying value of the underlying assets and liabilities acquired was recorded in equity. As approved by China Securities Regulatory Commission, LJOCL was delisted from the Shenzhen Stock Exchange on January 4, 2006.

(iv) The acquisitions of interest from minority shareholders of the above non-wholly owned principal subsidiaries and another non-wholly owned subsidiary in the six months ended June 30, 2006 resulted in a total adjustment to equity of RMB 2,178.

19 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.

Most 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 also has overseas operations through subsidiaries engaging in the exploration and production of crude oil and natural gas.

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

For the six months ended June 30, 2006 (Amounts in millions)

Operating segment information for the six months ended June 30, 2005 and 2006 is presented below:

Primary reporting format – business segments

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(incuding intersegment)	152,024	200,883	37,035	11,874	-	401,816
Less: Intersegment sales	(121,484)	(15,098)	(2,125)	(2,491)	-	(141,198)
Turnover from external customers	30,540	185,785	34,910	9,383	-	260,618
Depreciation, depletion and amortisation	(16,960)	(5,135)	(2,452)	(2,083)	(48)	(26,678)
Segment result	92,807	2,959	6,736	1,666	(218)	103,950
Other costs	(3,684)	(8,908)	(980)	(188)	(223)	(13,983)
Profit/(loss) from operations	89,123	(5,949)	5,756	1,478	(441)	89,967
Finance costs						(799)
Share of profit of associates	608	46	18	28	301	1,001
Profit before taxation						90,169
Taxation						(25,229)
Profit for the period						64,940
Interest income (including intersegment)	1,705	384	78	62	2,829	5,058
Less: Intersegment interest income						(4,349)
Interest income from external entities						709
Interest expense (including intersegment)	(1,946)	(1,193)	(319)	(514)	(1,903)	(5,875)
Less: Intersegment interest expense						4,349
Interest expense to external entities						(1,526)
Segment assets	393,893	170,354	65,308	61,745	575,685	1,266,985
Elimination of intersegment balances						(582,461)
Investments in associates	4,302	2,941	274	218	2,197	9,932
Total assets						694,456
Segment capital expenditure						
- for property, plant and equipment	22,413	4,614	2,633	3,651	64	33,375
Segment liabilities	141,723	110,722	25,582	37,340	132,478	447,845
Other liabilities						39,995
Elimination of intersegment balances						(273,804)
Total liabilities						214,036

PETROCHINA COMPANY LIMITED
NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
For the six months ended June 30, 2006 (Amounts in millions)

Primary reporting format – business segments (continued)

Six months ended June 30, 2006	Exploration and Production RMB	Refining and Marketing RMB	Chemicals and Marketing RMB	Natural Gas and Pipeline RMB	Other RMB	Total RMB
Turnover(incuding intersegment)	211,012	255,106	39,565	18,233	373	524,289
Less: Intersegment sales	(170,761)	(21,142)	(3,072)	(2,587)	(182)	(197,744)
Turnover from external customers	40,251	233,964	36,493	15,646	191	326,545
Depreciation, depletion and amortisation	(17,748)	(6,614)	(2,732)	(2,578)	(238)	(29,910)
Segment result	128,906	(3,001)	4,266	4,669	(965)	133,875
Other costs	(4,454)	(10,888)	(1,358)	(82)	(1,800)	(18,582)
Profit/(loss) from operations	124,452	(13,889)	2,908	4,587	(2,765)	115,293
Finance costs						(857)
Share of profit of associates	1,022	68	14	-	378	1,482
Profit before taxation						115,918
Taxation						(30,675)
Profit for the period						85,243
Interest income (including intersegment)	2,316	592	353	87	3,184	6,532
Less: Intersegment interest income						(5,573)
Interest income from external entities						959
Interest expense (including intersegment)	(2,623)	(1,744)	(344)	(773)	(1,937)	(7,421)
Less: Intersegment interest expense						5,573
Interest expense to external entities						(1,848)
Segment assets	480,544	215,454	81,609	72,506	667,359	1,517,472
Elimination of intersegment balances						(686,399)
Investments in associates	6,101	3,489	128	15	2,420	12,153
Total assets						843,226
Segment capital expenditure						
- for property, plant and equipment	32,933	6,169	3,938	3,840	372	47,252
Segment liabilities	158,437	149,353	34,199	43,508	145,529	531,026
Other liabilities						68,002
Elimination of intersegment balances						(347,923)
Total liabilities						251,105

For the six months ended June 30, 2006 (Amounts in millions)

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

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

Note (c) – Segment result for the six months ended June 30, 2005 and 2006 included impairment of property, plant and equipment (Note 10).

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.

Note (f) – Effective January 1, 2006, the results of operations, together with the corresponding assets and liabilities, of certain research and development activities of the Group are reclassified from the Exploration and Production segment, the Refining and Marketing segment, the Chemicals and Marketing segment and the Natural Gas and Pipeline segment to the Other segment to reflect the changes in the manner under which these activities are managed. The results of operations, together with the corresponding assets and liabilities, of these research and development activities were included in the previously reported segments in the segment information for the six months ended June 30, 2005. Selected financial data of these research and development activities as of June 30, 2005 and for the six months ended June 30, 2005 are as follows:

	Exploration and Production	Refining and Marketing	Chemicals and Marketing	Natural Gas and Pipeline	Total
	RMB	RMB	RMB	RMB	RMB
Turnover(including intersegment)	89	-	11	-	100
Turnover from external customers	1	-	7	-	8
Depreciation, depletion and amortisation	(132)	(7)	(17)	(3)	(159)
Segment result	(336)	(29)	(60)	(9)	(434)
Other costs	(208)	(33)	(33)	(7)	(281)
loss from operations	(544)	(62)	(93)	(16)	(715)
Share of profit of associates	-	-	-	-	-
Interest income	-	-	-	-	-
Interest expense	(8)	-	-	-	(8)
Segment assets	1,965	195	349	55	2,564
Segment liabilities	887	257	213	17	1,374

Secondary reporting format – geographical segments

	Turnover		Total assets		Capital expenditure	
Six months ended June 30,	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
	RMB	**RMB**	**RMB**	**RMB**	**RMB**	**RMB**
PRC	313,927	251,853	783,842	650,735	44,990	31,285
Other (Exploration and Production)	12,618	8,765	59,384	43,721	2,262	2,090
	326,545	260,618	843,226	694,456	47,252	33,375

For the six months ended June 30, 2006 (Amounts in millions)

20 CONTINGENT LIABILITIES

(a) Bank and other guarantees

At June 30, 2006, the Group had contingent liabilities in respect of guarantees made to China Petroleum Finance Company Limited ("CP Finance"), a subsidiary of CNPC, and state-controlled bank from which it is anticipated that no material liabilities will arise.

	June 30, 2006	December 31, 2005
	RMB	RMB
Guarantee of borrowings of associates from CP Finance	176	187
Guarantee of borrowings of third party from State-controlled bank	41	-
	217	187

(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.

On November 13, 2005, explosions occurred at a manufacturing facility of a branch of the Company located in the Jilin Province. The impact of the accident is undergoing government investigation. The Company is presumed to bear related liability according to the investigation results.

(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 outcome 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.

For the six months ended June 30, 2006 (Amounts in millions)

As at June 30, 2006, CNPC has obtained formal land use right certificates in relation to 27,400 out of the above-mentioned 28,649 parcels of land and 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.

21 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, 2006 and December 31, 2005 under non-cancelable operating leases are as follows:

	June 30, 2006	December 31, 2005
	RMB	RMB
First year	3,069	3,208
Second year	2,605	2,595
Third year	2,518	2,558
Fourth year	2,538	2,437
Fifth year	2,927	2,926
Thereafter	80,372	81,266
	94,029	94,990

(b) Capital commitments

	June 30, 2006	December 31, 2005
	RMB	RMB
Contracted but not provided for		
Oil and gas properties	79	847
Plant and equipment	11,640	12,496
Other	351	22
	12,070	13,365

For the six months ended June 30, 2006 (Amounts in millions)

(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 National Development and Reform Commission at the time of deliveries.

At June 30, 2006 and December 31, 2005, future minimum delivery commitments under contracts are as follows:

	June 30, 2006	December 31, 2005
	Quantities (billion of cubic feet)	Quantities (billion of cubic feet)
2006	281	451
2007	580	583
2008	636	639
2009	700	704
2010	575	583
2011 and thereafter	5,407	5,528
	8,179	8,488

(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 304 for the six months ended June 30, 2006 (six months ended June 30, 2005 were RMB 233).

Estimated annual payments in the future are as follows:

	RMB
2006	681
2007	712
2008	712
2009	712
2010	850

22 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.

The term of the current Comprehensive Products and Services Agreement were amended during 2005 and the agreement is effective through December 31, 2008. 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 every 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 Building 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:

PETROCHINA COMPANY LIMITED
NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
For the six months ended June 30, 2006 (Amounts in millions)

(a) Bank deposits

	Note	June 30, 2006	December 31, 2005
		RMB	RMB
Bank deposits balance at the end of the period			
CP Finance	(i)	4,384	24,356
State-controlled banks and other financial institutions		84,596	55,139
		88,980	79,495

	Note	Six months ended June 30	
		2006	2005
		RMB	RMB
Interest income from bank deposits			
CP Finance	(i)	61	11
State-controlled banks and other financial institutions		853	236
		914	247

(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.

(b) Sales of goods and services

	Six months ended June 30	
	2006	2005
	RMB	RMB
Sales of goods		
Associates		
- Crude Oil	1,638	562
- Refined Products	5,407	5,014
- Chemical Products	1	107
Fellow subsidiaries (CNPC Group)		
- Crude Oil	864	139
- Refined Products	8,081	3,967
- Chemical Products	2,553	1,781
- Natural Gas	542	426
- Other	205	96
Other state-controlled enterprises		
- Crude Oil	17,780	18,090
- Refined Products	39,875	21,795
- Chemical Products	4,110	4,047
- Natural Gas	4,788	5,213
	85,844	61,237

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

For the six months ended June 30, 2006 (Amounts in millions)

	Six months ended June 30	
	2006	2005
	RMB	RMB
Sales of services		
Fellow subsidiaries (CNPC Group)	864	556
Other state-controlled enterprises	3,493	2,190
	4,357	2,746

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

(c) Purchases of goods and services

	Notes	Six months ended June 30	
		2006	2005
		RMB	RMB
Purchases of goods	(i)		
Associates		7,049	2,824
Other state-controlled enterprises		18,897	17,875
Purchases of services			
Associates		22	23
Fellow subsidiaries (CNPC Group)			
-Fees paid for construction and technical services	(ii)		
-exploration and development services	(iii)	19,455	14,405
-other construction and technical services	(iv)	11,006	6,269
-Fees for production services	(v)	11,243	8,946
-Social services charges	(vi)	923	707
-Ancillary services charges	(vii)	1,033	915
-Commission expense and other charges	(viii)	451	724
Other state- controlled enterprises	(ix)	2,334	3,319
		72,413	56,007

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

For the six months ended June 30, 2006 (Amounts in millions)

(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.

(d) Purchases of assets

	Six months ended June 30	
	2006	**2005**
	RMB	**RMB**
Purchases of assets		
Associates	-	3
Fellow subsidiaries (CNPC Group)	573	1,395
Other state-controlled enterprises	446	3,605
	1,019	5,003

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

For the six months ended June 30, 2006 (Amounts in millions)

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

	June 30, 2006 RMB	December 31, 2005 RMB
Accounts receivable from related parties at the end of the period		
Associates	53	12
Fellow subsidiaries (CNPC Group)	731	337
Other state-controlled enterprises	1,954	1,796
	2,738	2,145
Less: Impairment provision		
Associates	(6)	-
Fellow subsidiaries (CNPC Group)	(250)	(246)
Other state-controlled enterprises	(881)	(924)
	(1,137)	(1,170)
	1,601	975
Prepayment and other receivables from related parties at the end of the period		
Associates	4,249	3,634
Parent (CNPC)	105	103
Fellow subsidiaries (CNPC Group)	9,506	7,430
Other state-controlled enterprises	2,784	2,357
	16,644	13,524
Less: Impairment provision		
Associates	(220)	(240)
Fellow subsidiaries (CNPC Group)	(18)	(70)
Other state-controlled enterprises	(317)	(330)
	(555)	(640)
	16,089	12,884
Accounts payable and accrued liabilities to related parties at the end of the period		
Associates	4,478	3,118
Parent (CNPC)	2,362	2,516
Fellow subsidiaries (CNPC Group)	23,674	20,285
Other state-controlled enterprises	10,431	15,163
	40,945	41,082

PETROCHINA COMPANY LIMITED
NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
For the six months ended June 30, 2006 (Amounts in millions)

	Six months ended June 30	
	2006	2005
	RMB	RMB
Impairment provision of accounts receivable from related parties charged to the profit and loss account		
Associates	6	-
Fellow subsidiaries (CNPC Group)	4	1
Other state-controlled enterprises	(31)	(58)
	(21)	(57)
Impairment provision of prepayment and other receivables from related parties charged to the profit and loss account		
Associates	(20)	(4)
Fellow subsidiaries (CNPC Group)	(29)	-
Other state-controlled enterprises	(5)	(3)
	(54)	(7)

(f) Leases

		Six months ended June 30	
	Notes	2006	2005
		RMB	RMB
Advance operating lease payments paid to related parties	(i)		
Parent (CNPC)		-	131
Other state-controlled enterprises		-	11
		-	142
Other operating lease payments paid to related parties			
Parent (CNPC)	(ii)	1,025	1,116
Other state-controlled enterprises		-	5
		1,025	1,121

(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 buildings at the prices prescribed in the Land Use Rights Leasing Contract, the Building Leasing Contract and Supplemental Buildings Leasing Agreement with CNPC.

	June 30, 2006	December 31, 2005
	RMB	RMB
Operating lease payable to related parties		
Parent(CNPC)	19	2
Other state-controlled enterprises	-	1
	19	3

For the six months ended June 30, 2006 (Amounts in millions)

(g) Loans

	Six months ended June 30	
	2006	2005
Loans to related parties	RMB	RMB
Loans to associates:		
Beginning of the period	1,640	569
Loans advanced during the period	809	22
Loans repayments received	(482)	(46)
Interest charged	68	19
Interest received	(56)	(6)
End of the period	1,979	558

Loans to associates are included in prepaid expenses and other current assets.

The loans to related parties are mainly with interest rates ranging from 4.94% to 9.48% per annum as of June 30, 2006.

		Six months ended June 30	
	Notes	2006	2005
Loans from related parties		RMB	RMB
Loans from CP Finance:	(i)		
Beginning of the period		27,319	29,932
Loans received during the period		5,357	3,397
Loans repayments paid		(6,646)	(6,493)
Interest charged		610	665
Interest paid		(600)	(665)
End of the period		26,040	26,836
Loans from state-controlled banks and other financial institutions:	(ii)		
Beginning of the period		31,178	36,562
Loans received during the period		15,226	13,618
Loans repayments paid		(12,613)	(17,281)
Interest charged		854	840
Interest paid		(879)	(831)
End of the period		33,766	32,908
Loans from other related parties:	(iii)		
Beginning of the period		62	16
Loans repayments paid		(1)	(1)
Interest charged		1	-
Interest paid		(1)	-
End of the period		61	15

(i) The loans from CP Finance are mainly with interest rates ranging from 4.46% to 6.59% per annum as of June 30, 2006, with maturities through 2032;

PETROCHINA COMPANY LIMITED
NOTES TO THE UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
For the six months ended June 30, 2006 (Amounts in millions)

(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, 2006, 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, 2006, with no fixed repayment term.

The secured loans from related parties amounted to RMB 52 at June 30, 2006 (December 31, 2005: RMB 54).

The guaranteed loans amounted to RMB 643 at June 30, 2006 (December 31, 2005: RMB 674). All these guaranteed loans are from non-related parties, long-term and guaranteed by CNPC.

(h) Key management compensation

	Six months ended June 30	
	2006	**2005**
	RMB'000	**RMB'000**
Fee for key management personnel		
-Directors and supervisors	816	62
Salaries, allowances and other benefits		
-Directors and supervisors	985	927
-Other key management	687	459
Pension costs (defined contribution plans)		
-Directors and supervisors	28	28
-Other key management	25	18
	2,541	1,494

As at June 30, 2006, 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 243 at June 30, 2006 (June 30, 2005: RMB 207).

(i) Contingent liabilities

The Group has disclosed in Note 20 in respect of the contingent liabilities arising from the guarantees made for related parties.

(j) Collateral for borrowings

The Group pledged time deposits with maturities over one year as collateral with Citibank, N.A, Singapore Branch for the borrowings of subsidiaries and associates. As at June 30, 2006, the balance of these time deposits amounted to RMB 2,990 (December 31, 2005: RMB 3,428), including RMB 600 (December 31, 2005: RMB 968) for the borrowings of subsidiaries and RMB 2,390 (December 31, 2005: RMB 2,460) for the borrowings of associates.

23 SUBSEQUENT EVENT

On August 23, 2006, the Board of Directors of the Company approved entering into the acquisition agreement whereby CNPC E&D will acquire a 67% ownership interest in PetroKazakhstan Inc. ("PKZ") from CNPC International Ltd. ("CNPCI", a subsidiary of CNODC). Currently, PKZ is 67% and 33% owned by CNPCI and JSC National Company Kazmunaigaz ("KMG") respectively. A total cash consideration for this acquisition is expected to be approximately US$ 2,735. Upon completion of the acquisition agreement, PKZ will be accounted for an associate of the Company as it is under joint control by CNPC E&D and KMG.

For the six months ended June 30, 2006 (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	
	2006	**2005**
	RMB	**RMB**
Profit for the period under IFRS	85,243	64,940
US GAAP adjustments:		
Depreciation charges on property, plant and equipment revaluation gain	2,340	3,436
Depreciation charges on property, plant and equipment revaluation loss	-	(127)
Loss on disposal of revalued property, plant and equipment	21	2
Income tax effect	(779)	(1,092)
Minority interest	(4,592)	(2,607)
Depreciation charges on property, plant and equipment arising from purchase from minority interest of subsidiaries	(42)	-
Net income under US GAAP	82,191	64,552
Basic and diluted net income per share under US GAAP (RMB)	0.46	0.37

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

	June 30, 2006	**December 31, 2005**
	RMB	**RMB**
Equity under IFRS	592,121	543,667
US GAAP adjustments:		
Reversal of property, plant and equipment revaluation gain	(80,555)	(80,555)
Depreciation charges on property, plant and equipment revaluation gain	54,311	51,971
Reversal of property, plant and equipment revaluation loss	1,513	1,513
Depreciation charges on property, plant and equipment revaluation loss	(1,459)	(1,459)
Loss on disposal of revalued property, plant and equipment	1,767	1,746
Deferred tax assets on revaluation	8,064	8,843
Minority interest	(29,858)	(28,034)
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
Purchase from minority interest of subsidiaries (Note 18 to the consolidated interim condensed financial statements)	3,998	1,438
Depreciation charges on property, plant and equipment arising from purchase from minority interest of subsidiaries	(42)	-
Shareholders' equity under US GAAP	549,860	499,130

PETROCHINA COMPANY LIMITED
SUPPLEMENTARY INFORMATION ON SIGNIFICANT DIFFERENCES BETWEEN IFRS AND US GAAP (UNAUDITED)
For the six months ended June 30, 2006 (Amounts in millions)

Changes in shareholders' equity under US GAAP for each of the periods ended June 30, 2006 and June 30, 2005 are as follows:

	Six months ended June 30	
	2006	**2005**
	RMB	**RMB**
Beginning of the period	499,130	405,573
Net income for the period	82,191	64,552
Final dividends for year 2004	-	(25,936)
Final dividends for year 2005	(32,282)	-
Payment to CNPC for acquisition of refinery and petrochemical businesses	-	(9)
Capital contribution to CNPC E&D	-	25
Purchase from minority interest of subsidiary (Note 18 to the consolidated interim condensed financial statements)	382	-
Currency translation differences	439	(140)
End of the period	549,860	444,065

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 factors. Actual results may 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 a 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, 2006 to June 30, 2006 was RMB 2,340, and from January 1, 2005 to June 30, 2005 was RMB 3,436.

The depreciation charge, which includes impairment charge, on the revaluation loss from January 1, 2006 to June 30, 2006 was RMB Nil, and from January 1, 2005 to June 30, 2005 was RMB 127.

The loss on disposal of revalued property, plant and equipment from January 1, 2006 to June 30, 2006 was RMB 21, and from January 1, 2005 to June 30, 2005 was RMB 2.

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 years 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 2005 and the first half of 2006.

(c) Minority interest

In accordance with the revised International Accounting Standard 1 "Presentation of Financial Statements" and International Accounting Standard 27 "Consolidated and Separate Financial Statements", minority interest 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 shareholder's equity of the Group. In addition, the reconciling item also includes the impact of minority interest's 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) Purchase from minority interest of listed subsidiaries

The Company acquired certain outstanding A shares from the minority interest of Jinzhou Petrochemical Company Limited ("JPCL") and Liaohe Jinma Oilfield Company Limited ("LJOCL"), A shares and H shares (including ADS) from minority interest of Jilin Chemical Industrial Company Limited ("JCIC"). Under IFRS, the Company applies a policy of treating transactions with minority interest as transactions with equity participants of the Group. Therefore, the assets and liabilities of JPCL, LJOCL and JCIC additionally acquired by the Company from minority interest were recorded by the Company at cost. The difference between the Company's purchase cost and the book value of the interests in JPCL, LJOCL and JCIC acquired by the Company from minority interest was recorded in equity. Under US GAAP, the acquisition of additional minority interest is accounted for under purchase method. Assets and liabilities additionally acquired were restated to fair value and the difference of purchase cost over fair value of the minority interest acquired and identified intangible assets was recorded as goodwill. Additional depreciation charges were provided for the assets which were restated to fair value.

PETROCHINA COMPANY LIMITED
SUPPLEMENTARY INFORMATION ON SIGNIFICANT DIFFERENCES BETWEEN IFRS AND US GAAP (UNAUDITED)
For the six months ended June 30, 2006 (Amounts in millions)

(e) Recent US accounting pronouncements

In February 2006, the Financial Accounting Standards Board ("FASB") issued Statement No. 155, "Accounting for Certain Hybrid Financial Instruments" ("FAS 155"), which improves financial reporting by eliminating the exemption from applying FAS 133 to interests in securitized financial assets so that similar instruments are accounted for similarly regardless of the form of the instruments and allows a preparer to elect fair value measurement at acquisition, at issuance, or when a previously recognised financial instrument is subject to a remeasurement (new basis) event, on an instrument-by-instrument basis, in cases in which a derivative would otherwise have to be bifurcated. Providing a fair value measurement election also results in more financial instruments being measured at what the FASB regards as the most relevant attribute for financial instruments, fair value. FAS 155 is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The Group is currently evaluating the impact of this standard on its financial position and results of operations.

In March 2006, the FASB issued Statement No. 156, "Accounting for Servicing of Financial Assets" ("FAS 156"), which requires all separately recognised servicing assets and servicing liabilities be initially measured at fair value. FAS 156 permits, but does not require, the subsequent measurement of servicing assets and servicing liabilities at fair value. Adoption is required as of the beginning of the first fiscal year that begins after September 15, 2006. Early adoption is permitted. The adoption of FAS 156 is not expected to have a material effect on the Group's financial position or results of operations.

In July 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 prescribes a comprehensive model for recognising, measuring, presenting and disclosing in the financial statements uncertain tax positions that the Group has taken or expects to take in its tax returns.The provisions of FIN 48 are effective for the Group on January 1, 2007, with the cumulative effect of the change in accounting principle, if any, recorded as an adjustment to opening retained earnings. The Group does not expect the adoption of FIN 48 to have a material impact on the Group's financial position or results of operations.