PetroChina

2017
INTERIM REPORT

PETROCHINA COMPANY LIMITED

Hong Kong Stock Exchange Stock Code: 857   New York Stock Exchange Symbol: PTR   Shanghai Stock Exchange Stock Code: 601857

2017

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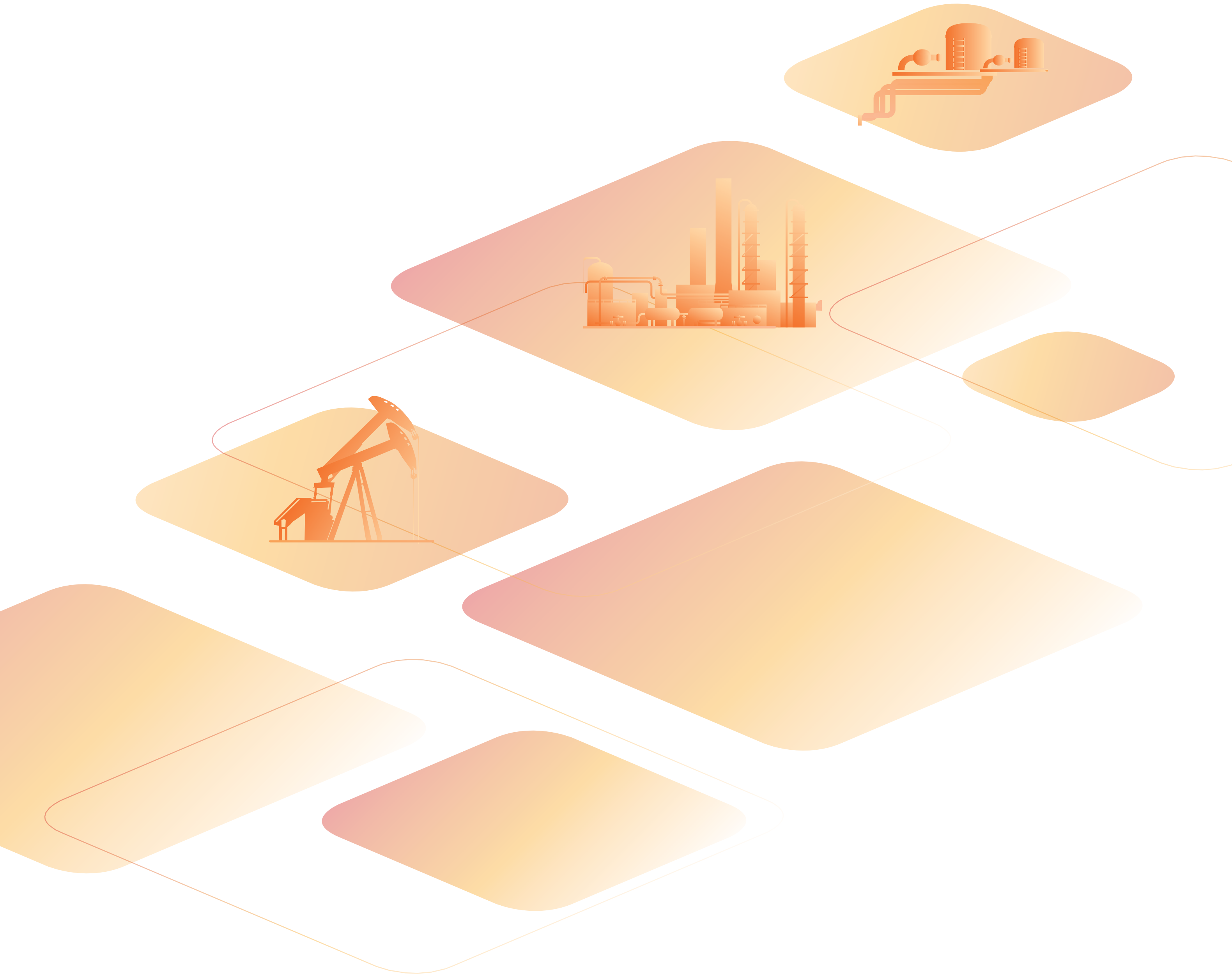
PETROCHINA COMPANY LIMITED

This interim report contains certain forward-looking statements with respect to the financial position, operational results and business of the Group. These forward-looking statements are, by their nature, subject to significant risk and uncertainties because they relate to events and depend on circumstances that may occur in the future and are beyond our control. The forward-looking statements reflect the Group's current views with respect to future events and are not a guarantee for future performance, nor do these statements constitute substantial undertakings to investors by the Group. Actual results may differ from the information contained in the forward-looking statements. Investors shall be aware of the risks relating to investments.



CONTENTS

2017 INTERIM REPORT

IMPORTANT NOTICE

The board of directors (the "Board" or "Board of Directors"), supervisory committee ("Supervisory Committee") and all directors ("Directors"), supervisors ("Supervisors") and senior management ("Senior Management") of the Company warrant the truthfulness, accuracy and completeness of the information contained in this interim report and that there are no material omissions from, misrepresentation or misleading statements contained in the interim report, and severally and jointly accept full responsibility hereof. No substantial shareholder of the Company has obtained any funds from the Company from non-operating activities. This interim report was approved at the fifth meeting of the Board in 2017.Mr. Zhang Jianhua, a non-executive Director, Mr. Yu Baocai, a non-executive Director, Mr. Zhang Biyi, an independent non-executive Director and Mr. Tokuchi Tatsuhito, an independent non-executive Director were absent from the fifth Board meeting of 2017 due to certain reasons, but had separately authorised Mr. Wang Dongjin, an executive Director, Mr. Liu Yuezhen, a non-executive Director and Mr. Lin Boqiang, an independent non-executive Director in writing to attend the meeting by proxy and to exercise their voting rights on their behalf. Mr. Wang Yilin, Chairman of the Board, Mr. Wang Dongjin, Vice Chairman and President, and Mr. Chai Shouping, Chief Financial Officer, warrant the truthfulness, accuracy and completeness of the financial statements included in this interim report.

The financial statements of the Company and its subsidiaries (the "Group") have been prepared in accordance with China Accounting Standards ("CAS") and International Financial Reporting Standards ("IFRS"), respectively. The financial statements in this interim report are unaudited.

In overall consideration of the good fundamentals of development, financial condition and cash flow, to improve returns for the shareholders, the Board has resolved to declare a special interim dividend of RMB0.03809 yuan per share (inclusive of applicable tax) for 2017 in addition to an interim dividend of RMB0.03117 yuan per share (inclusive of applicable tax) based on the dividend distribution of 45% of profit attributable to owners of the Company under IFRS, namely, to declare and pay to all shareholders of the Company an interim dividend of RMB0.06926 yuan per share (inclusive of applicable tax) in cash for the six months ended June 30, 2017 on the basis of a total of 183,020,977,818 shares of the Company as at June 30, 2017. The total amount of the interim dividend payable is RMB12,676 million with a dividend pay-out ratio of 100%.

CORPORATE PROFILE

The Company was established as a joint stock company with limited liability under the Company Law of the People's Republic of China (the "PRC" or "China") on November 5, 1999 as part of the restructuring of the China National Petroleum Corporation ("CNPC").

The Group is the largest oil and gas producer and seller in the PRC, where it occupies a leading position in the oil and gas industry, one of the largest companies in the PRC in terms of revenue and one of the largest oil companies in the world. The Group is primarily engaged in activities including: the exploration, development, production and marketing of crude oil and natural gas; the refining of crude oil and petroleum products; the production and marketing of primary and derivative petrochemical products and other chemical products; the marketing and trading of refined products; the transmission of natural gas, crude oil and refined products; and the marketing of natural gas.

The American Depositary Shares (the "ADSs"), H shares and A shares of the Company were listed on the New York Stock Exchange, the Stock Exchange of Hong Kong Limited ("HKEx" or "Hong Kong Stock Exchange") and Shanghai Stock Exchange on April 6, 2000, April 7, 2000 and November 5, 2007, respectively.

Registered Chinese Name of the Company:	中國石油天然氣股份有限公司
English Name of the Company:	PetroChina Company Limited
Legal Representative of the Company:	Wang Yilin
Secretary to the Board:	Wu Enlai
Address:	No. 9 Dongzhimen North Street Dongcheng District Beijing, PRC
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Representative on Securities Matters:	Liang Gang
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Email Address:	liangg@petrochina.com.cn

Chief Representative of Hong Kong Representative Office:	Wei Fang
Address:	Suite 3705, Tower 2, Lippo Centre 89 Queensway, Hong Kong
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Legal Address of the Company:	World Tower,16 Andelu Dongcheng District Beijing, PRC
Postal Code:	100011
Office Address of the Company:	No. 9 Dongzhimen North Street Dongcheng District Beijing, PRC
Postal Code:	100007
Website:	http://www.petrochina.com.cn
Company's Email Address:	jh_dong@petrochina.com.cn

Newspapers for information disclosure:
A shares: China Securities Journal, Shanghai Securities News and Securities Times

Website publishing this interim report designated by the China Securities Regulatory Commission:
http://www.sse.com.cn

Copies of this interim report are available at:	No. 9 Dongzhimen North Street, Dongcheng District, Beijing, PRC
Places of Listing:	
A shares:	Shanghai Stock Exchange
Stock Name:	PetroChina
Stock Code:	601857
H shares:	Hong Kong Stock Exchange
Stock Name:	PETROCHINA
Stock Code:	857

ADSs:	The New York Stock Exchange
Symbol:	PTR
Other Related Information:	
Company Registration:	May 17, 2016
Registration Authority:	Beijing Administration for Industry and Commerce
Index for Registration Enquiry:	Website of State Administration for Industry and Commerce (http://www.saic.gov.cn)
Unified Social Credit Code:	91110000710925462X
Auditors of the Company:	
Domestic Auditors:	KPMG Huazhen LLP
Address:	8th Floor, KPMG Tower, Oriental Plaza, 1 East Chang'an Avenue, Dongcheng District, Beijing, PRC
Overseas Auditors:	KPMG Certified Public Accountants
Address:	8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong

SUMMARY OF FINANCIAL DATA AND FINANCIAL INDICATORS

1. Key Financial Data and Financial Indicators Prepared under IFRS

Unit: RMB million

Items	As at the end of the reporting period	As at the end of the preceding year	Changes from the end of the preceding year to the end of the reporting period (%)
Total assets	2,399,683	2,396,651	0.1
Equity attributable to owners of the Company	1,197,684	1,189,024	0.7
Items	**The reporting period**	**Same period of the preceding year**	**Changes over the same period of the preceding year (%)**
Revenue	975,909	739,067	32.0
Profit attributable to owners of the Company	12,676	531	-
Net cash flows from operating activities	144,833	111,842	29.5
Basic earnings per share (RMB Yuan)	0.069	0.003	-
Diluted earnings per share (RMB Yuan)	0.069	0.003	-
Return on net assets (%)	1.06	0.04	1.02 percentage point

2. Key Financial Data and Financial Indicators Prepared under CAS

Unit: RMB million

Items	As at the end of the reporting period	As at the end of the preceding year	Changes from the end of the preceding year to the end of the reporting period (%)
Total assets	2,399,984	2,396,950	0.1
Equity attributable to equity holders of the Company	1,197,977	1,189,319	0.7
Items	**The reporting period**	**Same period of the preceding year**	**Changes over the same period of the preceding year (%)**
Operating income	975,909	739,067	32.0
Net profit attributable to equity holders of the Company	12,674	528	-
Net profit/(loss) after deducting non-recurring profit/loss items attributable to equity holders of the Company	15,302	(9,491)	-
Basic earnings per share (RMB Yuan)	0.069	0.003	-
Diluted earnings per share (RMB Yuan)	0.069	0.003	-
Weighted average return on net assets (%)	1.06	0.04	1.02 percentage point
Net cash flows from operating activities	144,833	111,842	29.5

3. Non-recurring Profit/Loss Items

Unit: RMB million

Non-recurring profit/loss items	For the six months ended June 30, 2017 profit / (loss)
Net loss on disposal of non-current assets	(2,113)
Government grants recognised in the income statement	456
Net gain on disposal of available-for-sale financial assets	6
Reversal of provisions for bad debts against receivables	9
Net profit or loss arising from disposal of subsidiary	63
Other non-operating income and expenses	(1,848)
Sub-total	(3,427)
Tax impact of non-recurring profit/loss items	866
Impact of non-controlling interests	(67)
Total	(2,628)

4. Differences between CAS and IFRS

During the reporting period, the consolidated net profit of the Group under IFRS and CAS were RMB20,963 million and RMB20,961 million, respectively, with a difference of RMB2 million. The consolidated shareholders' equity under IFRS and CAS were RMB1,383,890 million and RMB1,384,185 million, respectively, with a difference of RMB295 million. These differences under the different accounting standards were primarily due to the revaluation for assets other than fixed assets and oil and gas properties in 1999.

During the restructuring in 1999, a valuation was carried out in 1999 for assets and liabilities injected by CNPC. Valuation results on assets other than fixed assets and oil and gas properties were not recognised in the financial statements prepared under IFRS.

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

1. Changes in Shareholdings

During the reporting period, there was no change in the total number or structure of shares of the Company arising from bonus issues or placings or otherwise.

2. Shareholdings of Substantial Shareholders

The total number of shareholders of the Company as at June 30, 2017 was 560,939, including 553,859 holders of A shares and 7,080 holders of H shares (including 206 holders of ADSs).

(1) Shareholdings of the top ten shareholders

Unit: Shares

Name of shareholders	Nature of shareholders	Number of shares held	Percentage of shareholding (%)	Increase / decrease during the reporting period (+,-)	Number of shares with selling restrictions	Number of shares pledged or subject to lock-ups
CNPC	State-owned	157,409,693,528[1]	86.01	0	0	0
HKSCC Nominees Limited[2]	Overseas legal person	20,862,992,701[3]	11.40	3,425,633	0	0
China Securities Finance Corporation Limited	State-owned legal person	1,129,950,827	0.617	10,626,218	0	0
China Baowu Steel Group Corporation Limited	State-owned legal person	624,000,000	0.341	0	0	0
Central Huijin Asset Management Co., Ltd.	State-owned legal person	206,109,200	0.113	0	0	0
Hong Kong Securities Clearing Company Limited[4]	Overseas legal person	40,822,719	0.022	-2,877,384	0	0
Industrial and Commercial Bank of China-Shanghai 50 Index ETF Securities Investment Fund	Other	33,353,903	0.018	-2,660,500	0	0
Abu Dhabi Investment Authority	Other	16,182,675	0.009	-2,392,124	0	0
China Life Insurance Company Limited-Dividend-Individual Dividend-005L-FH002 Hu	Other	13,402,845	0.007	6,932,943	0	0
BlackRock (Singapore) Limited-ISHARES FTSEA50 China Index ETF (Exchange)	Other	13,149,212	0.007	9,162,012	0	0

Notes:

(1) Such figure excludes the H shares indirectly held by CNPC through Fairy King Investments Limited, an overseas wholly-owned subsidiary of CNPC.
On June 27, 2017, the State-owned Assets Supervision and Administration Commission of the State Council approved the gratuitous transfer of 440,000,000 A shares of the Company, representing approximately 0.24% of the total shares of the Company, from CNPC to Ansteel Group Co., Ltd ("Ansteel Group"). As at the date of this report, the share transfer registration procedures have not been completed. Upon the completion of the gratuitous transfer, CNPC will hold 156,969,693,528 A shares, representing approximately 85.77% of the total shares of the Company, and Ansteel Group will hold 440,000,000 A shares, representing approximately 0.24% of the total shares of the Company. The details are set out in the announcements of the Company published on the Shanghai Stock Exchange (No. Lin 2017-019 and No. Lin 2017-026).

(2) HKSCC Nominees Limited is a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited and acts as nominee on behalf of other corporate or individual shareholders to hold the H shares of the Company.

(3) 291,518,000 H shares were indirectly held by CNPC through Fairy King Investments Limited, an overseas wholly-owned subsidiary of CNPC, representing 0.16% of the total shares of the Company. These shares were held in the name of HKSCC Nominees Limited.

(4) Hong Kong Securities Clearing Company Limited is a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited and it holds the A shares of the Company listed on the Shanghai Stock Exchange and invested by investors through the Hong Kong Stock Exchange as a nominal holder.

(2) Shareholdings of the top ten shareholders of shares without selling restrictions

Unit: Shares

Ranking	Name of shareholders	Number of shares held	Type of shares
1	CNPC	157,409,693,528(1)	A shares
2	HKSCC Nominees Limited	20,862,992,701	H shares
3	China Securities Finance Corporation Limited	1,129,950,827	A shares
4	China Baowu Steel Group Corporation Limited	624,000,000	A shares
5	Central Huijin Asset Management Co., Ltd.	206,109,200	A shares
6	Hong Kong Securities Clearing Company Limited	40,822,719	A shares
7	Industrial and Commercial Bank of China-Shanghai 50 Index ETF Securities Investment Fund	33,353,903	A shares
8	Abu Dhabi Investment Authority	16,182,675	A shares
9	China Life Insurance Company Limited-Dividend-Individual Dividend-005L-FH002 Hu	13,402,845	A shares
10	BlackRock (Singapore) Limited-ISHARES FTSEA50 China Index ETF (Exchange)	13,149,212	A shares

Note:

(1) Such figure excludes the H shares indirectly held by CNPC through Fairy King Investments Limited, an overseas wholly-owned subsidiary of CNPC.

Statement on related parties or parties acting in concert among the above-mentioned shareholders: Except for HKSCC Nominees Limited and Hong Kong Securities Clearing Company Limited that are both wholly-owned subsidiaries of the Hong Kong Exchanges and Clearing Limited, China Securities Finance Corporation Limited and Central Huijin Asset Management Co., Ltd. that are both holders of ordinary shares of Industrial and Commercial Bank of China Limited and China Life Insurance Company Limited, the Company is not aware of any connection among or between the above top ten shareholders or that they are parties acting in concert as provided for in the Measures for the Administration of Acquisitions by Listed Companies.

(3) Disclosure of substantial shareholders under the Securities and Futures Ordinance of Hong Kong

As at June 30, 2017, so far as the Directors are aware, the persons other than a Director, Supervisor or Senior Management of the Company who had interests or short positions in the shares or underlying shares of the Company which are discloseable under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance were as follows:

Name of shareholders	Nature of shareholding	Number of shares	Capacity	Percentage of such shares in the same class of the issued share capital (%)	Percentage of total share capital (%)
CNPC	A Shares	157,409,693,528 (L)	Beneficial Owner	97.21	86.01
	H Shares	291,518,000 (L)[1]	Interest of Corporation Controlled by the Substantial Shareholder	1.38	0.16
BlackRock, Inc. [2]	H Shares	1,252,236,665 (L)	Interest of Corporation Controlled by the Substantial Shareholder	5.94	0.68
		25,230,000 (S)		0.12	0.01
JPMorgan Chase & Co. [3]	H Shares	1,499,951,840 (L)	Beneficial Owner / Investment Manager / Custodian Corporation / Approved Lending Agent/ Trustee (other than Bare Trustee)	7.11	0.82
		191,666,072 (S)	Beneficial Owner	0.91	0.10
		617,735,767 (LP)	Custodian Corporation / Approved Lending Agent	2.93	0.34

(L) Long position (S) Short position (LP) Lending pool

Notes:

(1) 291,518,000 H shares (long position) were held by Fairy King Investments Limited, an overseas wholly-owned subsidiary of CNPC. CNPC is deemed to be interested in the H shares held by Fairy King Investments Limited.

(2) BlackRock, Inc., through various subsidiaries, had an interest in the H shares of the Company, of which 1,252,236,665 H shares (long position) and 25,230,000 H shares (short position) were held in the capacity as a corporation controlled by the substantial shareholder.

(3) JPMorgan Chase & Co., through various subsidiaries, had an interest in the H shares of the Company, of which 762,197,973 H shares (long position) and 191,666,072 H shares (short position) were held in its capacity as beneficial owner; 119,993,000 H shares (long position) were held in its capacity as investment manager, and 25,100 H shares (long position) were held in its capacity as trustee (other than bare trustee), 617,735,767 H shares (long position) were held in its capacity as custodian corporation / approved lending agent. Such 1,499,951,840 H shares (long position) included the interests held in its capacity as beneficial owner, investment manager, trustee (other than bare trustee) and custodian corporation / approved lending agent.

As at June 30, 2017, so far as the Directors are aware, save for disclosed above, no person (other than a Director, Supervisor or Senior Management of the Company) had an interest or short position in the shares of the Company according to the register of interests in shares and short positions kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance.

3. Information on Changes of Controlling Shareholder and the De Facto Controller

There was no change in the controlling shareholder or the de facto controller of the Company during the reporting period.

DIRECTORS' REPORT

The Board is pleased to present its directors' report:

1. Review of Results of Operations

In the first half of 2017, the world's economy recovered moderately with increasing uncertainty of risks in international politics and economy. The economy of China remained stable with good momentum for growth. The supply and demand in the global oil market were progressively moving towards a state of balance. The international oil prices fluctuated significantly with the average price increased substantially as compared with the same period of last year.

Facing the complex and difficult political and economic environments abroad and domestic, the Group pursued to its guidelines of steady development, deepened reform and innovation as driving forces, and optimised oil and gas production scientifically based on the principle of improving quality and efficiency. The Group strengthened the balance among production, refining, transportation, sales, storage and trade. Grasping the favourable opportunities arising from the rise of oil prices and the increase in market demands for natural gas, the Group devoted full efforts to expanding resources and developing markets. By adjusting its structure and promoting optimisation, the Group brought the advantages of integrated upstream and downstream businesses into full play. The Group pushed forward a series of measures including broadening sources of income, reducing costs and improving efficiency. As a result, the Group achieved stable, safe and controllable production and operation, and the operating results improved significantly. The financial position of the Group remained stable with a decrease in interest-bearing debts, asset-liability ratio and capital-liability ratio. The cash flow was good and the free cash flow remained positive.

(1) Market Review

- Crude Oil Market

In the first half of 2017, there were still widely spread concerns about excessive supply in the market, which resulted in the international oil prices rising at first and then falling, fluctuating in general. The price spread between West Texas Intermediate ("WTI") crude oil and other benchmark oil prices was expanded to a certain extent. The average spot price for North Sea Brent crude oil and WTI crude oil was US$51.77 per barrel and US$49.94 per barrel, respectively, representing an increase of 30.0% and 26.0% as compared with the same period of last year, respectively.

According to data from the National Development and Reform Commission ("NDRC"), the domestic output of crude oil in the first half of 2017 was 95.84 million tons, representing a decrease of 4.6% as compared with the same period of last year.

- Refined Products Market

In the first half of 2017, the growth rate of domestic market demand for refined products tended to slow down, with a loose supply and demand balance. According to NDRC data, in the first half of 2017, the quantity of processed crude oil amounted to 275.45 million tons, representing an increase of 7.4% as compared with the same period of last year, and the output of refined products amounted to 168.71 million tons, representing an increase of 6.0% as compared with the same period of last year. The consumption of refined products amounted to 149.6 million tons, representing an increase of 5.7% as compared with the same period of last year, among which, the consumption of gasoline increased by 9.2% and the consumption of diesel increased by 1.8%. In the first half of 2017, the PRC government made ten adjustments to the prices of domestic gasoline and diesel products, and the prices of reference gasoline and diesel products decreased, in aggregate, by RMB605 yuan per ton and RMB580 yuan per ton, respectively. The price trend of domestic refined products was broadly in line with that of crude oil prices in the international markets.

- Chemical Products Market

In the first half of 2017, as a result of the structural reform on the supply side, less imports, reduction on the supply of chemical products, and relatively strong domestic demand, there was a significant rise in the prices of chemical products (especially rubber) at the beginning of the year, accompanied by increased market activities. Subsequently under the influences of various factors, the prices of chemical products gradually fall back to the normal level. As the crude oil prices stayed at low levels, the profitability and competiveness of the chemical products business was enhanced, achieving a generally good performance in the chemical products market.

- Natural Gas Market

In the first half of 2017, the domestic demand for natural gas increased relatively fast, bringing the growth rate back to double digits. The domestic output of natural gas increased at a steady pace and the import of natural gas increased significantly. According to NDRC data, in the first half of 2017, the domestic apparent consumption of natural gas was 114.6 billion cubic metres, representing an increase of 15.2% as compared with the same period of last year, the domestic natural gas output was 74.3 billion cubic metres, representing an increase of 10.1% as compared with the same period of last year, and the imports of natural gas amounted to 41.9 billion cubic metres, representing an increase of 17.9% as compared with the same period of last year.

(2) Business Review

- Exploration and Production

Domestic Exploration Operations

In the first half of 2017, in respect of the exploration operations, the Group put stress on available reserves that can be upgraded, strengthened pre-exploration and risk exploration. It also actively promoted refined exploration in old zones, discovered and proved several high-profitability zones of reserves, which further reinforced its basis of resources. New breakthrough in oil exploration was achieved in old zones such as Junggar and Bohai Bay, and a batch of large-scale new zones were built in areas including, among others, Erdos and the north-western part of Sichuan. In terms of natural gas exploration, important breakthrough was achieved in areas such as Tarim Basin and Qaidam Basin. Steady progress was also made in the exploration of unconventional oil and gas resources.

Domestic Development and Production Operations

In the first half of 2017, in its development of oil and gas fields, the Group emphasised on the principle of profitability and adjusted its production plan based on costs in a timely manner, and optimised its development plan and structures of output. The Group organised its gas production in a scientific way based on its production/sales plan and seasonal changes, adjusted operating parameters in a timely manner and pushed forward capacity construction in a steady way. The development of such unconventional gas resources as shale gas and coal-bed gas proceeded at a steady pace. In the

first half of 2017, the crude oil output from domestic operations amounted to 368.5 million barrels, representing a decrease of 4.4% as compared with the same period of last year, and the marketable natural gas output from domestic operations amounted to 1,608.8 billion cubic feet, representing an increase of 5.3% as compared with the same period of last year. The oil and natural gas equivalent output from domestic operations amounted to 636.7 million barrels, representing a decrease of 0.5% as compared with the same period of last year.

Overseas Oil and Gas Operations

In the first half of 2017, leveraging on "the Belt and Road" initiative, the Group actively promoted international cooperation in oil and gas and made new progress in cooperative oil and gas projects in Central Asia, Middle East and other regions. In terms of overseas oil and gas exploration, the Group put stress on discovering quality reserves that are quickly recoverable, focusing exploration investment on key regions and key projects, and made new exploration break-through progress in several regions. The Group promptly adjusted the workload of oil and gas production based on oil price movements and profitability and pushed forward production in an orderly way. In the first half of 2017, the oil and natural gas equivalent output from overseas operations amounted to 89.0 million barrels, representing a decrease of 17.7% as compared with the same period of last year and accounting for 12.3% of the total oil and natural gas equivalent output of the Group.

In the first half of 2017, the Group recorded a crude oil output of 435.8 million barrels, representing a decrease of 7.4% as compared with the same period of last year, a marketable natural gas output of 1,738.7 billion cubic feet, representing an increase of 4.4% as compared with the same period of last year, and an oil and natural gas equivalent output of 725.7 million barrels, representing an decrease of 3.0% as compared with the same period of last year.

Summary of Operations of the Exploration and Production Segment

	Unit	First half of 2017	First half of 2016	Changes (%)
Crude oil output	Million barrels	435.8	470.6	(7.4)
Of which: Domestic	Million barrels	368.5	385.3	(4.4)
Overseas	Million barrels	67.3	85.3	(21.1)
Marketable natural gas output	Billion cubic feet	1,738.7	1,664.9	4.4
Of which: Domestic	Billion cubic feet	1,608.8	1,528.4	5.3
Overseas	Billion cubic feet	129.9	136.5	(4.8)
Oil and natural gas equivalent output	Million barrels	725.7	748.2	(3.0)
Of which: Domestic	Million barrels	636.7	640.1	(0.5)
Overseas	Million barrels	89.0	108.1	(17.7)

Note: Figures have been converted at the rate of 1 ton of crude oil = 7.389 barrels and 1 cubic metre of natural gas = 35.315 cubic feet.

- Refining and Chemicals

In the first half of 2017, for its refining and chemical operations, the Group insisted on steady and balanced development, organised production in a scientific way and supplied more crude oil to enterprises with good profitability. The Group allocated primary and secondary processing workload in a reasonable way and kept integrated refining and chemical enterprises and high-profitability chemical facilities operating at high capacity. The Group continued to optimise processing schemes and product structure by increasing the output of high-profitability products such as high-grade gasoline and aviation kerosene and reducing the diesel-gasoline ratio from 1.42 for the same period of last year to 1.33. The output of chemical products amounted to 11.684 million tons, representing a decrease of 1.1% as compared with the same period of last year. In terms of sales of chemical commodity products, the Group responded quickly to market changes by increasing sales to direct supply customers. In the first half of 2017, the Group processed 475.2 million barrels of crude oil, representing a decrease of 1.7% as compared with the same period of last year, and produced 43.284 million tons of refined products, representing a decrease of 0.3% as compared with the same period of last year.

In the first half of 2017, the Group pushed forward the implementation of the quality upgrading project of the national standard VI gasoline and diesel as planned. Yunnan Petrochemical entered the trial stage as scheduled.

Summary of Operations of the Refining and Chemicals Segment

	Unit	First half of 2017	First half of 2016	Changes (%)
Processed crude oil	Million barrels	475.2	483.4	(1.7)
Gasoline, kerosene and diesel output	'000 ton	43,284	43,436	(0.3)
Of which: Gasoline	'000 ton	17,153	16,774	2.3
Kerosene	'000 ton	3,305	2,920	13.2
Diesel	'000 ton	22,826	23,742	(3.9)
Refining yield	%	93.86	93.70	0.16 percentage points
Ethylene	'000 ton	2,837	2,815	0.8
Synthetic resin	'000 ton	4,544	4,652	(2.3)
Synthetic fibre raw materials and polymers	'000 ton	741	735	0.8
Synthetic rubber	'000 ton	404	385	4.9
Urea	'000 ton	723	1,189	(39.2)

Note: Figures have been converted at the rate of 1 ton of crude oil = 7.389 barrels.

- Marketing

Domestic Operations

In the first half of 2017, in its marketing operations, the Group took proactive actions to cope with the excessive resources supply and fiercer market competition in domestic market, strengthened the links between production and sales, optimised resources allocation, strengthened the exportation of refined products to ensure smooth sales after production for refineries. The Group reinforced the core position of its retail sales, pushed forward the management of stations of low sales volume and profitability and the optimisation of whole process diagnosis, fully intensified the integrated marketing of refined products, fuel cards, non-oil business and lubricants, carried out diversified promotional activities, actively promoted the WeChat public account, third-party payment and retail APP business, and kept enhancing its end-sale capabilities.

International Trading Operations

In the first half of 2017, in its international trading operations, the Group focused on synergy and leveraged the advantages of overseas oil and gas operation centres, vigorously explored high-end and high-profitability markets, devoted major efforts to organising overseas sales of oil and gas, and strived to enhance operating quality.

The Group sold a total of 81.622 million tons of gasoline, kerosene and diesel in the first half of 2017, representing an increase of 7.0% as compared with the same period of last year.

- Natural Gas and Pipeline

In the first half of 2017, with respect to its natural gas business, the Group leveraged its advantages in professionalised sales after management system reform, communicated with customers in advance, optimised sales plans and allocation of resources, intensified procurement of resources, optimised operational plans for domestic gas and imported gas resources, and kept the general balance among production, transportation, sales and storage. The Group reinforced its sales on incremental markets, actively developed high-end markets in eastern and south-western regions, realised direct supplies and sales to most customers along the south-eastern coast, leading to increased sales and profitability.

In the first half of 2017, the construction of key projects progressed steadily. The second Sino-Russian crude oil pipeline, the fourth Shaanxi-Beijing pipeline and other projects progressed as scheduled and the construction of the Fushun-Jinzhou-Zhengzhou refined products pipeline sped up.

2. Management Discussion and Analysis

(1) The financial data set out below is extracted from the Group's interim condensed consolidated financial statements prepared under IFRS

- Consolidated Operating Results

In the first half of 2017, the Group achieved a revenue of RMB975,909 million, representing an increase of 32.0% as compared with the same period of last year. Profit attributable to owners of the Company was RMB12,676 million, representing an increase of RMB12,145 million as compared with the same period of last year. Basic earnings per share were RMB0.069, representing an increase of RMB0.066 as compared with the same period of last year.

Revenue Revenue increased by 32.0% to RMB975,909 million for the first half of 2017 from RMB739,067 million for the first half of 2016. This was primarily due to the combined impact of the rise in the prices of crude oil, natural gas, refined products and other main products and the increase in the sales volume. The table below sets out the external sales volume and average realised prices of the major products sold by the Group in the first half of 2017 and 2016 and their respective percentages of change during these periods:

	Sales Volume ('000 ton)			Average Realised Price (RMB/ton)		
	First half of 2017	First half of 2016	Percentage of change (%)	First half of 2017	First half of 2016	Percentage of change (%)
Crude oil*	57,077	53,260	7.2	2,368	1,696	39.6
Natural gas (100 million cubic metres, RMB/'000 cubic metres)	983.32	862.59	14.0	1,190	1,119	6.3
Gasoline	31,743	30,468	4.2	6,482	5,564	16.5
Diesel	41,926	38,026	10.3	4,605	3,886	18.5
Kerosene	7,953	7,816	1.8	3,542	2,553	38.7
Heavy oil	12,476	8,807	41.7	2,455	1,665	47.4
Polyethylene	2,287	2,382	(4.0)	8,471	7,699	10.0
Lubricant	643	574	12.0	8,221	7,562	8.7

* The crude oil listed above represents all the external sales volume of crude oil of the Group.

Operating Expenses Operating expenses increased by 33.3% to RMB939,426 million for the first half of 2017 from RMB704,527 million for the first half of 2016, of which:

Purchases, Services and Other Purchases, services and other increased by 47.3% to RMB630,556 million for the first half of 2017 from RMB427,934 million for the first half of 2016. This was primarily due to increases in purchase costs as a result of a rise in oil and gas price.

Employee Compensation Costs Employee compensation costs (including wages, various types of insurance, housing provident fund, training costs and other relevant additional costs) for the first half of 2017 were RMB55,740 million, representing a decrease of 1.9% from RMB56,846 million for the first half of 2016. This was primarily due to the fact that the Group made effort in improving its performance-based compensation system, strictly controlled the total number of employees and strengthened its control of labour costs.

Exploration Expenses Exploration expenses decreased by 24.0% to RMB6,859 million for the first half of 2017 from RMB9,021 million for the first half of 2016. This was primarily due to the fact that the Group optimised its exploration deployment, reasonably arranged the exploration pace and made all efforts to look for large scale and high quality reserves.

Depreciation, Depletion and Amortisation Depreciation, depletion and amortisation increased by 9.6% to RMB116,110 million for the first half of 2017 from RMB105,985 million for the first half of 2016. This was primarily due to the combined impact of the increase in the domestic upstream oil and gas properties, the changes in the reserves structure, and the increase in the fixed assets.

Selling, General and Administrative Expenses Selling, general and administrative expenses decreased by 2.4% to RMB34,386 million for the first half of 2017 from RMB35,230 million for the first half of 2016. This was primarily due to the fact that the Group actively implemented measures such as increasing sources of income and reducing expense, cutting costs and improving efficiency, and strengthening its control of costs and expense.

Taxes other than Income Taxes Taxes other than income taxes were RMB95,372 million for the first half of 2017, basically similar to RMB94,781 million for the first half of 2016, of which the consumption tax decreased by RMB2,938 million from RMB71,178 million for the first half of 2016 to RMB68,240 million for the first half of 2017, and the resource tax increased by RMB2,283 million from RMB6,687 million for the first half of 2016 to RMB8,970 million for the first half of 2017.

Other (Expense)/Income, Net Other expense, net of the Group for the first half of 2017 was RMB403 million while other income, net for the first half of 2016 was RMB25,270 million, representing a decrease of RMB25,673 million. This was primarily due to a gain of RMB24,534 million derived from the gain on disposal of certain investment in Trans-Asia Gas Pipeline Co., Ltd. ("Trans-Asia Pipeline") for the same period in 2016.

Profit from Operations Profit from operations was RMB36,483 million for the first half of 2017, representing an increase of 5.6% from RMB34,540 million for the first half of 2016.

Net Exchange (Loss)/Gain Net exchange loss of the Group for the first half of 2017 was RMB724 million while net exchange gain for the first half of 2016 was RMB537 million. This was mainly due to the change of average exchange rate of US dollar against Renminbi as compared with the same period in 2016.

Net Interest Expense Net interest expense decreased by 9.2% to RMB10,143 million for the first half of 2017 from RMB11,173 million for the first half of 2016. The decrease was mainly due to the decrease in interest expense as a result of the drop in average balance of interest-bearing debts as compared with the first half of 2016.

Profit before Income Tax Expense Profit before income tax expense was RMB27,831 million for the first half of 2017, representing an increase of 4.6% from RMB26,600 million for the first half of 2016.

Income Tax Expense Income tax expense decreased by 29.2% to RMB6,868 million for the first half of 2017 from RMB9,695 million for the first half of 2016. This was primarily due to making up for losses by certain branches and affiliates before taxation as a result of the increase in oil prices.

Profit for the period Profit amounted to RMB20,963 million for the first half of 2017, representing an increase of 24.0% from RMB16,905 million for the first half of 2016.

Profit attributable to non-controlling interests Profit attributable to non-controlling interests was RMB8,287 million for the first half of 2017, representing a decrease of 49.4% from RMB16,374 million for the first half of 2016. This was primarily due to the gain on disposal of certain investment in Trans-Asia Pipeline for the same period in 2016 attributable to non-controlling interests.

Profit attributable to owners of the Company Profit attributable to owners of the Company amounted to RMB12,676 million for the first half of 2017, representing an increase of RMB12,145 million from RMB531 million for the first half of 2016.

- Segment Results

Exploration and Production

Revenue The revenue of the Exploration and Production segment for the first half of 2017 was RMB242,620 million, representing an increase of 33.0% from RMB182,480 million for the first half of 2016. This was primarily due to the combined impact of increase in the prices and changes in sales volume of oil and gas products. The average realised crude oil price in the first half of 2017 was US$49.68 per barrel, representing an increase of 50.1% from US$33.09 per barrel for the first half of 2016.

Operating Expenses Operating expenses of the Exploration and Production segment increased by 27.5% to RMB235,704 million for the first half of 2017 from RMB184,899 million for the first half of 2016. This was primarily due to the combined impact of (i) the gain on disposal of certain investment in Trans-Asia Pipeline for the same period of last year, (ii) increase in the purchase costs for importing crude oil, and (iii) increase in the depletion of oil and gas properties.

The Group continued to tighten cost controls. In the first half of 2017, the oil and gas lifting cost was US$10.85 per barrel, representing a decrease of 4.2% from US$11.32 per barrel in the first half of 2016.

Profit from Operations In the first half of 2017, the Group's domestic Exploration and Production segment intensified advancement in management and technology, cut costs and improved efficiency by measures such as adjusting deployment of plans, creating new mode of production and organisation and pushing forward plant operations. For its overseas operations, faced with the pressure of costs rebound, the Exploration and Production segment maintained a steady development by taking such comprehensive measures as optimising investment, reconsidering contracts and expanding sales and pushing up prices. Due to the impact caused by the increase in international crude oil prices and the increase in the domestic output of natural gas, in the first half of 2017, the Exploration and Production segment achieved an operating profit of RMB6,916 million, representing an increase of RMB9,335 million in operating profit as compared with the operating loss of RMB2,419 million for the first half of 2016.

Refining and Chemicals

Revenue The revenue of the Refining and Chemicals segment for the first half of 2017 was RMB331,703 million, representing an increase of 18.0% from RMB280,993 million for the first half of 2016. This was primarily due to the increase in the prices of certain refining and chemical products, especially gasoline, diesel and kerosene.

Operating Expenses Operating expenses of the Refining and Chemicals segment increased by 24.6% to RMB315,866 million for the first half of 2017 from RMB253,519 million for the first half of 2016. This was primarily due to the increase in the costs of raw materials such as crude oil.

In the first half of 2017, the cash processing cost of refineries was RMB158.84 per ton, representing a decrease of 7.2% as compared with RMB171.16 per ton for the same period of last year. This was primarily due to the decrease in fuel and power costs as a result of optimisation of the operation of production facilities.

Profit from Operations In the first half of 2017, by insisting on smooth and balanced development, continuous optimisation of products structure and intensification of costs and expenses control, the Refining and Chemicals segment recorded better results in terms of major technical and economic indicators as compared with the same period in 2016 and maintained its profitability , being a key profit contributor to the overall profitability of the Group. In the first half of 2017, the Refining and Chemicals segment achieved a profit from operations of RMB15,837 million, representing a decrease of 42.4% as compared with RMB27,474 million for the first half of 2016. Among them, the refining operations generated an operating profit of RMB9,164 million as a result of the combined impact of the change in inventory and the policy of floor prices of refined oil, representing a decrease of 57.2% as compared with RMB21,425 million for the same period of last year, whilst the chemical operations generated an operating profit of RMB6,673 million as the chemical marketing team responded promptly to market changes to expand sales and increase profit, representing an increase of 10.3% as compared with RMB6,049 million for the same period of last year.

Marketing

Revenue The revenue of the Marketing segment for the first half of 2017 was RMB805,262 million, representing an increase of 37.0% as compared with RMB587,680 million for the first half of 2016, which was primarily due to the combined impact of the increase in the price and sales volume of refined oil.

Operating Expenses Operating expenses of the Marketing segment increased by 37.1% to RMB799,580 million for the first half of 2017 from RMB583,071 million for the first half of 2016. This was primarily due to an increase in the expenses relating to the purchase of refined products from external suppliers.

Profit from Operations In the first half of 2017, faced with adverse factors such as the slow-down in the growth of domestic demand for refined products and the fierce market competition, the domestic business of the Marketing segment strictly controlled costs and expenses, developed the market through multiple channels, implemented target-specific marketing strategies and carried out the integrated marketing of refined products, fuel cards, non-oil business and lubricants as normal practice. The non-oil business became a new profit growth point. For international trade, the Marketing segment optimised the importation of oil and gas resources and expanded the exportation of products of the Group's refineries, achieving a sustained growth in scale. In the first half of 2017, the Marketing segment achieved an operating profit of RMB5,682 million, representing an increase of 23.3% from RMB4,609 million for the first half of 2016.

Natural Gas and Pipeline

Revenue The revenue of the Natural Gas and Pipeline segment increased by 16.6% to RMB142,649 million for the first half of 2017 from RMB122,336 million for the first half of 2016, which was primarily due to the combined impact of the increase in natural gas price and the pipeline transportation profitability.

Operating Expenses Operating expenses of the Natural Gas and Pipeline segment increased by 16.1% to RMB128,715 million for the first half of 2017 from RMB110,905 million for the first half of 2016. This was primarily due to the increase in natural gas import costs.

Profit from Operations In the first half of 2017, faced with the increase in both sales volume and price of natural gas, the Natural Gas and Pipeline segment optimised sales plan and resources flow, reduced comprehensive purchase costs, intensified marketing efforts, and improved the operating efficiency and profitability of pipeline network, resulting in an operating profit of RMB13,934 million, representing an increase of 21.9% from RMB11,431 million for the first half of 2016. In the first half of 2017, the Natural Gas and Pipeline segment recorded a net loss of RMB11,798 million on the sales of imported natural gas and liquefied natural gas ("LNG"), representing an increase in loss of RMB3,792 million as compared with the same period of last year. Such losses included a loss of RMB4,769 million for the sales of 19.604 billion cubic metres of natural gas imported from Central Asia, a loss of RMB5,706 million for the sales of 5.348 billion cubic metres of imported LNG, and a loss of RMB2,786 million for the sales of 1.883 billion cubic metres of natural gas imported from Burma.

In the first half of 2017, the Group's international operations[note] achieved a revenue of RMB351,831 million, accounting for 36.1% of the total revenue of the Group. Profit before income tax expense of overseas operations was RMB3,966 million, and the significant decrease compared with the same period of last year was mainly due to the gain resulted from disposal of certain investment in Trans-Asia Pipeline in the same period of last year. The international operations maintained healthy development and the Group's internationalised operational capabilities were further improved.

Note: The four operating segments of the Group are namely Exploration and Production, Refining and Chemicals, Marketing as well as Natural Gas and Pipeline. International operations do not constitute a separate operating segment of the Group. The financial data of international operations are included in the financial data of the respective operating segments mentioned above.

• Assets, Liabilities and Equity

The following table sets out the key items in the consolidated balance sheet of the Group:

	As at June 30, 2017	As at December 31, 2016	Percentage of Change
	RMB million	RMB million	%
Total assets	2,399,683	2,396,651	0.1
Current assets	430,764	381,665	12.9
Non-current assets	1,968,919	2,014,986	(2.3)
Total liabilities	1,015,793	1,023,916	(0.8)
Current liabilities	561,914	499,263	12.5
Non-current liabilities	453,879	524,653	(13.5)
Equity attributable to owners of the Company	1,197,684	1,189,024	0.7
Share capital	183,021	183,021	-
Reserves	297,755	294,806	1.0
Retained earnings	716,908	711,197	0.8
Total equity	1,383,890	1,372,735	0.8

Total assets amounted to RMB2,399,683 million, representing an increase of 0.1% from that as at the end of 2016, of which:

Current assets amounted to RMB430,764 million, representing an increase of 12.9% from that as at the end of 2016, primarily due to the increase in prepayments and other current assets, cash and cash equivalents and accounts receivable.

Non-current assets amounted to RMB1,968,919 million, representing a decrease of 2.3% from that as at the end of 2016, primarily due to the decrease in property, plant and equipment. The Group, through its asset-light strategy, achieved obvious effect by disposing of non-profitability or low-profitability assets, elevating the profitability of unit assets and making use of assets through the reform of mix ownership system.

Total liabilities amounted to RMB1,015,793 million, representing a decrease of 0.8% from that as at the end of 2016, of which:

Current liabilities amounted to RMB561,914 million, representing an increase of 12.5% from that as at the end of 2016, primarily due to the increase in short-term borrowings, accounts payable and accrued liabilities.

Non-current liabilities amounted to RMB453,879 million, representing a decrease of 13.5% from that as at the end of 2016, primarily due to the decrease in long-term borrowings.

Equity attributable to owners of the Company amounted to RMB1,197,684 million, representing an increase of 0.7% from that as at the end of 2016, primarily due to the increase in retained earnings and reserves.

• Cash Flows

As at June 30, 2017, the primary sources of funds of the Group were cash from operating activities and short-term and long-term borrowings. The funds of the Group were mainly used for operating activities, capital expenditures, repayment of short-term and long-term borrowings and distribution of dividends to the owners of the Company.

The table below sets out the cash flows of the Group for the first half of 2017 and 2016, respectively, and the amount of cash and cash equivalents as at the end of each period:

	six months ended June 30	
	2017	2016
	RMB million	RMB million
Net cash flows from operating activities	144,833	111,842
Net cash flows used for investing activities	(87,253)	(83,231)
Net cash flows used for financing activities	(39,622)	(1,163)
Translation of foreign currency	(1,351)	1,101
Cash and cash equivalents at end of the period	114,538	101,322

Net Cash Flows From Operating Activities

The net cash flows of the Group from operating activities for the first half of 2017 were RMB144,833 million, representing an increase of 29.5% from the net cash flows of RMB111,842 million for the first half of 2016. This was mainly due to the combined impact resulted from the increase in profit during the reporting period and the change in working capital. As at June 30, 2017, the Group had cash and cash equivalents of RMB114,538 million, of which, approximately 50.0% were denominated in Renminbi, approximately 48.8% were denominated in US Dollars, approximately 0.3% were denominated in Hong Kong Dollars and approximately 0.9% were denominated in other currencies.

Net Cash Flows Used For Investing Activities

The net cash flows of the Group used for investing activities for the first half of 2017 were RMB87,253 million, representing an increase of 4.8% from RMB83,231 million for the first half of 2016. This was primarily due to the fact that the Group increased its time deposits with maturities over three months in the first half of 2017.

Net Cash Flows Used For Financing Activities

The net cash flows of the Group used for financing activities for the first half of 2017 were RMB39,622 million, representing an increase of RMB38,459 million from RMB1,163 million for the first half of 2016. This was primarily due to the combined impact of the Group's strengthened debt control, the decrease in new borrowings as compared with the same period of last year and the increase in the payment of dividend and interest in the first half of 2017.

The net borrowings of the Group as at June 30, 2017 and December 31, 2016, respectively, were as follows:

	As at June 30, 2017	As at December 31, 2016
	RMB million	RMB million
Short-term borrowings (including current portion of long-term borrowings)	192,858	143,384
Long-term borrowings	300,191	372,887
Total borrowings	493,049	516,271
Less: Cash and cash equivalents	114,538	97,931
Net borrowings	378,511	418,340

The following table sets out the remaining contractual maturities of borrowings as at June 30, 2017 and December 31, 2016, respectively, which are based on contractual undiscounted cash flows including principal and interest, and the earliest contractual maturity date:

	As at June 30, 2017	As at December 31, 2016
	RMB million	RMB million
Within 1 year	208,125	160,572
Between 1 and 2 years	79,756	102,096
Between 2 and 5 years	190,737	209,653
After 5 years	65,140	106,879
	543,758	579,200

Of the total borrowings of the Group as at June 30, 2017, approximately 51.9% were fixed-rate loans and approximately 48.1% were floating-rate loans. Of the total borrowings as at June 30, 2017, approximately 69.9% were denominated in Renminbi, approximately 28.4% were denominated in US Dollars and approximately 1.7% were denominated in other currencies.

As at June 30, 2017, the gearing ratio of the Group (gearing ratio = interest-bearing debts/(interest-bearing debts + total equity)) was 26.3% (December 31, 2016: 27.3%).

• Capital Expenditures

For the first half of 2017, the Group continued to optimise its investment structure and reasonably adjusted the pace of construction of projects and, as such, its capital expenditures amounted to RMB62,339 million, representing an increase of 22.6% from RMB50,867 million for the first half of 2016, which was mainly due to an increase in the investment in connection with the oil and gas exploration and development and the construction of the storage and transportation facilities. The following table sets out the capital expenditures incurred by the Group for the first half of 2017 and for the first half of 2016 and the estimated capital expenditures for each of the business segments of the Group for the whole year of 2017.

	For the first half of 2017		For the first half of 2016		Estimates for 2017	
	RMB million	(%)	RMB million	(%)	RMB million	(%)
Exploration and Production*	45,303	72.67	39,550	77.75	143,600	75.07
Refining and Chemicals	4,667	7.49	3,566	7.01	13,600	7.11
Marketing	1,930	3.10	2,806	5.52	10,800	5.65
Natural Gas and Pipeline	10,132	16.25	4,518	8.88	22,200	11.60
Head Office and Other	307	0.49	427	0.84	1,100	0.57
Total	62,339	100.00	50,867	100.00	191,300	100.00

* If investments related to geological and geophysical exploration costs were included, the capital expenditures and investments for the Exploration and Production segment for the first half of 2016 and the first half of 2017, and the estimates for the same for the year of 2017 would be RMB43,873 million, RMB48,552 million and RMB153,100 million, respectively.

Exploration and Production

Capital expenditures for the Exploration and Production segment of the Group amounted to RMB45,303 million for the first half of 2017. The expenditures were primarily used for oil and gas exploration and development conducted both within and outside the PRC. The Group's domestic exploration focused on the oil and gas regions such as Erdos Basin, Tarim Basin and Sichuan Basin, with a focus on maintaining and increasing the output from oil and gas fields such as those in Daqing, Changqing, Liaohe, Xinjiang, Tarim and the South-Western as well as the development of unconventional resources such as shale gas. For its overseas operations, the Group continued to increase its efforts in speeding up the existing oil and gas exploration and development projects in joint cooperation areas in the Middle East, Central Asia, America and the Asia Pacific region and to push forward the development of new projects in the Middle East.

The Group anticipates that capital expenditures for the Exploration and Production segment throughout 2017 would amount to RMB143,600 million.

Refining and Chemicals

Capital expenditures for the Refining and Chemicals segment of the Group amounted to RMB4,667 million for the first half of 2017, primarily used for the construction of refining and chemical projects, such as Yunnan Petrochemical 13 million tons crude oil refinery project, Liaoyang Petrochemical Russian oil processing optimisation project and Huabei Petrochemical upgrade of refining quality and technical reformation of safety and environment protection and the construction of refined oil product quality upgrade projects.

The Group anticipates that capital expenditures for the Refining and Chemicals segment throughout 2017 will amount to RMB13,600 million.

Marketing

Capital expenditures for the Marketing segment of the Group amounted to RMB1,930 million for the first half of 2017, which were used primarily for the construction and expansion of the domestic sales networks for high-profitability markets and the construction of overseas oil and gas operation centres.

The Group anticipates that capital expenditures for the Marketing segment throughout 2017 will amount to RMB10,800 million.

Natural Gas and Pipeline

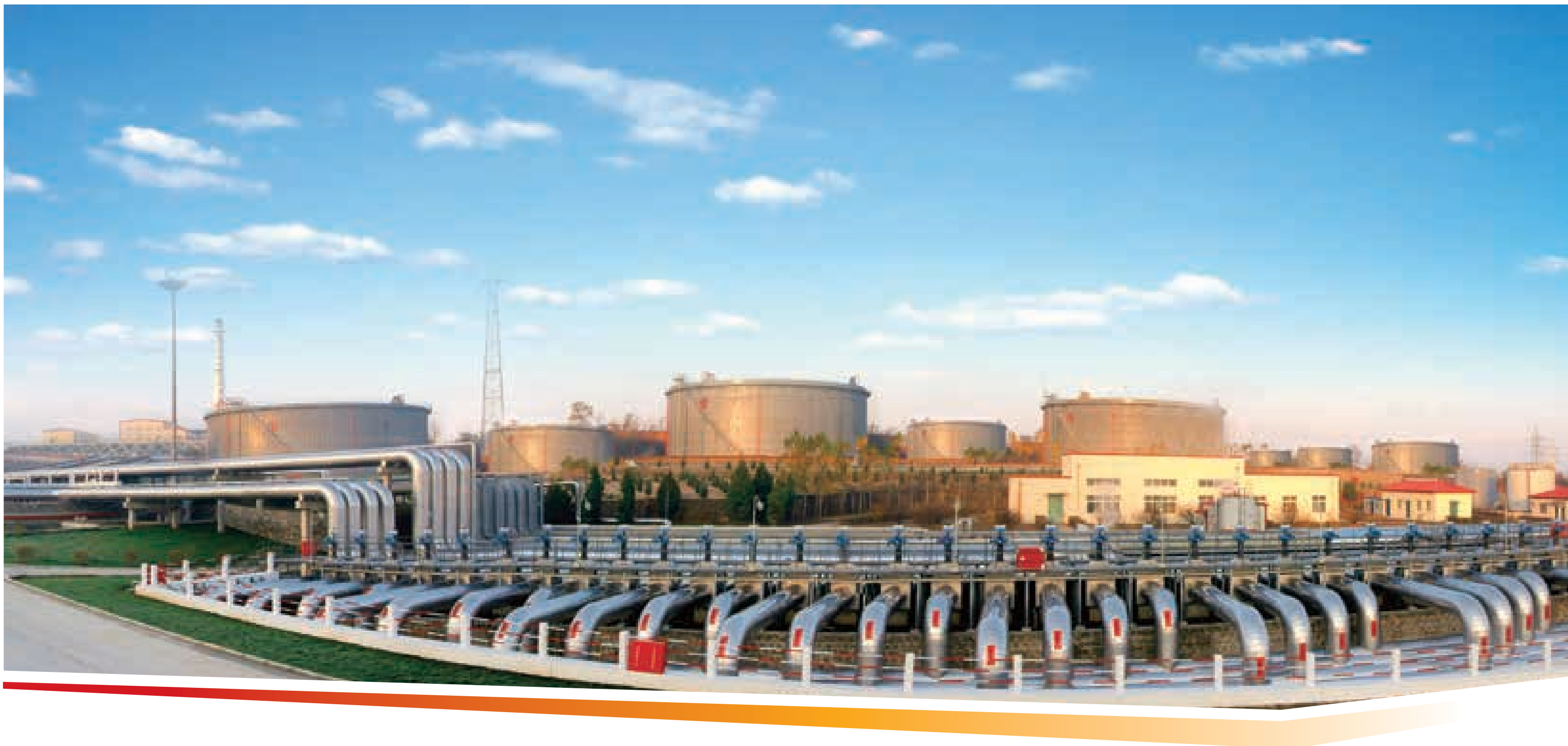
Capital expenditures for the Natural Gas and Pipeline segment of the Group amounted to RMB10,132 million for the first half of 2017, which were used primarily for the construction of key oil and gas transmission pipelines such as the Fourth Shaanxi-Beijing Gas Pipeline, the East Route of the Sino-Russia Natural Gas Pipeline, the second Sino-Russia Crude Oil Pipeline, and also the construction of gas branches and city gas facilities.

The Group anticipates that capital expenditures for the Natural Gas and Pipeline segment throughout 2017 will amount to RMB22,200 million.

Head Office and Other

Capital expenditures for Head Office and Other for the first half of 2017 were RMB307 million, which were primarily used for scientific research activities and construction of information system.

The Group anticipates that capital expenditures for Head Office and Other throughout 2017 will amount to RMB1,100 million.



(2) The financial data set out below is extracted from the consolidated financial statements of the Group prepared under CAS:

- Principal operations by segment under CAS

	Income from principal operations for the first half of 2017	Cost of principal operations for the first half of 2017	Gross margin*	Changes in income from principal operations over the same period of the preceding year	Changes in cost of principal operations over the same period of the preceding year	Increase/ (decrease) in gross margin
	RMB million	RMB million	(%)	(%)	(%)	(Percentage points)
Exploration and Production	237,562	197,996	10.8	33.1	10.6	16.0
Refining and Chemicals	328,491	214,188	10.9	18.1	44.1	(6.3)
Marketing	795,487	764,802	3.6	37.2	39.4	(1.5)
Natural Gas and Pipeline	141,096	125,118	10.9	17.0	16.4	0.5
Head Office and Other	43	39	-	(78.6)	(40.9)	-
Inter-segment elimination	(546,831)	(546,831)	-	-	-	-
Total	955,848	755,312	11.1	32.4	37.6	(0.1)

* Gross margin = Profit from principal operations / Income from principal operations.

During the reporting period, the Group's total amount of connected transactions for the sale of products and services provided to CNPC and its subsidiaries was RMB 50,398 million.

- Principal operations by region under CAS

Operating income	First half of 2017 RMB million	First half of 2016 RMB million	Changes over the same period of the preceding year (%)
Mainland China	624,078	513,488	21.5
Other	351,831	225,579	56.0
Total	975,909	739,067	32.0

- Principal subsidiaries, associates and jointly controlled entities of the Group

Company name	Registered capital RMB million	Shareholding %	Amount of total assets RMB million	Amount of total liabilities RMB million	Amount of net assets/ liabilities RMB million	Net profit/ (loss) RMB million
Daqing Oilfield Company Limited(1)	47,500	100.00	283,518	69,381	214,137	3,377
CNPC Exploration and Development Company Limited	16,100	50.00	160,948	26,239	134,709	1,667
PetroChina Hong Kong Limited	HK$7,592 million	100.00	122,186	55,854	66,332	4,143
PetroChina International Investment Company Limited	31,314	100.00	111,450	121,051	(9,601)	(1,838)
PetroChina International Co., Ltd.	18,096	100.00	168,768	116,528	52,240	2,958
PetroChina Pipelines Co., Ltd.	80,000	72.26	252,790	37,704	215,086	11,959
Dalian West Pacific Petrochemical Co., Ltd.	US$258 million	28.44	9,188	13,541	(4,353)	1,218
China Marine Bunker (PetroChina) Co., Ltd.	1,000	50.00	7,824	4,979	2,845	76
China Petroleum Finance Co., Ltd.	8,331	32.00	412,539	353,709	58,830	3,753
Arrow Energy Holdings Pty Ltd.	AUD2	50.00	30,117	22,271	7,846	(796)
CNPC Captive Insurance Co., Ltd.	5,000	49.00	11,939	6,055	5,884	140
Trans-Asia Gas Pipeline Co., Ltd.	5,000	50.00	30,486	2,443	28,043	406

Note: (1) The operating income and operating profit of Daqing Oilfield Company Limited in the first half of 2017 were RMB48,050 million and RMB4,753 million, respectively.

(2) For details of the nature of business and net profit of principal subsidiaries, associates and joint ventures entities of the Group, please refer to Note 6 and Note 13 of the financial statements of the Group prepared under CAS.

3. Business Prospects for the Second Half of the Year

The global economy is expected to continue to recover moderately in the second half of 2017. The global oil price fluctuates at a medium-low level with greater uncertainty, and certain countries with oil resources are facing more geopolitical risks. It is expected that the Chinese economy will continue to develop at a reasonable pace, while downward pressure on the economy still exists and the competition in the oil and gas market becomes more fierce. Faced with both opportunities and challenges, the Group will enhance its analysis and assessment of the situation, grasp favourable opportunities arising from China's implementation of major strategies such as the supply-side structural reform and "the Belt and Road" initiative , take advantage of its strengths on integrated operation and make an overall planning in respect of its resources and markets, both within and outside the PRC, for its oil and gas business chains, optimise the allocation of resources and the connection between production and sales, strengthen its ability in achieving an integrated balance and coordinated operation, broaden source of income, reduce expenditure and cut costs to improve efficiency, duly implement new measures on safety and environment protection, market development, and reform and innovation in order to facilitate growth in corporate values driven by various business operations, achieve maximum efficiency, accomplish its production and operation targets for the year and facilitate the steady development of the Group.

In respect of exploration and production, the Group will continue to solidify the base for oil and gas exploration, ensure investments in major findings and reserves with good returns, strengthen comprehensive geological research at key zones and steadily promote unconventional oil and gas exploration. The Group will organise its production of oil and gas in a scientific way based on profit contribution, optimise output structure, explore innovative production and organisation methods, promote new operation models and application of new technologies, and improve both production efficiency and results. The Group will also strive to increase its economic producible reserves, lower development costs, intensify its efforts in managing to address the loss-making oil fields with an aim to achieve the performance goals for the year.

In respect of refining and chemicals operations, the Group will, based on market demand, make scientific arrangements for the allocation of domestic crude oil and imported crude oil, make reasonable arrangements for crude oil processing load, optimise the allocation of resources, push forward the quality upgrade of the national standard VI gasoline and diesel, and increase the output of high octane number gasoline, aviation kerosene and other value added products. The Group also will continue intensifying its oil refining and petrochemical integrated engineering works, procure quality chemical raw materials from multiple sources, maintain the high load operation of ethylene and aromatic facilities and increase the proportion of special raw materials and other highly profitable chemical products so as to further improve profitability. For the sales of chemical products, the Group will promptly adapt to market change, leverage on the synergy created from the coordination of production, marketing, research and utilisation to optimise o the sale networks, flow of resources and customer structure, increase proportion of the direct sales and improve efficiency and profitability.

In respect of the sales of refined products, by focusing on precision marketing, the Group will ensure a smooth industry chain, further promote the "Internet plus" marketing initiatives and the bundle marketing of refined products, fuel cards, non-oil business and lubricants, enhance the synergy created from retail networks, secure its market share in markets with growth potentials and expand its sales volume.

In respect of natural gas and pipeline operations, the Group will coordinate resources and markets, improve the profitability of the natural gas business chain, capture the favourable opportunities arising from the rapid growth in natural gas consumption, coordinate resources within and outside the PRC, strengthen the close connection of different stages ranging from production, transportation, sales, storage to trading, facilitate the development of high-end market with high profitability, optimise the operation of the pipeline networks and the storage and transportation facilities, lower the costs of the overall business chain and continue to improve the value creation capability.

In respect of international operations, by leveraging on "the Belt and Road" initiative, the Group will implement the new oil and gas cooperation agreements that have been concluded, accelerate the contractual negotiation process, promote the development of key projects and make its best efforts to procure additional projects. For international trade, the Group will effectively control the pace of the importation of natural gas, coordinate and optimise the import of crude oil, expand the export of refined oil, organise the sales of overseas equity production oil, and make better use of the domestic resources. By focusing on improving its overseas oil and gas operation centres, the Group will aim at expanding its sales and trading networks in an orderly and effective manner, and continuously enhancing its operating efficiency as well as its capability of global resource optimisation and allocation.

By order of the Board
Wang Yilin
Chairman
Beijing, PRC
August 24, 2017

SIGNIFICANT EVENTS

1. Governance of the Company

During the reporting period, the Company had been operating in accordance with domestic and overseas regulatory requirements. With reference to the status quo of the Company and in accordance with the Articles of Association of the Company (the "Articles of Association"), relevant laws, regulations and the securities regulatory rules of the places where the Company is listed, the Company has been formulating, improving and effectively implementing rules and procedures for the Board and its various specialised committees.

In accordance with the regulatory requirements, the Company made amendments to the Articles of Association, the Rules of Procedures of the Shareholders' General Meeting of PetroChina Company Limited, the Rules of Procedures of the Board of PetroChina Company Limited and the Rules of Procedures and Organization of the Supervisory Committee of PetroChina Company Limited. Such main amendments will be submitted to the 2017 first extraordinary general meeting for review and approval after they are reviewed and approved by the fifth meeting of the Board for 2017. (Please see the announcement to be published on Shanghai Stock Exchange by the Company for details of such amendments).

During the reporting period, the Company's corporate governance met the requirements set out in the normative documents relating to governance of listed companies issued by the regulatory authorities and stock exchanges of the places where the Company is listed. The internal management operations of the Company had been further standardised. The level of the Company's corporate governance had been continually enhanced through the coordination and checks and balances among the shareholders' general meeting, the Board and its respective specialised committees, the Supervisory Committee and the management led by the President of the Company together with the effective operations of the internal control systems.

2. Compliance with the Corporate Governance Code

Save as disclosed below, for the six months ended June 30, 2017, the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

After the Company additionally appointed a director on October 20, 2016, the number of independent non-executive directors falls below one-third of the Board. Upon careful consideration about the laws and regulations of the places where the Company is listed, the background of the industry that the Company is engaged in and the existing corporate structure of the Company, the members of the board of directors as elected at the 2016 annual general meeting of the Company held on June 8, 2017 all meet the regulatory rules and are complied with Rule 3.10A of the Listing Rules.

3. Formulation and Implementation of the Cash Dividend Policy

Since its listing in 2000, the Company has been with a consistent dividend policy adopted. Currently, the Company pays dividends to its shareholders on the basis of 40% to 50% of its annual net profit. The Company's consistent and proactive dividend policy is well received by shareholders as it preserves the interests of small to medium sized shareholders. The independent Directors of the Company have performed their duties conscientiously and diligently and played their role as expected.

To protect the interests of small to medium sized shareholders, the Articles of Association expressly provides that the proportion of cash dividends shall not be lower than 30% of annual net profit attributable to owners of the Company. The Company shall make dividend payments twice a year. Payment of final dividends shall be approved by a general meeting by way of an ordinary resolution, whilst payment of interim dividends may be approved by the Board receiving a mandate from a general meeting by way of an ordinary resolution. Authorised by the shareholders, the Board has approved the 2017 interim dividend at the fifth meeting of the Board in 2017, with the consent of independent Directors.

4. Final Dividend for 2016 and Interim Dividend for 2017 and Closure of Register of Members

(1) Final Dividend of Year Ended December 31, 2016

The final dividend in respect of 2016 of RMB0.03801 yuan per share (inclusive of applicable tax), amounting to a total of RMB6,957 million was approved by the shareholders at the annual general meeting on June 8, 2017 and was paid on June 22, 2017 (for A shares) and July 27, 2017 (for H shares), respectively.

(2) Interim Dividend for 2017 and Closure of Register of Members

The Board was authorised by the shareholders to approve the distribution of an interim dividend for 2017 at the annual general meeting of the Company on June 8, 2017. In overall consideration of the good fundamentals of development, financial condition and cash flow, to improve returns for the shareholders, the Board has resolved to declare a special interim dividend of RMB0.03809 yuan per share (inclusive of applicable tax) for 2017 in addition to an interim dividend of RMB0.03117 yuan per share (inclusive of applicable tax) based on the dividend distribution of 45% of profit attributable to owners of the Company under IFRS, namely, to declare and pay to all shareholders of the Company an interim dividend of RMB0.06926 yuan per share (inclusive of applicable tax) in cash for the six months ended June 30, 2017 on the basis of a total of 183,020,977,818 shares of the Company as at June 30, 2017. The total amount of the interim dividend payable is RMB12,676 million with a dividend pay-out ratio of 100%.

The interim dividend of the Company will be paid to shareholders whose names appear on the register of members of the Company at the close of trading on September 14, 2017. The register of members of H shares will be closed from September 9, 2017 to September 14, 2017 (both days inclusive) during which period no transfer of H shares will be registered. In order to qualify for the interim dividend, holders of H shares must lodge all share transfer documents together with the relevant share certificates at Hong Kong Registrars Limited on or before 4:30 p.m., September 8, 2017. Holders of A shares whose names appear on the register of members of the Company maintained at China Securities Depository and Clearing Corporation Limited ("CSDC") at the close of trading on the Shanghai Stock Exchange in the afternoon of September 14, 2017 will be eligible for the interim dividend.

In accordance with the relevant provisions of the Articles of Association and relevant laws, dividends payable to the shareholders of the Company shall be declared in Renminbi. Dividends payable to the holders of A shares shall be paid in Renminbi, and for the A shares of the Company listed on the Shanghai Stock Exchange and invested by the investors through the Hong Kong Stock Exchange, dividends shall be paid in Renminbi to the accounts of the nominal shareholders through CSDC. Save for the H shares of the Company listed on the Hong Kong Stock Exchange and invested by the investors through the Shanghai Stock Exchange ("H Shares under the Southbound Trading Link"), dividends payable to the holders of H shares shall be paid in Hong Kong Dollars. The applicable exchange rate shall be the average of the medium exchange rate for Renminbi to Hong Kong Dollar as announced by the People's Bank of China for the week prior to the declaration of the dividends by the Board. Dividends payable to the holders of H Shares under the Southbound Trading Link shall be paid in Renminbi. In accordance with the Agreement on Payment of Cash Dividends on the H Shares under the Southbound Trading Link (《港股通H股股票現金紅利派發協議》) between the Company and CSDC, CSDC will receive the dividends payable by the Company to holders of the H Shares under the Southbound Trading Link as a nominal holder of the H Shares under the Southbound Trading Link on behalf of investors and assist the payment of dividends on the H Shares under the Southbound Trading Link to investors thereof. The average of the medium exchange rate for Renminbi to Hong Kong Dollar as announced by the People's Bank of China for the week prior to the declaration of the 2017 interim dividend by the Board is RMB0.85271 to 1.00 Hong Kong Dollar. Accordingly, the interim dividend will be 0.08122 Hong Kong Dollar per H share (inclusive of applicable tax).

The Company has appointed Bank of China (Hong Kong) Trustees Limited as the receiving agent in Hong Kong ("Receiving Agent"), and will pay the declared interim dividend to the Receiving Agent for its onward payment to the holders of H shares. The interim dividend will be paid by the Receiving Agent around October 27, 2017 to the holders of H shares by ordinary mail at their own risks.

According to the Law on Corporate Income Tax of the People's Republic of China (《中華人民共和國企業所得稅法》) and the relevant implementing rules which came into effect on January 1, 2008, the Company is required to withhold corporate income tax at the rate of 10% before distributing dividends to non-resident enterprise shareholders whose names appear on the H share register of members of the Company. Any H shares registered in the name of non-individual shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organisations, will be treated as being held by non-resident enterprise shareholders and therefore will be subject to the withholding of the corporate income tax. Any holders of H shares wishing to change their shareholder status should consult their agents or trust institutions on the relevant procedures. The Company will withhold and pay the corporate income tax strictly in accordance with the relevant laws or requirements of the relevant governmental authorities based on the information that will have been registered on the Company's H share register of members on September 14, 2017.

According to the regulation promulgated by the State Administration of Taxation of the PRC (Guo Shui Han [2011] No.348), the Company is required to withhold and pay the individual income tax for individual holders of H shares and individual holders of H shares are entitled to certain tax preferential treatments according to the tax agreements between those countries where the individual holders of H shares are resident and China and the provisions in respect of tax arrangements between mainland China and Hong Kong (Macau). The Company will withhold and pay the individual income tax at the tax rate of 10% on behalf of the individual holders of H shares who are Hong Kong residents, Macau residents or residents of those countries which have agreements with China prescribing for a tax rate of 10% for individual income tax in respect of dividends. For individual holders of H shares who are residents of those countries which have agreements with China prescribing for a tax rate lower than 10% for individual income tax in respect of dividends, the Company will make applications on their behalf to seek entitlement of the relevant agreed preferential treatments pursuant to the Circular of the State Administration of Taxation on Printing and Issuing the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No.124) (《國家稅務總局關於印發<非居民享受稅收協定待遇管理辦法（試行）>的通知》(國稅發[2009]124號)). For individual holders of H shares who are residents of those countries which have agreements with China prescribing for a tax rate higher than 10% but lower than 20% for individual income tax in respect of dividends, the Company will withhold the individual income tax at the agreed-upon effective tax rate. For individual holders of H shares who are residents of those countries without any taxation agreements with China or those which have agreements with China prescribing for a tax rate of 20% for individual income tax in respect of dividends or other situations, the Company will withhold the individual income tax at a tax rate of 20%.

The Company will determine the country of residence of an individual holder of H shares based on the registered address as recorded in the register of members of the Company ("Registered Address") on September 14, 2017 and will accordingly withhold and pay the individual income tax. If the country of residence of an individual holder of H shares is not the same as the Registered Address, the individual holder of H shares shall notify the share registrar of the Company's H shares and provide relevant supporting documents on or before 4:30 p.m., September 8, 2017 at the following address: Hong Kong Registrars Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. If the individual holder of H shares does not provide the relevant supporting documents to the share registrar of the Company's H shares within the time period stated above, the Company will determine the country of residence of the individual holder of H shares based on the Registered Address recorded on September 14, 2017.

The Company will not entertain any claims arising from and assumes no liability whatsoever in respect of any delay in, or inaccurate determination of, the status of the shareholders of the Company or any disputes over the withholding and payment of tax.

In accordance with the Circular on the Tax Policies concerning the Pilot Program of the Shanghai and Hong Kong Stock Market Trading Interconnection Mechanism(《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》), which became effective on November 17, 2014, with regard to the dividends obtained by individual mainland investors from investment in the H shares of the Company listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect, the Company will withhold their individual income tax at the tax rate of 20% in accordance with the register of individual mainland investors provided by CSDC. As to the withholding tax having been paid abroad, an individual investor may file an application for tax credit with the competent tax authority of CSDC with an effective credit document. With respect to the dividends obtained by mainland securities investment funds from investment in the H shares of the Company listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect, the Company will levy tax with reference to the provisions concerning the collection of tax on individual investors. The Company will not withhold income tax on dividends obtained by mainland enterprise investors, and mainland enterprise investors shall file their income tax returns and pay tax themselves instead.

With regard to the dividends obtained by the investors (including enterprises and individuals) from investment in the A shares of the Company listed on Shanghai Stock Exchange through the Hong Kong Stock Exchange, the Company will withhold income tax at the tax rate of 10%, and file tax withholding returns with the competent tax authority. Where any such investor is a tax resident of a foreign country and the rate of income tax on dividends is less than 10%, as provided for in the tax treaty between the country and the PRC, the enterprise or individual may directly, or entrust a withholding agent to, file an application for the tax treatment under the tax treaty with the competent tax authority of the Company. Upon review, the competent tax authority will refund tax based on the difference between the amount of tax having been collected and the amount of tax payable calculated at the tax rate as set out in the tax treaty.

5. Material Litigation and Arbitration

There was no material litigation or arbitration during the reporting period.

6. Financial Assets at Fair Value

Unit: RMB million

Name of Items	Balance at the beginning of the reporting period	Balance at the end of the reporting period	Changes in the reporting period	Amount affecting the profit of the reporting period
Available-for-sale financial assets	906	859	(47)	6

The financial assets at fair value held by the Company during the reporting period include domestic and overseas listed shares and the equity investment with a quoted market price in an active market and whose fair value can be reliable measured.

7. Acquisition, Sale and Restructuring of Assets

There were no material acquisition, sale and restructuring of assets during the reporting period.

8. Material Connected Transactions

(1) Continuing connected transactions

(a) Connected transactions with CNPC

Pursuant to the Listing Rules and the Shanghai Stock Exchange Listing Rules, since CNPC is the controlling shareholder of the Company, transactions between the Group and CNPC as well as their jointly-held entities constitute connected transactions of the Group. The Group and CNPC as well as their jointly-held entities continue to carry out certain existing continuing connected transactions. The Company had obtained independent Directors' and independent shareholders' approval at the third meeting of the sixth session of the Board held on August 27 and August 28, 2014 and the first extraordinary general meeting held on October 29, 2014, respectively, for a renewal of the existing continuing connected transactions and the new continuing connected transactions, and the proposed caps for the existing continuing connected transactions and the new continuing connected transactions for the period from January 1, 2015 to December 31, 2017.

The Group and CNPC as well as their jointly-held entities will continue to carry out the existing continuing connected transactions referred to in the following agreements:

1) Comprehensive Products and Services Agreement
2) Land Use Rights Leasing Contract and an agreement supplementary thereto
3) Buildings Leasing Contract (as amended)
4) Intellectual Property Licensing Contracts
5) Contract for the Transfer of Rights under Production Sharing Contracts

Details of the above agreements were set out in the section headed "Connected Transactions" of the 2016 annual report published on the websites of the Hong Kong Stock Exchange and the Shanghai Stock Exchange on March 30, 2017, respectively. Details of the Comprehensive Products and Services Agreement, the Supplementary Agreement to the Land Use Rights Leasing Contract and the Buildings Leasing Contract (as amended) were published on the websites of the Hong Kong Stock Exchange and the Shanghai Stock Exchange on August 28 and August 29, 2014, respectively, and were also set out in the meeting materials for the 2014 first extraordinary general meeting published on the website of the Shanghai Stock Exchange on October 21, 2014.

(b) The Products and Services Agreement with Beijing Gas Group Company Limited ("Beijing Gas")

Under the Listing Rules, Beijing Gas is a substantial shareholder of PetroChina Beijing Gas Pipeline Co., Ltd. ("PetroChina Beijing Gas Pipeline"), a subsidiary of the Group. Therefore, the transactions between the Group and Beijing Gas constitute connected transactions of the Group. Pursuant to the Product and Services Agreement entered into between the Company and Beijing Gas, the Company shall provide products and services to Beijing Gas in a continuous way, including but not limited to provision of natural gas and natural gas related pipeline transportation services. The term of agreement commenced on January 1, 2016 and shall terminate on December 31, 2017. Details of the transaction has been published on the websites of Hong Kong Stock Exchange and Shanghai Stock Exchange on August 24 and August 25, 2016, respectively.

(2) Performance of the continuing connected transactions during the reporting period

During the reporting period, in accordance with CAS, the actual total transaction amounts of the connected transactions between the Group and its connected parties were RMB203,423 million, of which the sales of goods and provision of services by the Group to its connected parties amounted to RMB68,689 million, representing 7.04% of the same category transactions of the Group, and purchase of goods and services by the Group from the connected parties amounted to RMB134,734 million, representing 15.39% of the same category transactions of the Group. The balance of the capital provided by the connected parties to the Group amounted to RMB241,520 million.

(3) Details of the connected transactions during the reporting period have been set out in Note 54 to the financial statements of the Group prepared under CAS and Note 18 to the financial statements of the Group prepared under IFRS.

9. Material Contracts and the Performance Thereof

(1) There was no material transaction, or any trusteeship, sub-contracting and leasing of properties of other companies by the Company, or any trusteeship, sub-contracting and leasing of properties of the Company by other companies which was enacted during the reporting period or extended from periods prior to the reporting period.

(2) The Group had no material guarantees during the reporting period.

(3) The Company did not entrust any other person to carry out cash management during the reporting period nor was there any such entrustment that was extended from periods prior to the reporting period.

(4) The Company had no material external entrusted loans during the reporting period.

(5) Save for disclosed in this interim report, during the reporting period, the Company did not enter into any material contract which requires disclosure.

10. Performance of Undertakings

In order to support the business development of the Company, consolidate the relevant quality assets and avoid industry competition, CNPC, the controlling shareholder of the Company, entered into the Agreement on Non-Competition and Pre-emptive Right to Transaction (the "Agreement") with the Company on March 10, 2000. As of June 30, 2017, except for those already performed, the undertakings not performed by CNPC, the controlling shareholder of the Company, included the follows: (1) due to the fact that the laws of the jurisdiction where ADSs were listed prohibit local citizens from directly or indirectly financing or investing in the oil and gas projects in certain countries, CNPC failed to inject the overseas oil and gas projects in certain countries into the Company; (2) upon execution of the Agreement, CNPC did not strictly comply with the Agreement and obtained business opportunities that competed or were likely to compete with the principal business of the Company. Nevertheless, such industry competition primarily concentrated on oil and gas exploration and development operations at certain overseas countries and regions in which the resources owned by CNPC were insufficient or uncertain.

In connection with matters described above, CNPC issued a Letter of Undertaking to the Company on June 20, 2014 and made additional undertakings that: (1) within ten years from the date of the Letter of Undertaking, after taking into account of political, economic and other factors, the Company may request CNPC to sell offshore oil and gas assets which remain in possession by CNPC and which were in possession by CNPC as at the date of the Letter of Undertaking; (2) for business opportunities relating to investment in offshore oil and gas assets after the date of the Letter of Undertaking, the relevant prior approval procedure of the Company shall be initiated strictly in accordance with the Agreement. Subject to the applicable laws, contractual agreements and procedure requirements, CNPC will sell to the Company offshore oil and gas assets as described in items (1) and (2) above at the request of the Company.

Save for the above additional undertakings, undertakings made by CNPC in the Agreement remain unchanged.

Save for the above undertakings, there were no significant undertakings made by the Company, shareholders, actual controllers, acquirers, Directors, Supervisors, Senior Management or other related parties during the reporting period or lasting to the reporting period.

11. Penalties on the Company and its Directors, Supervisors, Senior Management, Controlling Shareholder and De Facto Controller and Remedies Thereto

During the reporting period, none of the Company, the existing Directors, Supervisors, Senior Management, controlling shareholder or de facto controller of the Company was subject to any investigation by relevant authorities, enforcement measures by judicial authorities or disciplinary authorities, transfer to judicial authorities or prosecution of criminal liabilities, audit or administrative punishment by the China Securities Regulatory Commission, denied participation in the securities market or deemed unsuitable, nor was there any administrative penalty by other administrative authorities or public condemnation by stock exchanges.

12. Repurchase, Sale or Redemption of Securities

The Company and its subsidiaries did not repurchase, sell or redeem any of the listed securities of the Company during the six months ended June 30, 2017.

13. Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code") in respect of dealing in the Company's shares by its Directors. Upon specific enquiries made to each Director and Supervisor, each Director and Supervisor has confirmed to the Company that each of them had complied with the requirements set out in the Model Code during the reporting period.

14. Interests of Directors, Supervisors and Chief Executives in the Share Capital of the Company

As at June 30, 2017, none of the Directors, Supervisors and Chief Executives had any interest or short positions in any shares, underlying shares or debentures of the Company or any associated corporation within the meaning of Part XV of the Securities and Futures Ordinance that are required to be recorded in the register mentioned under Section 352 of the Securities and Futures Ordinance or as otherwise notifiable to the Company and the Hong Kong Stock Exchange by the Directors, Supervisors and Chief Executives pursuant to the Model Code.

15. Creditworthiness of the Company and its Controlling Shareholder and Ultimate Controller

During the reporting period, the Company and its controlling shareholder and actual controller, CNPC, carried out various businesses in a continuous and steady way, adhering to the philosophy of good faith and the principle of compliance with laws and regulations, and did not incurred any unperformed material court judgement that had come into force or any significant outstanding debt that had become due and payable.

16. Audit Committee

The Audit Committee of the Company comprises Mr. Lin Boqiang, Mr. Liu Yuezhen and Mr. Zhang Biyi. The main duties of the Audit Committee are to review and monitor the financial reporting procedures and internal control system of the Group and make recommendations to the Board.

The Audit Committee of the Company has reviewed and confirmed the interim results for the six months ended June 30, 2017.

17. Disclosure of Other Information

Save for disclosed above, there have been no material changes in the information disclosed in the annual report of the Group for the year ended December 31, 2016 in respect of matters required to be disclosed under paragraph 32 of Appendix 16 to the Listing Rules.

18. Index of Information Disclosure

Matter	Names of newspaper of publication	Date of publication (or the time of release through the website of the Hong Kong Stock Exchange or the Shanghai Stock Exchange, if the disclosure was not published)	Website of release
2017 Interest Payment Announcement of PetroChina on its 2016 Corporate Bonds (First Tranche) (Variety I)	China Securities Journal Shanghai Securities News Securities Times	January 10, 2017	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
2017 Interest Payment Announcement of PetroChina on its 2016 Corporate Bonds (First Tranche) (Variety II)	China Securities Journal Shanghai Securities News Securities Times	January 10, 2017	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Forecast of PetroChina's 2016 Annual Results	China Securities Journal Shanghai Securities News Securities Times	January 25, 2017	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Announcement of PetroChina on the Appointment of the CFO of the Company	China Securities Journal Shanghai Securities News Securities Times	January 25, 2017	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
2017 Interest Payment Announcement of PetroChina on its 2016 Corporate Bonds (Second Tranche) (Variety I)	China Securities Journal Shanghai Securities News Securities Times	February 23, 2017	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
2017 Interest Payment Announcement of PetroChina on its 2016 Corporate Bonds (Second Tranche) (Variety II)	China Securities Journal Shanghai Securities News Securities Times	February 23, 2017	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Resignation of Joint Company Secretary of PetroChina (H Share Announcement)		February 24, 2017	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Notice of Board Meeting of PetroChina (H Share Announcement)		March 2, 2017	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
2017 Interest Payment Announcement of PetroChina on its 2013 Corporate Bonds (First Tranche) (Variety I)	China Securities Journal Shanghai Securities News Securities Times	March 6, 2017	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
2017 Interest Payment Announcement of PetroChina on its 2013 Corporate Bonds (First Tranche) (Variety II)	China Securities Journal Shanghai Securities News Securities Times	March 6, 2017	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
2017 Interest Payment Announcement of PetroChina on its 2016 Corporate Bonds (Third Tranche) (Variety I)	China Securities Journal Shanghai Securities News Securities Times	March 15, 2017	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange

Matter	Names of newspaper of publication	Date of publication (or the time of release through the website of the Hong Kong Stock Exchange or the Shanghai Stock Exchange, if the disclosure was not published)	Website of release
2017 Interest Payment Announcement of PetroChina on its 2016 Corporate Bonds (Third Tranche) (Variety II)	China Securities Journal Shanghai Securities News Securities Times	March 15, 2017	Website of the Shanghai Stock Exchange
			Website of the Hong Kong Stock Exchange
Announcement on the Resolutions passed at the First Meeting of the Supervisory Committee in Year 2017	China Securities Journal Shanghai Securities News Securities Times	March 28, 2017	Website of the Shanghai Stock Exchange
		March 30, 2017	Website of the Hong Kong Stock Exchange
2016 Work Report of the Audit Committee of PetroChina		March 29, 2017	Website of the Shanghai Stock Exchange
		March 30, 2017	Website of the Hong Kong Stock Exchange
2016 Work Report of Independent Directors of PetroChina		March 29, 2017	Website of the Shanghai Stock Exchange
		March 30, 2017	Website of the Hong Kong Stock Exchange
Special Statement and Independent Opinion by Independent Directors on External Guarantees		March 29, 2017	Website of the Shanghai Stock Exchange
		March 30, 2017	Website of the Hong Kong Stock Exchange
Special Statement on the Use of Non-operating Funds and Financial Transactions with Other Affiliates for 2016		March 30, 2017	Website of the Shanghai Stock Exchange
			Website of the Hong Kong Stock Exchange
Audit Report of PetroChina		March 30, 2017	Website of the Shanghai Stock Exchange
			Website of the Hong Kong Stock Exchange
Audit Report on the Internal Controls of PetroChina		March 30, 2017	Website of the Shanghai Stock Exchange
			Website of the Hong Kong Stock Exchange
Report on Sustainable Development of PetroChina in 2016		March 30, 2017	Website of the Shanghai Stock Exchange
			Website of the Hong Kong Stock Exchange
2016 Annual Report of PetroChina		March 30, 2017	Website of the Shanghai Stock Exchange
			Website of the Hong Kong Stock Exchange
Announcement on the Resolutions passed at the Second Meeting of the Board of PetroChina in Year 2017	China Securities Journal Shanghai Securities News Securities Times	March 30, 2017	Website of the Shanghai Stock Exchange
			Website of the Hong Kong Stock Exchange
2016 Annual Results Announcement of PetroChina (Summary of the Annual Report)	China Securities Journal Shanghai Securities News Securities Times	March 30, 2017	Website of the Shanghai Stock Exchange
			Website of the Hong Kong Stock Exchange

Matter	Names of newspaper of publication	Date of publication (or the time of release through the website of the Hong Kong Stock Exchange or the Shanghai Stock Exchange, if the disclosure was not published)	Website of release
Announcement of PetroChina on its Results in the First Quarter of 2017	China Securities Journal Shanghai Securities News Securities Times	April 7, 2017	Website of the Shanghai Stock Exchange Website of the Hong Kong Stock Exchange
Announcement of PetroChina on the Proposed Issuance of Exchangeable Corporate Bonds by the Shareholder of the Company		April 7, 2017	Website of the Shanghai Stock Exchange Website of the Hong Kong Stock Exchange
Notice of Board Meeting (H Share Announcement)		April 13, 2017	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Notice of PetroChina on the 2016 Annual General Meeting	China Securities Journal Shanghai Securities News Securities Times	April 20, 2017	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Report of the Trustee of the 2012 Corporate Bonds (First Tranche) (For Year 2016)		April 26, 2017	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Report of the Trustee of the 2013 Corporate Bonds (First Tranche) (For Year 2016)		April 26, 2017	Website of the Shanghai Stock Exchange Website of the Hong Kong Stock Exchange
First Quarterly Report of PetroChina for Year 2017	China Securities Journal Shanghai Securities News Securities Times	April 27, 2017	Website of the Shanghai Stock Exchange Website of the Hong Kong Stock Exchange
Proposed Election and Appointment of Directors and Supervisors of PetroChina (H Share Announcement)		April 27, 2017	Website of the Shanghai Stock Exchange Website of the Hong Kong Stock Exchange
Announcement on the Resolutions Passed at the Third Meeting of the Board Meeting in 2017	China Securities Journal Shanghai Securities News Securities Times	April 27, 2017	Website of the Shanghai Stock Exchange Website of the Hong Kong Stock Exchange
Independent Opinion of Independent Directors of PetroChina on the Proposals at the Third Meeting of the Board of PetroChina		April 27, 2017	Website of the Shanghai Stock Exchange
Announcement on the Resolutions Passed at the Second Meeting of the Supervisory Committee of PetroChina in 2017	China Securities Journal Shanghai Securities News Securities Times	April 27, 2017	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Announcement of PetroChina on Additional Proposals for the 2016 Annual General Meeting	China Securities Journal Shanghai Securities News Securities Times	May 5, 2017	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Documents for the 2016 General Meeting of PetroChina		May 25, 2017	Website of the Shanghai Stock Exchange

Matter	Names of newspaper of publication	Date of publication (or the time of release through the website of the Hong Kong Stock Exchange or the Shanghai Stock Exchange, if the disclosure was not published)	Website of release
Reminding Announcement of PetroChina on the Gratuitous Transfer of State-owned Shares	China Securities Journal Shanghai Securities News Securities Times	May 26, 2017	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
2017 Track Rating Report on the Corporate Bonds of PetroChina		May 31, 2017	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Announcement of PetroChina on the Results of Track Rating of its 2012, 2013 and 2016 Corporate Bonds	China Securities Journal Shanghai Securities News Securities Times	May 31, 2017	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Legal Opinion on the 2016 Annual General Meeting		June 8, 2017	Website of the Shanghai Stock Exchange
List of Directors of PetroChina and their Roles and Functions (H-Shares Announcement)		June 8, 2017	Website of the Shanghai Stock Exchange Website of the Hong Kong Stock Exchange
Announcement on the Resolutions Passed at the 4th Meeting of the Board of PetroChina in 2017	China Securities Journal Shanghai Securities News Securities Times	June 8, 2017	Website of Shanghai Stock Exchange
Independent Opinion of Non-executive Independent Directors of PetroChina on the Appointment of Vice Presidents of the Company		June 8, 2017	Website of Shanghai Stock Exchange
Announcement of PetroChina on the Election of Employee Supervisors	China Securities Journal, Shanghai Securities News Securities Times	June 8, 2017	Website of Shanghai Stock Exchange
Announcement on the Resolutions Passed at the third meeting of the Supervisory Committee of PetroChina 2017	China Securities Journal, Shanghai Securities News Securities Times	June 8, 2017	Website of Shanghai Stock Exchange
Announcement of Resolutions Passed at the 2016 Annual General Meeting of PetroChina	China Securities Journal, Shanghai Securities News Securities Times	June 8, 2017	Website of the Hong Kong Stock Exchange
		June 9, 2017	Website of Shanghai Stock Exchange
Announcement of PetroChina on Final Pay-out of Dividends on A-shares for 2016	China Securities Journal, Shanghai Securities News Securities Times	June 15, 2017	Website of the Hong Kong Stock Exchange
		June 16, 2017	Website of Shanghai Stock Exchange
Announcement of PetroChina on the Progress of the Gratuitous Transfer of State-owned Shares	China Securities Journal, Shanghai Securities News Securities Times	June 27, 2017	Website of the Hong Kong Stock Exchange Website of Shanghai Stock Exchange
Report of the Trustee of Corporate Bonds for Year 2016		June 27, 2017	Website of Shanghai Stock Exchange
		June 28, 2017	Website of the Hong Kong Stock Exchange
Report of the Trustee of the 2016 Corporate Bonds (First Tranche) (For Year 2016)		June 28, 2017	Website of the Hong Kong Stock Exchange Website of Shanghai Stock Exchange

19. Performance of Social Responsibilities

The Company actively performed its social responsibilities and devoted to becoming an excellent corporate citizen of the world, and adhered to the principle of "Environmental Priorities, Safety First, Quality-oriented, People-oriented", and strictly abided by the Environmental Protection Law and other relevant laws and regulations to prevent and control pollution, enhance ecological protection and maintain social safety. Some subsidiaries of the Company are major pollutant-discharging enterprises as announced by the environmental protection authorities. Public information disclosure regarding the environment has been made by these companies as per relevant regulations of Ministry of Environmental Protection of the People's Republic of China and the requirements of the local environmental protection authorities on the websites of the local environmental protection bureaus or other websites designated by them. Please refer to such websites for details of the disclosures.

20. Shareholders' Meetings

The Company convenes shareholders' general meetings every year pursuant to the Articles of Association. The annual general meeting for 2016 was held on June 8, 2017 at Oriental Bay International Hotel, Beijing. Eight ordinary resolutions were passed and approved at the meeting by more than half of the votes and two special resolutions were passed and approved at the meeting by more than two thirds of the votes. The details are set out in the announcement published by the Company on the website of Shanghai Stock Exchange on June 9, 2017 named Announcement of Resolutions Passed at the 2016 Annual General Meeting of PetroChina Company Limited (No. Lin 2017-021).

21. Risk Factors

In its course of production and operation, the Group actively took various measures to avoid and mitigate various types of risks. However, in practice, it may not be possible to prevent all risks and uncertainties completely.

(1) Industry Regulations and Tax Policies Risk

The PRC government exercises supervision over the domestic oil and natural gas industry, and its regulatory policies will affect the Group's operating activities such as obtaining the exploration and production licences, the payment of industry-specific taxes and levies, and the implementation of environmental policies and safety standards. Any future changes in the policies of the PRC government in the oil and natural gas industry may also have an impact on the Group's operations.

Taxes and levies are one of the major external factors affecting the operations of the Group. The PRC government has been actively implementing taxation reforms, which may lead to future changes in the taxes and levies relating to the operations of the Group, thereby affecting the operating results of the Group.

(2) Price Fluctuations of Oil and Gas Risk

The Group is engaged in a wide range of oil and gas products-related activities and part of its oil and gas products demands are met through external purchases in international market. The prices of crude oil, refined products and natural gas in the international market are affected by various factors such as changes in global and regional politics and economy, demand and supply of oil and gas, as well as unexpected events and disputes with international repercussions. The prices of domestic crude oil are determined by reference to the international prices of crude oil, the prices of domestic refined products are adjusted to reflect the price changes in the international crude oil market. Domestic natural gas prices implements the guidance prices of the PRC government.

(3) Foreign Exchange Rate Risk

The Group conducts its business primarily in Renminbi in the PRC, but it keeps certain foreign currencies to pay for the imported crude oil, equipment and other raw materials as well as to repay financial liabilities denominated in foreign currencies. Currently, the PRC government has implemented a regulated floating exchange rate regime based on market supply and demand with reference to a basket of currencies. However, Renminbi is still regulated in capital projects. The exchange rates of Renminbi are affected by domestic and international economic and political changes, and demand and supply for Renminbi. Future exchange rates of Renminbi against other currencies may vary significantly from the current exchange rates, which in turn would affect the operating results and financial position of the Group.

(4) Market Competition Risk

The Group has distinctive advantages in resources, and is in a leading position in the oil and gas industry in the PRC. At present, major competitors of the Group are other large domestic oil and petrochemical producers and distributors. With the gradual opening up of the domestic oil and petrochemical market, large foreign oil and petrochemical companies have become competitors of the Group in certain regions and segments. The Group has been in a leading position in the exploration and production business and natural gas and pipeline business in China, but the Group is facing relatively intense competition in refining, chemicals and marketing of refined products businesses.

(5) Uncertainty of the Oil and Gas Reserves Risk

According to industry characteristics and international practices, both the crude oil and natural gas reserve data disclosed by the Group are estimates only. The Group has engaged internationally recognised valuers to evaluate the crude oil and natural gas reserves of the Group on a regular basis. However, the estimates of the reserves depends on a number of factors, assumptions and variables, such as the quality and quantity of technical and economic data, the prevailing oil and gas prices of the Group etc., many of which are beyond the control of the Group and may be adjusted over time. The results of drilling, testing and exploration after the date of the evaluation may also result in revision of the reserves data of the Group to a certain extent.

(6) Overseas Operations Risk

As the Group operates in a number of countries around the world, it is subject to the influences of different political, legal and regulatory factors prevailing in the countries of operation, including countries which are not very stable and are greatly different from developed countries in certain material aspects. The risks involved primarily include instability in political environment, taxation policies, import and export restrictions, as well as regulatory requirements.

(7) Risk Relating to Climate Change

In recent years, the oil industry has been facing ever increasing challenges posed by global climate change. A number of international, domestic and regional agreements restricting greenhouse gas emission have been signed and become effective. If China or other countries in which the Company operates take more stringent measures to reduce greenhouse gas emission, the revenue and profits earned by the Group may reduce as a result of substantial capital expenditures and taxation expenditures and increases in operating costs incurred and even the strategic investments of the Group may be subject to the unfavourable impact posed by the related laws, regulations and regulatory requirements.

(8) Hidden Hazards and Force Majeure Risk

Oil and gas exploration, development, storage and transportation and the production, storage and transportation of refined products and petrochemical products involve certain risks, which may cause unexpected or dangerous events such as personal injuries or death, property damage, environmental damage and disruption to operations, etc. The hazard risks faced by the Group correspond the expansion in the scale and area of operations. In the meantime, new regulations promulgated by the State in recent years set out higher standard for production safety. The Group has implemented a strict HSE management system and used its best endeavours to avoid the occurrence of various accidents. However, the Group cannot completely avoid potential financial losses caused by such contingent incidents. The Group has adopted strict implementation of laws and regulations of the State, and invested in a timely manner to effectively control the major safety and environmental hazards found. In addition, natural disasters such as earthquake, typhoon, tsunami and emergency public health events may cause losses to the Group's properties and personnel, and may affect the normal operations of the Group.

22. Details of Preference Shares

There is no matter concerning the preference shares requiring disclosure during the reporting period.

23. Events After the Balance Sheet Date

There is no event after the balance sheet date.

24. Other Significant Events

(1) Adjustment of Natural Gas VAT Rate

On April 28, 2017, the Ministry of Finance and the State Administration of Taxation issued the Notice on the Policies Regarding the Simplification and Consolidation of VAT Rates (Cai Shui [2017] No.37), which aims to simplify the structure of VAT rates for the purposes of furthering the reform of replacing business tax with VAT. Effective from July 1, 2017, the VAT rates are simplified from the original four levels into three levels (17%, 11% and 6%), and the 13% level is cancelled. The VAT rate for natural gas is reduced from 13% to 11%.

This matter will not affect the continuity of business and the stability of management of the Group and will help the natural gas business of the Group develop in a sustainable and heathy way and the operating results continue to get better.

(2) Accelerating the Utilization of Natural Gas

On July 4, 2017, the NDRC issued the Notice on the Promulgation of the Opinion on Accelerating the Utilisation of Natural Gas (Fa Gai Neng Yuan [2017] No.1217), which aims to accelerate the use of natural gas in such fields as urban gas, industrial fuel, gas power generation and transportation in a large-scale, scientific and efficient way, coordinate the development of upstream, mid-stream and downstream industries and increase the percentage of natural gas in the primary energy consumption to a significant extent. The general objective is to increase such percentage to 10% in 2020 and 15% in 2030, with 14.8 billion cubic meter and 35 billion cubic meter of working gas in underground gas terminals respectively.

This event will not affect the continuity of business and the stability of management of the Group and it is conductive to the sustainable and healthy development of the Group's natural gas business and will benefit the operating result of the Group.

(3) Details of Changes in the Accounting Policies, Accounting Estimates and Accounting Method as Compared with the Previous Fiscal Period

The revised Accounting Standard for Business Enterprises No. 16 — Government grants ("CAS 16 (2017)") was issued by the Ministry of Finance in May, 2017 and implemented since June 12, 2017. The Group reorganised the government grants existed in January 1, 2017 and changed the related accounting policy using prospective application as stipulates under CAS 16 (2017). The impact of adopting the standard on the Group is that the government grants originally related to daily activities will be reclassified from non-operating income to other income or written down the related cost and expenses.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Change of Directors, Supervisors and Senior Management of the Company

The Company convened the annual general meeting for the year 2016 on June 8, 2017, at which the Resolution on the Election of Directors was approved, electing Mr. Wang Yilin, Mr. Wang Dongjin, Mr. Yu Baocai, Mr. Liu Yuezhen, Mr. Liu Hongbin, Mr. Hou Qijun, Mr. Duan Liangwei and Mr. Qin Weizhong as Directors of the Company, Mr. Lin Boqiang, Mr. Zhang Biyi, Ms. Elsie Leung Oi-sie, Mr. Tokuchi Tatsuhito and Mr. Simon Henry as Independent Non-executive Directors of the Company. The Board of the Company consists of 14 Directors, including Mr. Zhang Jianhua, who was elected as a Director of the Company at the first extraordinary general meeting in 2016.

Mr. Shen Diancheng and Mr. Zhao Zhengzhang ceased to be Directors of the Company as their term of office expired. Mr. Richard H. Matzke and Mr. Chen Zhiwu ceased to be Independent Directors of the Company as their term of office expired. Due to the actual work needs of the Company, Mr. Xu Wenrong ceased to be a Director of the Company.

The Company convened the 4th meeting of the Board in 2017 on June 8, 2017, at which Mr. Wang Yilin was elected as the Chairman of the Board and Mr. Wang Dongjin as the Vice Chairman of the Board, while Mr. Zhang Jianhua remained as a Vice Chairman of the Board. Mr. Hou Qijun was elected as a Vice President of the Company, while Mr. Zhao Zhengzhang and Ms. Wang Lihua ceased to be Vice Presidents of the Company due to retirement.

The 2016 annual general meeting approved the Proposal on the Election of Supervisors of the Company. Mr. Xu Wenrong, Mr. Zhang Fengshan, Mr. Jiang Lifu and Mr. Lu Yaozhong were elected as Supervisors of the Company. Upon democratic election by the employee representatives of the Company, Mr. Fu Suotang and Mr. Li Jiamin were elected as Employee Supervisors of the Company. The Supervisory Committee of the Company consists of eight supervisors, including Mr. Liu Xianhua and Mr. Li Wendong, who were elected as Employee Supervisors of the Company on May 17, 2016.

Mr. Guo Jinping, Mr. Li Qingyi, Mr. Jia Yimin and Mr. Yang Hua ceased to be the Supervisors of the Company as their term of office expired.

The Company convened the 3rd meeting of the Supervisory Committee in 2017 on June 8, 2017, electing Mr. Xu Wenrong as the Chairman of the Supervisory Committee.

2. Basic Particulars of the Current Directors, Supervisors and other Senior Management

Directors

Name	Gender	Age	Position
Wang Yilin	Male	60	Chairman of the Board
Zhang Jianhua	Male	52	Vice Chairman of the Board, Non-executive Director
Wang Dongjin	Male	54	Vice Chairman of the Board, Executive Director, President
Yu Baocai	Male	52	Non-executive Director
Liu Yuezhen	Male	55	Non-executive Director
Liu Hongbin	Male	54	Non-executive Director
Hou Qijun	Male	50	Executive Director, Vice President
Duan Liangwei	Male	49	Non-executive Director
Qin Weizhong	Male	45	Non-executive Director
Lin Boqiang	Male	60	Independent Non-executive Director
Zhang Biyi	Male	63	Independent Non-executive Director
Elsie Leung Oi-sie	Female	78	Independent Non-executive Director
Tokuchi Tatsuhito	Male	64	Independent Non-executive Director
Simon Henry	Male	55	Independent Non-executive Director

Supervisors

Name	Gender	Age	Position
Xu Wenrong	Male	55	Chairman of the Supervisory Committee
Zhang Fengshan	Male	56	Supervisor
Jiang Lifu	Male	53	Supervisor
Lu Yaozhong	Male	52	Supervisor
Fu Suotang	Male	55	Employee Supervisor
Li Jiamin	Male	53	Employee Supervisor
Liu Xianhua	Male	54	Employee Supervisor
Li Wendong	Male	53	Employee Supervisor

Particulars of other Senior Management

Name	Gender	Age	Position
Sun Longde	Male	55	Vice President
Huang Weihe	Male	59	Vice President
Xu Fugui	Male	59	Vice President
Lin Aiguo	Male	59	Chief Engineer
Wu Enlai	Male	57	Secretary to the Board
Lv Gongxun	Male	59	Vice President
Tian Jinghui	Male	54	Vice President
Chai Shouping	Male	55	Chief Financial Officer

3. Shareholdings of the Directors, Supervisors and Senior Management

As at June 30, 2017, no current Directors, Supervisors or other Senior Management of the Company or outgoing Directors, Supervisors or other Senior Management of the Company during the reporting period held any shares of the Company.

RELEVANT INFORMATION ON CORPORATE BONDS

1. Information on Corporate Bonds Issued But Not Yet Due

(1) All the corporate bonds of the Company which have been issued and listed on the stock exchange but have not yet been due as at the approval date of this interim report include the 2012 Corporate Bonds (First Tranche) of PetroChina Company Limited (the "2012 Corporate Bonds (First Tranche)"), the 2013 Corporate Bonds (First Tranche) of PetroChina Company Limited (the "2013 Corporate Bonds (First Tranche)"), the 2016 Corporate Bonds (First Tranche) of PetroChina Company Limited (the "2016 Corporate Bonds (First Tranche)"), the 2016 Corporate Bonds (Second Tranche) of PetroChina Company Limited (the "2016 Corporate Bonds (Second Tranche)") and the 2016 Corporate Bonds (Third Tranche) of PetroChina Company Limited (the "2016 Corporate Bonds (Third Tranche)"), and the details of which are set out below:

Items	Abbreviated Form	Code	Date of Issue	Maturity Date	Amount (RMB 100 million)	Interest Rate (%)	Mode of Repayment	Stock Exchange for Listing
2012 Corporate Bonds (First Tranche) (5-year term)	12 PetroChina 01	122209.SH	November 22, 2012	November 22, 2017	160	4.55	Annual payment of interest, and one lump sum repayment of principal at maturity	Shanghai Stock Exchange
2012 Corporate Bonds (First Tranche) (10-year term)	12 PetroChina 02	122210.SH	November 22, 2012	November 22, 2022	20	4.90	Annual payment of interest, and one lump sum repayment of principal at maturity	Shanghai Stock Exchange
2012 Corporate Bonds (First Tranche) (15-year term)	12 PetroChina 03	122211.SH	November 22, 2012	November 22, 2027	20	5.04	Annual payment of interest, and one lump sum repayment of principal at maturity	Shanghai Stock Exchange
2013 Corporate Bonds (First Tranche) (5-year term)	13 PetroChina 01	122239.SH	March 15, 2013	March 15, 2018	160	4.47	Annual payment of interest, and one lump sum repayment of principal at maturity	Shanghai Stock Exchange
2013 Corporate Bonds (First Tranche) (10-year term)	13 PetroChina 02	122240.SH	March 15, 2013	March 15, 2023	40	4.88	Annual payment of interest, and one lump sum repayment of principal at maturity	Shanghai Stock Exchange
2016 Corporate Bonds (First Tranche) (5-year term)	16 PetroChina 01	136164.SH	January 19, 2016	January 19, 2021	88	3.03	Annual payment of interest, and one lump sum repayment of principal at maturity	Shanghai Stock Exchange

Items	Abbreviated Form	Code	Date of Issue	Maturity Date	Amount (RMB 100 million)	Interest Rate (%)	Mode of Repayment	Stock Exchange for Listing
2016 Corporate Bonds (First Tranche) (10-year term)	16 PetroChina 02	136165.SH	January 19, 2016	January 19, 2026	47	3.50	Annual payment of interest, and one lump sum repayment of principal at maturity	Shanghai Stock Exchange
2016 Corporate Bonds (Second Tranche) (5-year term)	16 PetroChina 03	136253.SH	March 3, 2016	March 3, 2021	127	3.15	Annual payment of interest, and one lump sum repayment of principal at maturity	Shanghai Stock Exchange
2016 Corporate Bonds (Second Tranche) (10-year term)	16 PetroChina 04	136254.SH	March 3, 2016	March 3, 2026	23	3.70	Annual payment of interest, and one lump sum repayment of principal at maturity	Shanghai Stock Exchange
2016 Corporate Bonds (Third Tranche) (5-year term)	16 PetroChina 05	136318.SH	March 24, 2016	March 24, 2021	95	3.08	Annual payment of interest, and one lump sum repayment of principal at maturity	Shanghai Stock Exchange
2016 Corporate Bonds (Third Tranche) (10-year term)	16 PetroChina 06	136319.SH	March 24, 2016	March 24, 2026	20	3.60	Annual payment of interest, and one lump sum repayment of principal at maturity	Shanghai Stock Exchange

(2) Subscribers

Qualified investors who meet the requirements of the laws and regulations.

(3) Payment of Interest

During the current reporting period, with regard to all the corporate bonds of the Company, interest were paid on schedule without any delay or inability in payment of interest.

The interest of 2012 Corporate Bonds (First Tranche) formally started to accrue on November 22, 2012. Its first payment date was November 22, 2013. No payment of interest was due during the reporting period. The interests of the 2013 Corporate Bonds (First Tranche) formally started to accrue on March 15, 2013. Its first payment date was March 15, 2014 and its payment date within the reporting period was March 15, 2017 in an amount of RMB910.40 million.

The interest of the 2016 Corporate Bonds (First Tranche) formally started to accrue on January 19, 2016, and its first payment date will be January 19, 2017. The interest payment date during the reporting period was January 19, 2017 in an amount of RMB431.14 million.

The interest of the 2016 Corporate Bonds (Second Tranche) formally started to accrue on March 3, 2016, and its first payment date will be March 3, 2017. The interest payment date during the reporting period was March 3, 2017 in an amount of RMB485.15 million.

The interest of the 2016 Corporate Bonds (Third Tranche) formally started to accrue on March 24, 2016, and its first payment date will be March 24, 2017. The interest payment date during the reporting period was March 24, 2017 in an amount of RMB364.60 million.

2. Relevant Information on the Bond Trustees and the Credit Rating Agency

(1) Bond Trustees

1. 2012 Corporate Bonds (First Tranche) and 2013 Corporate Bonds (First Tranche)

Bond Trustee: CITIC Securities Company Limited
Legal Representative: Zhang Youjun
Contact Persons: Xu Chenhan, Zhao Wei, Zhou Weifan
Office Address: CITIC Office Tower, 48 Liangmaqiao Road, Chaoyang District, Beijing
Tel.: 010-60836701
Fax: 010-60833504

2. 2016 Corporate Bonds (First Tranche)

Bond Trustee: China Galaxy Securities Co., Ltd.
Legal Representative: Chen Gongyan
Contact Persons: Zhou Yihong, Xu Jinjun, Bian Yang, Zhang Fan, Yu Junqin
Office Address: 2/F, Tower C, International Enterprise Mansion, 35 Finance Street, Xicheng District, Beijing
Tel.: 010-66568206, 010-83574533
Fax: 010-66568704

3. 2016 Corporate Bonds (Second Tranche) and 2016 Corporate Bonds (Third Tranche)

Bond Trustee: China Securities Co., Ltd.
Legal Representative: Wang Changqing
Contact Persons: Du Meina, Liu Guoping, Wang Chonghe, Ren Xianhao, Yin Jianchao
Office Address: 2/F, Building B, Kaiheng Center, 2 Chaonei Street. Dongcheng District, Beijing
Tel.: 010-85130656, 010-85156322, 010-65608354
Fax: 010-65608445

(2) Credit Rating Agency

2012 Corporate Bonds (First Tranche), 2013 Corporate Bonds (First Tranche), 2016 Corporate Bonds (First Tranche), 2016 Corporate Bonds (Second Tranche) and 2016 Corporate Bonds (Third Tranche)

Credit Rating Agency: United Credit Rating Co., Ltd.
Legal Representative: Wu Jinshan
Contact Persons: Liu Hongtao, Gao Peng
Office Address: 12/F, PICC Building, 2 Jianguomenwai Street, Chaoyang District, Beijing
Tel.: 010-85172818
Fax: 010-85171273

3. Use of Funds Raised By Issuing Corporate Bonds

As at the end of the reporting period, the use of all funds raised by corporate bonds is consistent with the purpose, plan of use and other matters as undertaken in the offering circular, and such funds have been used up.

The receipt of the funds raised by corporate bonds and the payment of principal and interest are conducted in receipt accounts or special accounts, all of which are operating normally. Meanwhile, the Company formulated plans for the use of funds raised by bonds and use such raised funds in accordance with the internal procedures for use of funds and related agreements. The relevant business departments carried out strict inspections over the use of such funds to effectively ensure that all funds are used for their designated purposes, to guarantee the smooth operation of the investment, use and audit of funds raised in order to ensure that the funds raised by bonds are used in accordance with the resolution of the shareholders' general meeting and the purpose as disclosed in the offering circular.

4. Information on Follow-up Credit Rating of Bonds

In accordance with the relevant requirements of the PRC regulatory authorities and United Credit Rating Co., Ltd. ("United Rating") in respect of follow-up credit rating, United Rating shall make a regular follow-up credit rating within two months upon the announcement of the Company's annual audit report every year during the terms of all corporate bonds of the Company, and shall also make follow-up credit ratings from time to time based on relevant circumstances during the terms of all corporate bonds of the Company. United Rating has disclosed the 2017 Track Rating Report on the Corporate Bonds of PetroChina at the Shanghai Stock Exchange, and the result of such rating is AAA, with a stable rating outlook. Investors are reminded to pay close attention to those ratings.

During the reporting period, there was no difference in credit rating by the credit rating agencies of other bonds and debt financing instruments issued by the Company in the PRC.

5. Credit Enhancement Mechanism, Debt Repayment Plan and Safeguard Measures for Debt Repayment

During the reporting period, the debt repayment plan and the safeguard measures for debt repayment were consistent with the provisions and relevant undertakings as set out in the offering circulars without any change.

CNPC provided credit guarantee for the 2012 Corporate Bonds (First Tranche) and the 2013 Corporate Bonds (First Tranche) of the Company. Please refer to the annual report disclosed by CNPC for the information about the guarantor.

The 2016 Corporate Bonds (First Tranche), the 2016 Corporate Bonds (Second Tranche) and the 2016 Corporate Bonds (Third Tranche) are all unsecured bonds.

6. Convening of Meetings of Bond Holders

During the reporting period, the Company had not encountered any matter requiring the convening of a bond holders' meeting and therefore did not convene any meeting for the bond holders.

7. Performance of Duties by the Bond Trustees

During the reporting period, the bond trustees performed the following duties in their capacity as a debt trustee in accordance with the provisions of the Measures for Administration of the Issue and Trading of Corporate Bonds and the Bond Trusteeship Agreement:

(1) paying continuous attention to the credit status of the Company and the guarantors as well as the implementation of the credit enhancement measures and the safeguard measures for debt repayment;

(2) supervising the use of the funds raised by the Company during the terms of bonds;

(3) carrying out overall investigation and paying continuous attention to the solvency and the effectiveness of the credit enhancement measures of the Company, and making an announcement in connection with the report on trusteeship affairs to the market at least once every year; and

(4) continuously supervising the performance of the information disclosure obligation by the Company during the terms of bonds.

No conflict of interest has occurred on the part of the trustees in performance of their duties.

CITIC Securities Company Limited, the bond trustee of the 2012 Corporate Bonds (First Tranche) and the 2013 Corporate Bonds (First Tranche), published the 2016 trusteeship report on April 27, 2017 and such disclosure was made in the Shanghai Stock Exchange.

China Galaxy Securities Co., Ltd., the bond trustee of the 2016 Corporate Bonds (First Tranche), published the 2016 trusteeship report on June 29, 2017 and such disclosure was made in the Shanghai Stock Exchange.

China Securities Co., Ltd., the bond trustee of the 2016 Corporate Bonds (Second Tranche and Third Tranche), published the 2016 trusteeship report on June 29, 2017 and such disclosure was made in the Shanghai Stock Exchange.

8. Major Accounting Data and Financial Indicators Relating to Corporate Bonds

Items	As at June 30, 2017	As at December 31, 2016
Liquidity ratio	0.77	0.76
Quick ratio	0.52	0.47
Asset-liability ratio (%)	42.33	42.72
Items	**The reporting period**	**Same period of the preceding year**
EBITDA interest coverage ratio	16.21	14.17
Loan repayment ratio (%)	100	100
Interest coverage ratio (%)	100	100

9. Mortgage, Pledge, Seizure, Freezing, Conditional Realization, Impossible Realization of Assets, Impossibility of Using Assets to Repay Debts and Other Situations and Arrangements Involving the Rights Limitation over Assets

As at the end of the reporting period, the material assets of the Company were not subject to limitations.

10. Payment of Interest on Other Bonds and Debt Financing Instruments

During the reporting period, the interest on other bonds and debt financing instruments of the Company were paid on schedule, without any delay or inability in the payment of interest and principals.

11. Credits Granted by Banks, Use of Credit Facilities and Repayment of Bank Loans

The Company maintains a good long-term partnership with banks and other financial institutions and accordingly obtains relatively high credit lines, resulting in developing a strong indirect debt financing capacity. As at the end of the reporting period, the Company was granted a total amount of RMB152.0 billion credit facilities by a number of financial institutions, of which RMB56.2 billion were used and RMB95.8 billion remained unused.

During the reporting period, the Company repaid the bank loans on schedule, without any loan extension or forgiveness.

12. Relevant Provisions or Undertakings Stated in the Offering Circular

The Company strictly complies with the provisions of, and also performs the relevant undertakings made under, the Bond Trusteeship Agreement and the terms agreed in connection with each tranche of the relevant bonds.

13. Material Matters

During the reporting period, no material matters as set forth in Article 45 of the Measures for Administration of the Issue and Trading of Corporate Bonds occurred on the part of the Company.

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED AND COMPANY BALANCE SHEETS
AS OF JUNE 30, 2017

(All amounts in RMB millions unless otherwise stated)

ASSETS	Notes	June 30, 2017 The Group	December 31, 2016 The Group	June 30, 2017 The Company	December 31, 2016 The Company
Current assets					
Cash at bank and on hand	7	121,052	98,617	34,073	15,201
Notes receivable	8	13,375	11,285	6,645	8,356
Accounts receivable	9a	62,529	47,315	12,130	7,637
Advances to suppliers	10	26,934	16,479	11,080	3,495
Other receivables	9b	14,434	10,846	65,115	60,077
Inventories	11	139,230	146,865	89,244	96,982
Other current assets		53,210	50,258	43,467	39,397
Total current assets		430,764	381,665	261,754	231,145
Non-current assets					
Available-for-sale financial assets	12	1,988	2,031	1,321	1,318
Long-term equity investments	13	81,833	79,003	380,023	377,498
Fixed assets	14	660,492	670,801	332,436	344,905
Oil and gas properties	15	792,517	845,729	533,383	571,701
Construction in progress	17	226,109	215,209	123,277	111,600
Construction materials	16	7,156	7,284	2,819	3,333
Intangible assets	18	71,353	71,490	53,217	53,423
Goodwill	19	45,916	46,097	-	-
Long-term prepaid expenses	20	24,984	26,013	20,394	21,076
Deferred tax assets	33	24,285	20,360	21,239	17,248
Other non-current assets		32,587	31,268	11,702	11,387
Total non-current assets		1,969,220	2,015,285	1,479,811	1,513,489
TOTAL ASSETS		2,399,984	2,396,950	1,741,565	1,744,634

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

Chairman	Vice Chairman and President	Chief Financial Officer
Wang Yilin	Wang Dongjin	Chai Shouping

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED AND COMPANY BALANCE SHEETS
AS OF JUNE 30, 2017 (CONTINUED)

(All amounts in RMB millions unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	June 30, 2017 The Group	December 31, 2016 The Group	June 30, 2017 The Company	December 31, 2016 The Company
Current liabilities					
Short-term borrowings	22	85,284	71,969	70,433	50,790
Notes payable	23	8,701	9,933	8,197	9,024
Accounts payable	24	191,751	198,617	90,878	108,654
Advances from customers	25	58,995	60,590	38,851	39,653
Employee compensation payable	26	8,742	5,396	6,562	3,566
Taxes payable	27	35,651	45,199	27,124	30,908
Other payables	28	54,207	28,195	36,743	23,438
Current portion of non-current liabilities	30	107,574	71,415	87,050	45,020
Other current liabilities		11,009	7,949	8,955	3,853
Total current liabilities		561,914	499,263	374,793	314,906
Non-current liabilities					
Long-term borrowings	31	207,281	243,675	107,101	146,625
Debentures payable	32	92,910	129,212	83,000	119,000
Provisions	29	129,563	125,392	91,169	88,006
Deferred tax liabilities	33	11,537	13,646	-	-
Other non-current liabilities		12,594	12,734	6,259	6,335
Total non-current liabilities		453,885	524,659	287,529	359,966
Total liabilities		1,015,799	1,023,922	662,322	674,872
Shareholders' equity					
Share capital	34	183,021	183,021	183,021	183,021
Capital surplus	35	128,352	128,377	127,882	127,882
Special reserve		15,288	13,188	9,159	7,792
Other comprehensive income	50	(27,446)	(28,320)	660	783
Surplus reserves	36	186,840	186,840	175,748	175,748
Undistributed profits	37	711,922	706,213	582,773	574,536
Equity attributable to equity holders of the Company		1,197,977	1,189,319	1,079,243	1,069,762
Non-controlling interests	38	186,208	183,709	-	-
Total shareholders' equity		1,384,185	1,373,028	1,079,243	1,069,762
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,399,984	2,396,950	1,741,565	1,744,634

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

Chairman	Vice Chairman and President	Chief Financial Officer
Wang Yilin	Wang Dongjin	Chai Shouping

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED AND COMPANY INCOME STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2017

(All amounts in RMB millions unless otherwise stated)

Items	Notes	For the six months ended June 30, 2017 The Group	For the six months ended June 30, 2016 The Group	For the six months ended June 30, 2017 The Company	For the six months ended June 30, 2016 The Company
Operating income	39	975,909	739,067	570,059	468,031
Less: Cost of sales	39	(777,147)	(566,904)	(438,749)	(346,274)
Taxes and surcharges	40	(94,633)	(92,084)	(81,160)	(80,035)
Selling expenses	41	(30,138)	(29,899)	(20,794)	(20,831)
General and administrative expenses	42	(36,047)	(40,376)	(25,681)	(29,442)
Finance expenses	43	(11,328)	(11,190)	(8,817)	(9,750)
Asset impairment losses	44	(265)	(79)	(222)	(12)
Add: Investment income	45	2,470	27,263	18,877	11,331
Other income	46	2,501	-	1,725	-
Operating profit / (loss)		31,322	25,798	15,238	(6,982)
Add: Non-operating income	47a	1,986	4,188	1,560	2,742
Less: Non-operating expenses	47b	(5,479)	(3,389)	(2,884)	(2,890)
Profit / (loss) before taxation		27,829	26,597	13,914	(7,130)
Less: Taxation	48	(6,868)	(9,696)	1,280	(1,242)
Net profit / (loss)		20,961	16,901	15,194	(8,372)
Attributable to:					
Equity holders of the Company		12,674	528	15,194	(8,372)
Non-controlling interests		8,287	16,373	-	-
Earnings / (losses) per share					
Basic earnings / (losses) per share (RMB Yuan)	49	0.069	0.003	0.083	(0.046)
Diluted earnings / (losses) per share (RMB Yuan)	49	0.069	0.003	0.083	(0.046)
Other comprehensive income / (loss)		189	5,758	(123)	55
Other comprehensive income / (loss) attributable to equity holders of the Company, net of tax		874	4,171	(123)	55
Other comprehensive income / (loss) would be reclassified to profit or loss					
Including:					
Share of other comprehensive (loss) / income of equity method investments		(124)	133	(121)	122
Gains or losses arising from changes in fair value of available-for-sale financial assets		22	(950)	(2)	(67)
Translation differences arising on translation of foreign currency financial statements		976	4,988	-	-
Other comprehensive (loss) / income attributable to non-controlling interests of the Company, net of tax		(685)	1,587	-	-
Total comprehensive income / (loss)		21,150	22,659	15,071	(8,317)
Attributable to:					
Equity holders of the Company		13,548	4,699	15,071	(8,317)
Non-controlling interests		7,602	17,960	-	-

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

Chairman	Vice Chairman and President	Chief Financial Officer
Wang Yilin	Wang Dongjin	Chai Shouping

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2017

(All amounts in RMB millions unless otherwise stated)

Items	Notes	For the six months ended June 30, 2017 The Group	For the six months ended June 30, 2016 The Group	For the six months ended June 30, 2017 The Company	For the six months ended June 30, 2016 The Company
Cash flows from operating activities					
Cash received from sales of goods and rendering of services		1,109,464	852,505	653,073	534,798
Refund of taxes		2,202	879	1,169	255
Cash received relating to other operating activities		1,543	1,295	714	1,297
Sub-total of cash inflows		1,113,209	854,679	654,956	536,350
Cash paid for goods and services		(715,375)	(516,368)	(385,039)	(296,979)
Cash paid to and on behalf of employees		(52,394)	(53,072)	(37,038)	(37,232)
Payments of various taxes		(170,418)	(144,822)	(129,251)	(110,458)
Cash paid relating to other operating activities		(30,189)	(28,575)	(23,998)	(984)
Sub-total of cash outflows		(968,376)	(742,837)	(575,326)	(445,653)
Net cash flows from operating activities	52a	144,833	111,842	79,630	90,697
Cash flows from investing activities					
Cash received from disposal of investments		161	477	8,366	46,316
Cash received from returns on investments		2,391	2,802	17,734	2,258
Net cash received from disposal of fixed assets, oil and gas properties, intangible assets and other long-term assets		148	107	128	97
Sub-total of cash inflows		2,700	3,386	26,228	48,671
Cash paid to acquire fixed assets, oil and gas properties, intangible assets and other long-term assets		(82,916)	(85,286)	(54,361)	(62,311)
Cash paid to acquire investments		(7,037)	(1,331)	(9,017)	(18,082)
Sub-total of cash outflows		(89,953)	(86,617)	(63,378)	(80,393)
Net cash flows used for investing activities		(87,253)	(83,231)	(37,150)	(31,722)
Cash flows from financing activities					
Cash received from capital contributions		241	553	-	-
Including: Cash received from non-controlling interests' capital contributions to subsidiaries		241	553	-	-
Cash received from borrowings		374,230	358,637	204,381	174,625
Cash received from issuance of debentures		-	55,000	-	55,000
Cash received relating to other financing activities		48	27	47	21
Sub-total of cash inflows		374,519	414,217	204,428	229,646
Cash repayments of borrowings		(394,708)	(403,945)	(218,228)	(268,813)
Cash payments for interest expenses and distribution of dividends or profits		(19,081)	(11,434)	(9,808)	(8,808)
Including: Subsidiaries' cash payments for distribution of dividends or profits to non-controlling interests		(7,749)	(1,279)	-	-
Capital reduction of subsidiaries		(15)	(1)	-	-
Cash payments relating to other financing activities		(337)	-	-	-
Sub-total of cash outflows		(414,141)	(415,380)	(228,036)	(277,621)
Net cash flows used for financing activities		(39,622)	(1,163)	(23,608)	(47,975)
Effect of foreign exchange rate changes on cash and cash equivalents		(1,351)	1,101	-	-
Net increase in cash and cash equivalents	52b	16,607	28,549	18,872	11,000
Add: Cash and cash equivalents at beginning of the period		97,931	72,773	15,201	12,970
Cash and cash equivalents at end of the period	52c	114,538	101,322	34,073	23,970

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

Chairman	Vice Chairman and President	Chief Financial Officer
Wang Yilin	Wang Dongjin	Chai Shouping

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2017

(All amounts in RMB millions unless otherwise stated)

	Shareholders' equity attributable to the Company								
Items	Share capital	Capital surplus	Special reserve	Other comprehensive income	Surplus reserves	Undistributed profits	Sub-total	Non-controlling interests	Total shareholders' equity
Balance at January 1, 2016	183,021	128,008	11,648	(36,277)	186,840	706,728	1,179,968	164,320	1,344,288
Changes in the six months ended June 30, 2016									
Total comprehensive income	-	-	-	4,171	-	528	4,699	17,960	22,659
Special reserve-safety fund reserve									
Appropriation	-	-	3,015	-	-	-	3,015	132	3,147
Utilisation	-	-	(662)	-	-	-	(662)	(43)	(705)
Profit distribution									
Distribution to shareholders	-	-	-	-	-	(4,550)	(4,550)	(1,384)	(5,934)
Other equity movement									
Equity transaction with non-controlling interests	-	214	-	-	-	-	214	(2,024)	(1,810)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	595	595
Other	-	(12)	-	-	-	(4)	(16)	(122)	(138)
Balance at June 30, 2016	183,021	128,210	14,001	(32,106)	186,840	702,702	1,182,668	179,434	1,362,102

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

Chairman	Vice Chairman and President	Chief Financial Officer
Wang Yilin	Wang Dongjin	Chai Shouping

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2017 (CONTINUED)

(All amounts in RMB millions unless otherwise stated)

	Shareholders' equity attributable to the Company								
Items	Share capital	Capital surplus	Special reserve	Other comprehensive income	Surplus reserves	Undistributed profits	Sub-total	Non-controlling interests	Total shareholders' equity
Balance at January 1, 2017	183,021	128,377	13,188	(28,320)	186,840	706,213	1,189,319	183,709	1,373,028
Changes in the six months ended June 30, 2017									
Total comprehensive income	-	-	-	874	-	12,674	13,548	7,602	21,150
Special reserve-safety fund reserve									
Appropriation	-	-	2,600	-	-	-	2,600	128	2,728
Utilisation	-	-	(500)	-	-	-	(500)	(31)	(531)
Profit distribution									
Distribution to shareholders	-	-	-	-	-	(6,957)	(6,957)	(5,725)	(12,682)
Other equity movement									
Equity transaction with non-controlling interests	-	-	-	-	-	-	-	(2)	(2)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	631	631
Other	-	(25)	-	-	-	(8)	(33)	(104)	(137)
Balance at June 30, 2017	183,021	128,352	15,288	(27,446)	186,840	711,922	1,197,977	186,208	1,384,185

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

Chairman	Vice Chairman and President	Chief Financial Officer
Wang Yilin	Wang Dongjin	Chai Shouping

PETROCHINA COMPANY LIMITED
UNAUDITED COMPANY STATEMENT OF CHANGES IN SHAREHOLDRS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2017

(All amounts in RMB millions unless otherwise stated)

Items	Share capital	Capital surplus	Special reserve	Other comprehen-sive income	Surplus reserves	Undistributed profits	Total shareholders' equity
Balance at January 1, 2016	183,021	127,834	7,350	528	175,748	598,337	1,092,818
Changes in the six months ended June 30, 2016							
Total comprehensive income	-	-	-	55	-	(8,372)	(8,317)
Special reserve-safety fund reserve							
Appropriation	-	-	2,196	-	-	-	2,196
Utilisation	-	-	(575)	-	-	-	(575)
Profit distribution							
Distribution to shareholders	-	-	-	-	-	(4,550)	(4,550)
Balance at June 30, 2016	183,021	127,834	8,971	583	175,748	585,415	1,081,572
Balance at January 1, 2017	183,021	127,882	7,792	783	175,748	574,536	1,069,762
Changes in the six months ended June 30, 2017							
Total comprehensive income	-	-	-	(123)	-	15,194	15,071
Special reserve-safety fund reserve							
Appropriation	-	-	1,753	-	-	-	1,753
Utilisation	-	-	(386)	-	-	-	(386)
Profit distribution							
Distribution to shareholders	-	-	-	-	-	(6,957)	(6,957)
Balance at June 30, 2017	183,021	127,882	9,159	660	175,748	582,773	1,079,243

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

Chairman	Vice Chairman and President	Chief Financial Officer
Wang Yilin	Wang Dongjin	Chai Shouping

1 COMPANY BACKGROUND

PetroChina Company Limited (the "Company") was established as a joint stock company with limited liability on November 5, 1999 by China National Petroleum Corporation ("CNPC") as the sole proprietor in accordance with the approval Guo Jing Mao Qi Gai [1999] No. 1024 "Reply on the approval of the establishment of PetroChina Company Limited" from the former State Economic and Trade Commission of the People's Republic of China ("China" or "PRC"). CNPC restructured ("the Restructuring") and injected its core business and the related assets and liabilities into the Company. CNPC is a wholly state-owned company registered in China. The Company and its subsidiaries are collectively referred to as the "Group".

The Group is principally engaged in (i) the exploration, development and production and marketing of crude oil and natural gas; (ii) the refining of crude oil and petroleum products, production and marketing of primary petrochemical products, derivative petrochemical products and other chemical products; (iii) the marketing of refined products and trading business; and (iv) the transmission of natural gas, crude oil and refined products and the sale of natural gas. The principal subsidiaries of the Group are listed in Note 6(1).

2 BASIS OF PREPARATION

The financial statements of the Group are prepared in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance (the "MOF") and other regulations issued thereafter (hereafter referred to as the "Accounting Standard for Business Enterprises", "China Accounting Standards" or "CAS"). The financial statements have been prepared on the going concern basis.

3 STATEMENT OF COMPLIANCE WITH THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The consolidated and the Company's financial statements for the six months ended June 30, 2017 truly and completely present the financial position of the Group and the Company as of June 30, 2017 and their financial performance and their cash flows for the six months then ended in compliance with the Accounting Standards for Business Enterprises.

4 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Accounting Period

The accounting period of the Group starts on January 1 and ends on December 31.

(2) Operating Cycle

The Company takes the period from the exploration or acquisition of the crude oil, natural gas and other assets for exploring, transporting and processing and etc. to their realisation in cash and cash equivalents as a normal operating cycle.

(3) Recording Currency

The recording currency of the Company and most of its subsidiaries is Renminbi ("RMB"). The Group's consolidated financial statements are presented in RMB.

(4) Measurement Properties

Generally are measured at historical cost unless otherwise stated at fair value, net realisable value or present value of the estimated future cash flow expected to be derived.

(5) Foreign Currency Translation

(a) Foreign currency transactions

Foreign currency transactions are translated into RMB at the exchange rates prevailing at the date of the transactions.

Monetary items denominated in foreign currencies at the balance sheet date are translated into RMB at the exchange rates prevailing at the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss except for those arising from foreign currency specific borrowings for the acquisition, construction of qualifying assets in connection with capitalisation of borrowing costs. Non-monetary items denominated in foreign currencies measured at historical cost are translated into RMB at the historical exchange rates prevailing at the date of the transactions at the balance sheet date. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(b) Translation of financial statements represented in foreign currency

Assets and liabilities of each balance sheet of the foreign operations are translated into RMB at the closing rates at the balance sheet date, while the equity items are translated into RMB at the exchange rates at the date of the transactions, except for the retained earnings. Income and expenses for each income statement of the foreign operations are translated into RMB at the approximate exchange rates at the date of the transactions. The currency translation differences resulted from the above-mentioned translations are recognised as other comprehensive income. The cash flows of overseas operations are translated into RMB at the approximate exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(6) Cash and Cash Equivalents

Cash and cash equivalents refer to all cash on hand and deposit held at call with banks, short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Financial Instruments

(a) Financial assets

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification depends on the Group's intention and the ability to hold the financial assets. The Group has principally receivables, available-for-sale financial assets and limited financial assets at fair value through profit or loss. The detailed accounting policies for receivables, available-for-sale financial assets and financial assets at fair value through profit or loss held by the Group are set out below :

(i) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, including accounts receivable, notes receivable, other receivables and cash at bank and on hand.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative that are either designated in this category at initial recognition or not classified in any of the other categories. They are included in other current assets on the balance sheet if they are intended to be sold within 12 months of the balance sheet date.

(iii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are mainly financial assets held for the purpose of selling in the short term. They are presented as financial assets held for trading on the balance sheet. Derivatives are also categorized as held for trading unless they are designated as hedges.

(iv) Recognition and measurement

Financial assets are recognised at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the instrument. Related transaction costs of financial assets at fair value through profit or loss are recorded in profit or loss when acquired. Related transaction costs of receivables and available-for-sale financial assets are recognised into the initial recognition costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or all substantial risks and rewards of ownership have been transferred to the transferee.

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently measured at fair value. The investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost. Receivables are stated at amortised costs using the effective interest method.

Changes in the fair values of available-for-sale financial assets are recorded into other comprehensive income except for impairment losses and foreign exchange gains and losses arising from the transaction of monetary financial assets denominated in foreign currencies. When the financial asset is derecognised, the cumulative changes in fair value previously recognised in equity will be recognised in profit or loss. The interest of the available-for-sale debt instruments calculated using the effective interest method is recognised as investment income. The cash dividends declared by the investee on available-for-sale investments in equity instruments are recognised as investment income, which is recognised in profit or loss for the period.

(v) Impairment of financial assets

The Group assesses the carrying amount of receivables and available-for-sale financial assets at each balance sheet date. If there is objective evidence that a financial asset is impaired, an impairment provision shall be made.

If a financial asset carried at amortised cost is impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that can prove the value of such financial asset has been recovered, and that it is related to events occurring subsequent to the recognition of impairment, the previously recognised impairment losses shall be reversed and the amount of the reversal will be recognised in the income statement.

When there is objective evidence that available-for-sale financial assets is impaired, the cumulative losses that have been recognised in equity as a result of the decline in the fair value shall be removed from equity and recognised as impairment losses in the income statement. For an investment in debt instrument classified as available-for-sale on which impairment losses have been recognised, if in a subsequent period the fair value increases and the increase can be objectively related to an event occurring after the impairment losses recognition, the previously recognised impairment losses shall be reversed, and recognised in profit or loss. For an investment in an equity instrument classified as available-for-sale on which impairment losses have been recognised, any subsequent increases in its fair value shall be directly recognised in other comprehensive income. The impairment loss on an investment in unquoted equity instrument whose fair value cannot be reliably measured is not reversed.

(b) Financial liabilities

Financial liabilities are classified into the following categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. Financial liabilities of the Group primarily comprise payables, loans and debentures payable classified as other financial liabilities.

Payables, including accounts payable, other payables, etc. are initially recognised at fair value, and subsequently measured at amortised costs using the effective interest method.

Loans and debentures payables are initially recognised at fair value less transaction costs, and subsequently measured at amortised costs using the effective interest method.

Other financial liabilities with terms of one year or less than one year are presented as current liabilities; other financial liabilities with terms more than one year but due within one year (including one year) from the balance sheet date are presented as current portion of non-current liabilities; others are presented as non-current liabilities.

A financial liability may not be derecognised, in all or in part, until the present obligations of financial liabilities are all, or partly, dissolved. The difference between the carrying amount of the financial liability at the point of derecognition and the consideration paid shall be included in profit or loss.

(c) Determination of financial instruments' fair value

Regarding financial instruments, for which there is an active market, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If there is no active market for a financial instrument, valuation techniques shall be adopted to determine the fair value.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

(8) Inventories

Inventories include crude oil and other raw materials, work in progress, finished goods and turnover materials, and are measured at the lower of cost and net realisable value.

Cost of inventories is determined primarily using the weighted average method. The cost of finished goods and work in progress comprises cost of crude oil, other raw materials, direct labour and production overheads allocated based on normal operating capacity. Turnover materials include low cost consumables and packaging materials. Low cost consumables are amortised with graded amortisation method and packaging materials are expensed off in full.

Provision for decline in the value of inventories is measured as the excess of the carrying value of the inventories over their net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost to completion and estimated selling expenses and related taxes.

The Group adopts perpetual inventory system.

(9) Long-term Equity Investments

Long-term equity investments comprise the Company's equity investments in subsidiaries, and the Group's equity investments in joint ventures and associates.

Long-term equity investments acquired through business combinations: For a long-term equity investment acquired through a business combination under common control, the proportionate share of the carrying value of shareholders' equity of the combined entity in the consolidated financial statements of the ultimate controlling party shall be treated as cost of the investment on the acquisition date. For a long-term equity investment acquired through a business combination not under common control, the acquisition costs paid shall be treated as the cost of the investment on acquisition date.

Long-term equity investments acquired through other than business combinations: For an acquisition settled in cash, the initial cost of investment shall be the actual cash consideration paid. For an acquisition settled by the issuance of equity securities, the initial cost of investment shall be the fair value of equity securities issued.

(a) Subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of the Company and are consolidated after being adjusted by the equity method accounting in consolidated financial statements.

Long-term equity investments accounted for at cost are measured at the initial investment cost. The cash dividends or profit distributions declared by the investees are recognised as investment income in the income statement.

A listing of the Group's principal subsidiaries is set out in Note 6(1).

(b) Joint ventures and associates

Joint ventures are arrangements whereby the Group and other parties have joint control and rights to the net assets of the arrangements. Associates are those in which the Group has significant influence over the financial and operating policies.

The term "joint control" refers to the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (activities with significant impact on the returns of the arrangement) require the unanimous consent of the parties sharing control.

The term "significant influence" refers to the power to participate in the formulation of financial and operating policies of an enterprise, but not the power to control, or jointly control, the formulation of such policies with other parties.

The investments in joint ventures and associates are accounted for using the equity method accounting. The excess of the initial cost of the investment over the share of the fair value of the investee's net identifiable assets is included in the initial cost of the investment. While the excess of the share of the fair value of the investee's net identifiable assets over the cost of the investment is instead recognised in profit or loss in the period in which the investment is acquired and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method accounting, the Group's share of its investees' post-acquisition profits or losses and other comprehensive income is recognised as investment income or losses and other comprehensive income respectively. When the Group's share of losses of an investee equals or exceeds the carrying amount of the long-term equity investment and other long-term interests which substantively form the net investment in the investee, the Group does not recognise further losses as provisions, unless it has obligations to bear extra losses which meet the criteria of recognition for liabilities according to the related standards for contingencies. Movements in the investee owner's equity other than profit or loss, other comprehensive income and profit distribution should be proportionately recognised in the Group's equity, provided that the share interest of the investee remained unchanged. The share of the investee's profit distribution or cash dividends declared is accounted for as a reduction of the carrying amount of the investment upon declaration. The profits or losses arising from the intra-Group transactions between the Group and its investees are eliminated to the extent of the Group's interests in the investees, on the basis of which the investment income or losses are recognised. The loss on the intra-Group transaction between the Group and its investees, of which nature is asset impairment, is recognised in full amount, and the relevant unrealised loss is not allowed to be eliminated.

(c) Impairment of long-term equity investments

For investments in subsidiaries, joint ventures and associates, if the recoverable amount is lower than its carrying amount, the carrying amount shall be written down to the recoverable amount (Note 4(16)). After an impairment loss has been recognised, it shall not be reversed in future accounting periods for the part whose value has been recovered.

(10) Fixed Assets

Fixed assets comprise buildings, equipment and machinery, motor vehicles and other. Fixed assets purchased or constructed are initially recorded at cost. The fixed assets injected by the state-owned shareholder during the Restructuring were initially recorded at the valuated amount approved by the relevant authorities managing state-owned assets.

Subsequent expenditures for fixed assets are included in the cost of fixed assets only when it is probable that in future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably. The carrying amount of the replaced part is derecognised. All other subsequent expenditures are charged to profit or loss during the financial period in which they are incurred.

Fixed assets are depreciated using the straight-line method based on the balance of their costs less estimated residual values over their estimated useful lives. For those fixed assets being provided for impairment loss, the related depreciation charge is determined based on the net value lessening the impairment recognised over their remaining useful lives.

(All amounts in RMB millions unless otherwise stated)

The estimated useful lives, estimated residual value ratios and annual depreciation rates of the fixed assets are as follows:

	Estimated useful lives	Estimated residual value ratio %	Annual depreciation rate %
Buildings	8 to 40 years	5	2.4 to 11.9
Equipment and Machinery	4 to 30 years	3 to 5	3.2 to 24.3
Motor Vehicles	4 to 14 years	5	6.8 to 23.8
Other	5 to 12 years	5	7.9 to 19.0

The estimated useful lives, estimated residual values and depreciation method of the fixed assets are reviewed, and adjusted if appropriate, at year end.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount (Note 4(16)).

The carrying amounts of fixed assets are derecognised when the fixed assets are disposed or no future economic benefits are expected from their use or disposal. When fixed assets are sold, transferred, disposed or damaged, gains or losses on disposal are determined by comparing the proceeds with the carrying amounts of the assets, adjusted by related taxes and expenses, and are recorded in profit or loss in the disposal period.

(11) Oil and Gas Properties

Oil and gas properties include the mineral interests in properties, wells and related facilities arising from oil and gas exploration and production activities.

The costs of obtaining the mineral interests in properties are capitalised when they are incurred and are initially recognised at acquisition costs. Exploration license fee, production license fee, rent and other costs for retaining the mineral interests in properties, subsequent to the acquisition of the mineral interests in properties, are charged to profit or loss.

The Ministry of Land and Resources in China issues production licenses to applicants on the basis of the reserve reports approved by relevant authorities.

The oil and gas properties are amortised at the field level based on the unit of production method except for the mineral interests in unproved properties which are not subjected to depletion. Unit of production rates are based on oil and gas reserves estimated to be recoverable from existing facilities based on the current terms of production licenses.

The carrying amount of oil and gas properties other than the mineral interests in unproved properties is reduced to the recoverable amount when their recoverable amount is lower than their carrying amount. The carrying amount of the mineral interests in unproved properties is reduced to the fair value when their fair value is lower than their carrying amount (Note 4(16)).

(12) Construction in Progress

Construction in progress is recognised at actual cost. The actual cost comprises construction costs, other necessary costs incurred and the borrowing costs eligible for capitalisation to prepare the asset for its intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month.

Oil and gas exploration costs include drilling exploration costs and the non-drilling exploration costs, the successful efforts method is used for the capitalisation of the drilling exploration costs. Drilling exploration costs included in the oil and gas exploration costs are capitalised as wells and related facilities when the wells are completed and economically proved reserves are found. Drilling exploration costs related to the wells without economically proved reserves less the net residual value are recorded in profit or loss. The related drilling exploration costs for the sections of wells with economically proved reserves are capitalised as wells and related facilities, and the costs of other sections are recorded in profit or loss. Drilling exploration costs are temporarily capitalised pending the determination of whether economically proved reserves can be found within one year of the completion of the wells. For wells that are still pending determination of whether economically proved reserves can be found after one year of completion, the related drilling exploration costs remain temporarily capitalised only if sufficient reserves are found in those wells and further exploration activities are required to determine whether they are economically proved reserves or not, and further exploration activities are under way or firmly planned and are about to be implemented. Otherwise the related costs are recorded in profit or loss. If proved reserves are discovered in a well, for which the drilling exploration costs have been expensed previously, no adjustment should be made to the drilling exploration costs that were expensed, while the subsequent drilling exploration costs and costs for completion of the well are capitalised. The non-drilling exploration costs are recorded in profit or loss when incurred. Oil and gas development costs are capitalised as the respective costs of wells and related facilities for oil and gas development based on their intended use. The economically proved reserves are the estimated quantities of crude oil and natural gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulation before the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether the estimate is a deterministic estimate or probabilistic estimate.

(13) Intangible Assets and Goodwill

Intangible assets include land use rights and patents, etc., and are initially recorded at cost. The intangible assets injected by the state-owned shareholder during the restructuring were initially recorded at the valued amount approved by the relevant authorities managing the state-owned assets.

Land use rights are amortised using the straight-line method over 30 to 50 years. If it is impracticable to allocate the amount paid for the purchase of land use rights and buildings between the land use rights and the buildings on a reasonable basis, the entire amount is accounted for as fixed assets.

Patent and other intangible assets are initially recorded at actual cost, and amortised using the straight-line method over their estimated useful lives.

The carrying amount of intangible assets is written down to its recoverable amount when the recoverable amount is lower than the carrying amount (Note 4(16)). The estimated useful years and amortisation method of the intangible assets with finite useful life are reviewed, and adjusted if appropriate, at each financial year-end.

The initial cost of goodwill represents the excess of cost of acquisition over the acquirer's interest in the fair value of the identifiable net assets of the acquiree under a business combination not involving entities under common control.

Goodwill is not amortised and is stated in the balance sheet at cost less accumulated impairment losses(Note 4(16)). On disposal of an asset group or a set of asset groups, any attributable goodwill is written off and included in the calculation of the profit or loss on disposal.

(14) Research and Development

Research expenditure incurred is recognised as an expense. Costs incurred on development projects shall not be capitalised unless they satisfy the following conditions simultaneously:

· In respect of the technology, it is feasible to finish the intangible asset for use or sale;

· It is intended by management to finish and use or sell the intangible asset;

· It is able to prove that the intangible asset is to generate economic benefits;

· With the support of sufficient technologies, financial resources and other resources, it is able to finish the development of the intangible asset, and it is able to use or sell the intangible asset; and

· The costs attributable to the development of the intangible asset can be reliably measured.

Costs incurred on development projects not satisfying the above conditions shall be recorded in profit or loss of the current period. Costs incurred on development recorded in profit or loss in previous accounting periods shall not be re-recognised as asset in future accounting periods. Costs incurred on development already capitalised shall be listed as development expenditure in the balance sheet, which shall be transferred to intangible asset from the date when the expected purposes of use are realised.

(15) Long-term Prepaid Expenses

Long-term prepaid expenses include advance lease payments and other prepaid expenses that should be borne by current and subsequent periods and should be amortised over more than one year. Long-term prepaid expenses are amortised using the straight-line method over the expected beneficial periods and are presented at cost less accumulated amortisation.

(16) Impairment of Non-current Assets

Fixed assets, oil and gas properties except for mineral interests in unproved properties, intangible assets with finite useful life, long-term equity investments and long-term prepaid expenses are tested for impairment if there is any indication that an asset may be impaired at the balance sheet date. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount if the impairment test indicates that the recoverable amount is less than its carrying amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the estimated future cash flow expected to be derived from the asset. Impairment should be assessed and recognised for each individual asset. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash flow.

The goodwill presented separately in financial statements should be subject to impairment assessment at least on an annual basis regardless whether there exists any indicators of impairment. Where the impairment assessment indicates that, for the cash-generating unit (that includes the allocated goodwill), the recoverable amount is lower than the carrying value, then an impairment loss will be recorded.

The mineral interests in unproved properties are tested annually for impairment. If the cost incurred to obtain a single property is significant, the impairment test is performed and the impairment loss is determined on the basis of the single property. If the cost incurred to obtain a single property is not significant and the geological structure features or reserve layer conditions are identical or similar to those of other adjacent properties, impairment tests are performed on the basis of a group of properties that consist of several adjacent mining areas with identical or similar geological structure features or reserve layer conditions.

Once an impairment loss of these assets is recognised, it is not allowed to be reversed even if the value can be recovered in subsequent period.

(17) Borrowing Costs

Borrowing costs incurred that are directly attributable to the acquisition and construction of fixed assets and oil and gas properties, which require a substantial period of time for acquisition and construction activities to get ready for their intended use, are capitalised as part of the cost of the assets when capital expenditures and borrowing costs have already incurred and the activities of acquisition and construction necessary to prepare the assets to be ready for their intended use have commenced. The capitalisation of borrowing costs ceases when the assets are ready for their intended use. Borrowing costs incurred thereafter are recognised as financial expense, Capitalisation of borrowing costs should be suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally, and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For a borrowing taken specifically for the acquisition or construction activities for preparing fixed asset and oil and gas property eligible for capitalisation, the to-be-capitalised amount of interests shall be determined according to the actual costs incurred less any income earned on the unused borrowing fund as a deposit in the bank or as a temporary investment.

Where a general borrowing is used for the acquisition or construction of fixed asset and oil and gas property eligible for capitalisation, the Group shall calculate and determine the to-be-capitalised amount of interests on the general borrowing by multiplying the part of the accumulative asset disbursements in excess of the weighted average asset disbursement for the specifically borrowed fund by the weighted average actual rate of the general borrowing used. The actual rate is the rate used to discount the future cash flow of the borrowing during the expected existing period or the applicable shorter period to the originally recognised amount of the borrowing.

(18) Employee Compensation

(a) Short-term benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(b) Post-employment benefits-Defined Contribution Plans

Pursuant to the relevant laws and regulations of the People's Republic of China, the Group participated in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Group has similar defined contribution plans for its employees in its overseas operations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are recognised as part of the cost of assets or charged to profit or loss as the related services are rendered by the employees.

In addition, the Group joined the corporate annuity plan approved by relevant PRC authorities. Contribution to the annuity plan is charged to expense as incurred.

The Group has no other material obligation for the payment of pension benefits associated with schemes beyond the contributions described above.

(19) Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Group except for capital contributions from the government in the capacity as an investor in the Group.

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at fair value.

Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets. A government grant related to an asset is recognised initially as deferred income and amortised to profit or loss in a reasonable and systematic manner within the useful life of the relevant assets. A grant that compensates the Group for expenses or losses to be incurred in the future is recognised initially as deferred income, and recognised in profit or loss or released to relevant cost in the period in which the expenses or losses are recognised. A grant that compensates the Group for expenses or losses already incurred is recognised to profit or loss or released to related cost immediately.

Government grants related to daily activities are recognised in other income or written down the related cost and expenses according to the nature of business activities. Government grants related to non-daily activities are recognised in non-operating income or expenses.

(20) Provisions

Provisions for product guarantee, quality onerous contracts etc. are recognised when the Group has present obligations, and it is probable that an outflow of economic benefits will be required to settle the obligations, and the amounts can be reliably estimated.

Provisions are measured at the best estimate of the expenditures expected to be required to settle the present obligation. Factors surrounding the contingencies such as the risks, uncertainties and the time value of money shall be taken into account as a whole in reaching the best estimate of provisions. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash flows. The increase in the discounted amount of the provision arising from the passage of time is recognised as interest expense.

Asset retirement obligations which meet the criteria of provisions are recognised as provisions and the amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements, while a corresponding addition to the related oil and gas properties of an amount equivalent to the provision is also created. This is subsequently depleted as part of the costs of the oil and gas properties. Interest expenses from the assets retirement obligations for each period are recognised with the effective interest method during the useful life of the related oil and gas properties.

If the conditions for the recognition of the provisions are not met, the expenditures for the decommissioning, removal and site cleaning will be expensed in profit or loss when occurred.

(21) Deferred Tax Assets and Deferred Tax Liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences (temporary differences) arising between the tax bases of assets and liabilities and their carrying amounts. The deductible losses, which can be utilised against the future taxable profit in accordance with tax law, are regarded as temporary differences and a deferred tax asset is recognised accordingly. The deferred tax assets and deferred tax liabilities are not accounted for the temporary differences resulting from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profits (or deductible loss). Deferred tax assets and deferred tax liabilities are determined using tax rates that are expected to apply to the period when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets of the Group are recognised for deductible temporary differences and deductible losses and tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognised for deductible temporary differences arising from investments in subsidiaries, associates and joint ventures, to the extent that, and only to the extent that, it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities which meet the following conditions shall be presented on a net basis:

· Deferred tax assets and liabilities are related to the income tax of the same entity within the Group levied by the same authority;

· This entity is legally allowed to settle its current tax assets and liabilities on a net basis.

(22) Revenue Recognition

The amount of revenue is determined in accordance with the fair value of the contractual consideration received or receivable for the sales of goods and services in the ordinary course of the Group's activities. Revenue is shown net of discounts and returns.

Revenue is recognised when specific criteria have been met for each of the Group's activities as described below:

(a) Sales of goods

Revenue from sales of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, and retains neither continuing managerial involvement nor effective control over the goods sold, and it is probable that the economic benefits associated with the transaction will flow to the Group and related revenue and cost can be measured reliably.

(b) Rendering of services

The Group recognises its revenue from rendering of services under the percentage-of-completion method. Under the percentage-of-completion method, revenue is recognised based on the costs incurred to date as a percentage of the total estimated costs to be incurred.

(c) Transfer of the assets use rights

Interest income is recognised on a time-proportion basis using the effective interest method.

Revenue from operating lease is recognised using the straight-line method over the period of the lease.

(23) Leases

Leases that transfer substantially all the risks and rewards incidental to ownership of assets are classified as finance lease; other leases are operating leases. The Group has no significant finance lease.

Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

(24) Dividend Distribution

Dividend distribution is recognised as a liability in the period in which it is approved by a resolution of shareholders' general meeting.

(25) Business Combination

(a) Business combination under common control

The net assets obtained by the acquirer are measured based on their carrying value in the consolidated financial statement of the ultimate controlling party at the combination date. The difference between the carrying value of the net assets obtained and the carrying value of the consideration is adjusted against the capital surplus. If the capital surplus is not sufficient to be offset, the remaining balance is adjusted against retained earnings.

Costs incurred directly attributable to the business combination are recorded in profit or loss when incurred. The transaction costs of the equity securities or debt securities issued which are attributable to the business combination are recorded in the initial recognition costs when acquired.

(b) Business combination not under common control

The acquisition costs paid and the identifiable net assets acquired by the acquirer are measured at their fair value at the acquisition date. Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised directly in profit or loss.

Costs which are directly attributable to the business combination are recorded in profit or loss when incurred. The transaction costs of the equity securities or debt securities issued which are attributable to the business combination are recorded in the initial recognition costs when acquired.

(26) Basis of Preparation of Consolidated Financial Statements

The scope of consolidated financial statements includes the Company and its subsidiaries controlled by the Company. Control exists when the Group has all the following: power over the investees; exposure, or rights to variable returns from its involvement with the investees and has the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Subsidiaries acquired through business combination under common control are consolidated from the day when they are under common control with the Company of the ultimate controlling party, and their net profit earned before the combination date shall be presented separately in the consolidated income statement.

When the accounting policies and accounting periods of subsidiaries are not consistent with those of the Company, the Company will make necessary adjustments to the financial statements of the subsidiaries in accordance with the Company's accounting policies and accounting periods. The financial statements of the subsidiaries acquired from the business combination not under common control are adjusted on the basis of the fair value of the identifiable net assets at the acquisition date when preparing the consolidated financial statements.

All material intercompany balances, transactions and unrealised gains within the Group are eliminated upon consolidation. The portion of the shareholders' equity or net profit of the subsidiaries that is not attributable to the Company is treated as non-controlling interests and total comprehensive income and presented separately within shareholders' equity in the consolidated balance sheet or within net profit and total comprehensive income in the consolidated income statement.

(27) Segment Reporting

The Group determines its operating segments based on its organisational structure, management requirements and internal reporting system. On the basis of these operating segments, the Group determines the reporting and disclosure of segmental information.

An operating segment refers to a component of the Group that simultaneously meet the following criteria: (1) the component can generate revenue and incur expenses in ordinary activities; (2) the component's operating results can be regularly reviewed by the Group's management to make decisions about resource allocation to the component and assess its performance; (3) the Group can obtain financial information relating to the financial position, operating results and cash flows, etc. of the component. When two or more operating segments exhibit similar economic characteristics and meet certain requirements, the Group may aggregate these operating segments into a single operating segment.

The Group also discloses total external revenue derived from other regions outside mainland China and the total non-current assets located in other regions outside mainland China.

(28) 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 critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

(a) Estimation of oil and natural gas reserves

Estimates of oil and natural 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, depletion and amortisation recorded in the income 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. 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, evolution of technology or development plans, etc.

(b) Estimation of impairment of fixed assets and oil and gas properties

Fixed assets and oil and gas properties are reviewed for possible impairments 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 and judgements such as future price of crude oil, refined and chemical products the operation costs, the product mix, production volumes and the oil and gas reserves. However, the impairment reviews and calculations are based on assumptions that are consistent with the Group's business plans taking into account current economic conditions. Favourable changes to some assumptions, or not updating assumptions previously made, may allow the Group to avoid the need to impair any assets, whereas unfavourable changes may cause the assets to become impaired. For example, when the assumed future price and production volume of crude oil used for the expected future cash flows are different from the actual price and production volume of crude oil respectively experienced in the future, the Company may either over or under recognize the impairment losses for certain assets.

(c) Estimation of asset retirement obligations

Provision is recognised for the future decommissioning and restoration of oil and gas properties. The amounts of the provision 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 lives of oil and gas properties and estimates of discount rates. Changes in any of these estimates will impact the operating results and the financial position of the Group over the remaining economic lives of the oil and gas properties.

(29) Changes in accounting policy

The revised Accounting Standard for Business Enterprises No. 16 — Government grants ("CAS 16 (2017)") was issued by the Ministry of Finance on May, 2017 and implemented since June 12, 2017.

The main accounting policies after adopting the accounting standard for business enterprises mentioned above are already listed in Note 4.

The Group reorganised the government grants existed in January 1, 2017 and change the related accounting policy using prospective application as stipulates under CAS 16 (2017).

The impact of adopting the standard on the Group is that the government grants originally related to daily activities will be reclassified from non-operating income to other income or written down the related cost and expenses.

(All amounts in RMB millions unless otherwise stated)

5 TAXATION

The principal taxes and related tax rates of the Group are presented as below:

Types of taxes	Tax rate	Tax basis and method
Value Added Tax (the "VAT")	6%, 11%, 13% or 17%	Based on taxable value added amount. Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less current period's deductible VAT input.
Resource Tax	6%	Based on the revenue from sales of crude oil and natural gas.
Consumption Tax	Based on quantities	Based on sales quantities of taxable products. RMB 1.52 yuan per litre for unleaded gasoline, naphtha, solvent oil and lubricant. RMB 1.2 yuan per litre for diesel and fuel oil.
Corporate Income Tax	15% or 25%	Based on taxable income.
Crude Oil Special Gain Levy	20% to 40%	Based on the sales of domestic crude oil at prices higher than a specific level.
City Maintenance and Construction Tax	1%, 5% or 7%	Based on the actual paid VAT and consumption tax.

On November 16, 2011, the MOF and the SAT implemented the 'Change of Business Tax to Value Added Tax Pilot Program' ("Pilot Program"), which set out detailed related implementation guidance and fundamental principles. Accordingly, the Pilot Program was applicable to the transportation and certain modern service industries in Shanghai and Beijing from January 1, 2012 and September 1, 2012, respectively in respect of which VAT was levied in lieu of Business Tax, and was applicable nationally from August 1, 2013.

On March 23, 2016, the MOF and SAT jointly issued 'The Circular on the implementation of pilot program on the change of Business Tax to Value added tax in an all-round way' (Cai Shui[2016] No.36), approved by the State Council. The Circular states that from May 1, 2016 on, the whole business payers would be included in the pilot program, changing business tax payment to value-added tax payment nationally. Part of the pipeline transportation and research & development technical services are applicable to 11% and 6% value added tax rate, respectively.

Pursuant to the Circular jointly issued by the MOF, the General Administration of Customs of the PRC and the SAT on Issues Concerning a Proportionate Refund of VAT on Imported Natural Gas between 2011 and 2020 as well as Natural Gas Imported from Central Asia before the end of 2010 (Cai Guan Shui [2011] No.39), if the price of imported natural gas under any state-sanctioned natural gas import program is higher than the selling price fixed by the State, the VAT as paid by the Group on imported natural gas (including LNG) under the above program is refunded on a pro-rata basis by reference to the extent of the import price above the selling price fixed by the State.

In accordance with the Circular jointly issued by the MOF, the General Administration of Customs of the PRC and the SAT on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategy (Cai Shui [2011] No. 58), the corporate income tax for the enterprises engaging in the encouraged industries in the Western China Region is charged at a preferential corporate income tax rate of 15% from January 1, 2011 to December 31, 2020. Certain branches and subsidiaries of the Company in the Western China Region obtained the approval for the use of the preferential corporate income tax rate of 15%.

Pursuant to the Notice from the MOF on the Increase of the Threshold of the Crude Oil Special Gain Levy (Cai Shui [2014] No. 115), the threshold of the crude oil special gain levy shall be US$65, which have 5 levels and is calculated and charged according to the progressive and valorem rates on the excess amounts from January 1, 2015.

(All amounts in RMB millions unless otherwise stated)

6 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

(1) Principal subsidiaries

Company name	Acquisition method	Country of incorporation	Registered capital	Principal activities	Type of legal entity	Legal representative	Closing effective investment cost	Attributable equity interest %	Attributable voting rights %	Consolidated or not
Daqing Oilfield Company Limited	Established	PRC	47,500	Exploration, production and sale of crude oil and natural gas	Limited liability company	Sun Longde	66,720	100.00	100.00	Yes
CNPC Exploration and Development Company Limited (i)	Business combination under common control	PRC	16,100	Exploration, production and sale of crude oil and natural gas in and outside the PRC	Limited liability company	Lv Gongxun	23,778	50.00	57.14	Yes
PetroChina Hong Kong Limited	Established	HK	HK Dollar ("HKD") 7,592 million	Investment holding. The principal activities of its subsidiaries, associates and joint ventures are the exploration, production and sale of crude oil in and outside the PRC as well as natural gas sale and transmission in the PRC	Limited liability company	N/A	25,590	100.00	100.00	Yes
PetroChina International Investment Company Limited	Established	PRC	31,314	Investment holding. The principal activities of its subsidiaries and joint ventures are the exploration, development and production of crude oil, natural gas, oilsands and coalbed methane outside the PRC	Limited liability company	Lv Gongxun	31,314	100.00	100.00	Yes
PetroChina International Company Limited	Established	PRC	18,096	Marketing of refined products and trading of crude oil and petrochemical products, storage, investment in refining, chemical engineering, storage facilities, service station, and transportation facilities and related business in and outside the PRC	Limited liability company	Tian Jinghui	18,953	100.00	100.00	Yes
PetroChina Pipelines Company Limited	Established	PRC	80,000	Oil and gas pipeline transportation, investment holding, import and export of goods, agency of import and export, import and export of technology, technology promotion service, professional contractor, main contractor	Limited liability company	Huang Weihe	109,216	72.26	72.26	Yes

(i) The Company consolidated the financial statements of the entity because it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

(All amounts in RMB millions unless otherwise stated)

(2) Exchange rates of international operations' major financial statement items

Company name	Assets and liabilities	
	June 30, 2017	December 31, 2016
PetroKazakhstan Inc.	USD 1= RMB 6.7744 yuan	USD 1= RMB 6.9370 yuan
PetroChina Hong Kong Limited	HKD 1= RMB 0.8679 yuan	HKD 1= RMB 0.8945 yuan
Singapore Petroleum Company Limited	USD 1= RMB 6.7744 yuan	USD 1= RMB 6.9370 yuan

Equity items except for the retained earnings, revenue, expense and cash flows items are translated into RMB at the approximate exchange rates at the date of the transactions.

7 CASH AT BANK AND ON HAND

	June 30, 2017	December 31, 2016
Cash on hand	50	23
Cash at bank	119,612	97,081
Other cash balances	1,390	1,513
	121,052	98,617

The Group's cash at bank and on hand included the following foreign currencies as of June 30, 2017:

	Foreign currency	Exchange rate	RMB equivalent
USD	9,099	6.7744	61,640
HKD	365	0.8679	317
Tenge	19,430	0.0211	410
Other			587
			62,954

The Group's cash at bank and on hand included the following foreign currencies as of December 31, 2016:

	Foreign currency	Exchange rate	RMB equivalent
USD	7,450	6.9370	51,681
HKD	1,831	0.8945	1,638
Tenge	9,603	0.0208	200
Other			1,173
			54,692

The Group's cash at bank and on hand in foreign currencies mainly comprise cash at bank.

(All amounts in RMB millions unless otherwise stated)

8 NOTES RECEIVABLE

Notes receivable represents mainly bills of acceptance issued by banks for the sale of goods and products.

As of June 30, 2017, all notes receivable of the Group are due within one year.

9 ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

(a) Accounts receivable

	Group		Company	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Accounts receivable	64,553	49,338	13,996	9,502
Less: Provision for bad debts	(2,024)	(2,023)	(1,866)	(1,865)
	62,529	47,315	12,130	7,637

The aging of accounts receivable and related provision for bad debts are analysed as follows:

	Group					
	June 30, 2017			December 31, 2016		
	Amount	Percentage of total balance %	Provision for bad debts	Amount	Percentage of total balance %	Provision for bad debts
Within 1 year	55,157	85	(1)	43,698	89	(12)
1 to 2 years	6,240	10	(16)	2,749	6	(5)
2 to 3 years	2,219	4	(1,697)	2,135	4	(1,698)
Over 3 years	937	1	(310)	756	1	(308)
	64,553	100	(2,024)	49,338	100	(2,023)

	Company					
	June 30, 2017			December 31, 2016		
	Amount	Percentage of total balance %	Provision for bad debts	Amount	Percentage of total balance %	Provision for bad debts
Within 1 year	8,751	63	-	5,407	57	-
1 to 2 years	3,127	22	-	1,976	21	-
2 to 3 years	1,671	12	(1,618)	1,670	17	(1,618)
Over 3 years	447	3	(248)	449	5	(247)
	13,996	100	(1,866)	9,502	100	(1,865)

(All amounts in RMB millions unless otherwise stated)

As of June 30, 2017, the top five debtors of accounts receivable of the Group amounted to RMB 26,500, representing 41% of total accounts receivable.

During the six months ended June 30, 2017 and the six months ended June 30, 2016, the Group had no significant write-off of the provision for bad debts of accounts receivable.

(b) Other receivables

	Group		Company	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Other receivables	16,784	13,206	65,631	60,602
Less: Provision for bad debts	(2,350)	(2,360)	(516)	(525)
	14,434	10,846	65,115	60,077

The aging analysis of other receivables and the related provision for bad debts are analysed as follows:

	Group					
	June 30, 2017			December 31, 2016		
	Amount	Percentage of total balance %	Provision for bad debts	Amount	Percentage of total balance %	Provision for bad debts
Within 1 year	11,403	68	(21)	8,011	61	(10)
1 to 2 years	1,072	6	(7)	1,358	10	(34)
2 to 3 years	694	4	(16)	318	2	(4)
Over 3 years	3,615	22	(2,306)	3,519	27	(2,312)
	16,784	100	(2,350)	13,206	100	(2,360)

	Company					
	June 30, 2017			December 31, 2016		
	Amount	Percentage of total balance %	Provision for bad debts	Amount	Percentage of total balance %	Provision for bad debts
Within 1 year	63,762	97	(21)	58,755	97	(1)
1 to 2 years	294	-	-	532	1	-
2 to 3 years	382	1	(3)	194	-	(4)
Over 3 years	1,193	2	(492)	1,121	2	(520)
	65,631	100	(516)	60,602	100	(525)

(All amounts in RMB millions unless otherwise stated)

As of June 30, 2017, the top five debtors of other receivables of the Group amounted to RMB 6,877, representing 41% of total other receivables.

During the six months ended June 30, 2017 and the six months ended June 30, 2016, the Group had no significant write-off of the provision for bad debts of other receivables.

10 ADVANCES TO SUPPLIERS

	June 30, 2017	December 31, 2016
Advances to suppliers	26,960	16,505
Less: Provision for bad debts	(26)	(26)
	26,934	16,479

As of June 30, 2017 and December 31, 2016, advances to suppliers of the Group are mainly aged within one year.

As of June 30, 2017, the top five debtors of advances to suppliers of the Group amounted to RMB 17,395, representing 65% of total advances to suppliers.

11 INVENTORIES

	June 30, 2017	December 31, 2016
Cost		
Crude oil and other raw materials	49,608	55,371
Work in progress	10,621	10,336
Finished goods	80,268	84,473
Turnover materials	97	51
	140,594	150,231
Less: Write down in inventories	(1,364)	(3,366)
Net book value	139,230	146,865

12 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30, 2017	December 31, 2016
Available-for-sale debenture	3	3
Available-for-sale equity instrument	2,321	2,365
Less: Provision for impairment	(336)	(337)
	1,988	2,031

(All amounts in RMB millions unless otherwise stated)

13 LONG-TERM EQUITY INVESTMENTS

	Group			
	December 31, 2016	Addition	Reduction	June 30, 2017
Associates and joint ventures (a)	79,252	4,629	(1,799)	82,082
Less : Provision for impairment (b)	(249)	-	-	(249)
	79,003			81,833

	Company			
	December 31, 2016	Addition	Reduction	June 30, 2017
Subsidiaries (c)	350,478	321	(357)	350,442
Associates and joint ventures	27,233	3,273	(712)	29,794
Less : Provision for impairment	(213)			(213)
	377,498			380,023

As of June 30, 2017, the above-mentioned investments are not subject to restriction on conversion into cash or remittance of investment income.

(All amounts in RMB millions unless otherwise stated)

(a) Principal associates and joint ventures of the Group

Company name	Country of incorpo-ration	Principal activities	Registered capital	Interest held%		Voting rights %	Account-ing method	Strategic decisions relating to the Group's activities
				Direct	Indirect			
Dalian West Pacific Petrochemical Co., Ltd.	PRC	Production and sale of petroleum and petrochemical products	USD 258 million	28.44	-	28.44	Equity method	No
China Petroleum Finance Co., Ltd.	PRC	Deposits, loans, settlement, lending, bills acceptance discounting, guarantee and other banking business	8,331	32.00	-	32.00	Equity method	No
CNPC Captive Insurance Co., Ltd.	PRC	Property loss insurance, liability insurance, credit insurance and deposit insurance; as well as the application of the above insurance reinsurance and insurance capital business	5,000	49.00	-	49.00	Equity method	No
China Marine Bunker (PetroChina) Co., Ltd.	PRC	Oil import and export trade and transportation, sale and storage	1,000	-	50.00	50.00	Equity method	No
Arrow Energy Holdings Pty Ltd.	Australia	Exploration, development and sale of coalbed methane	AUD 2	-	50.00	50.00	Equity method	No
Trans-Asia Gas Pipeline Co., Ltd. (i)	PRC	Main contractor, investment holding, investment management, investment consulting, enterprise management advisory, technology development, promotion and technology consulting	5,000	-	50.00	50.00	Equity method	No

(i) On November 24, 2015, the board of directors of the Company approved the sale by CNPC Exploration and Development Co., Ltd. ("CNPC E&D"), one of the Company's subsidiaries, of its 50% equity interest in Trans-Asia Gas Pipeline Co., Ltd. ("Trans-Asia Pipeline") to CNIC Corporation Limited for a consideration equivalent to RMB14,671. The transaction closed in the second quarter of 2016.

(All amounts in RMB millions unless otherwise stated)

Investments in principal associates and joint ventures are listed below:

	Investment cost	December 31, 2016	Addition	Reduction	Share of profit of equity method investments	Share of other equity movement of equity method investments	Cash dividend declared	Currency translation differences	June 30, 2017
Dalian West Pacific Petrochemical Co., Ltd.	566	-	-	-	-	-	-	-	-
China Petroleum Finance Co., Ltd.	9,917	18,429	-	-	1,201	(121)	(335)	-	19,174
CNPC Captive Insurance Co., Ltd.	2,450	2,824	-	-	59	-	-	-	2,883
China Marine Bunker (PetroChina) Co., Ltd.	740	1,264	-	-	28	-	-	-	1,292
Arrow Energy Holdings Pty Ltd.	19,407	3,677	-	-	(398)	700	-	(100)	3,879
Trans-Asia Gas Pipeline Co., Ltd.	14,527	14,270	-	-	(214)	(34)	-	-	14,022

(All amounts in RMB millions unless otherwise stated)

Interest in associates

Summarised balance sheet in respect of the Group's principal associates and reconciliation to carrying amount is as follows:

	Dalian West Pacific Petrochemical Co., Ltd.		China Petroleum Finance Co., Ltd.		CNPC Captive Insurance Co., Ltd.	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Percentage ownership interest(%)	28.44	28.44	32.00	32.00	49.00	49.00
Current assets	4,921	3,597	104,050	148,916	9,533	9,192
Non-current assets	4,267	4,373	308,489	270,507	2,406	2,166
Current liabilities	8,324	8,329	327,761	332,923	6,054	5,594
Non-current liabilities	5,217	5,217	25,948	29,998	1	1
Net (liabilities) / assets	(4,353)	(5,576)	58,830	56,502	5,884	5,763
Group's share of net assets	-	-	18,825	18,080	2,883	2,824
Goodwill	-	-	349	349	-	-
Carrying amount of interest in associates	-	-	19,174	18,429	2,883	2,824

Summarised statement of comprehensive income and dividends received by the Group is as follows:

	Dalian West Pacific Petrochemical Co., Ltd.		China Petroleum Finance Co., Ltd.		CNPC Captive Insurance Co., Ltd.	
	For the six months ended June 30, 2017	For the six months ended June 30, 2016	For the six months ended June 30, 2017	For the six months ended June 30, 2016	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Operating income	13,688	8,524	7,172	7,291	307	253
Net profit / (loss)	1,218	(337)	3,753	4,437	140	153
Other comprehensive (loss) / income	-	-	(378)	222	2	5
Total comprehensive income / (loss)	1,218	(337)	3,375	4,659	142	158
Group's share of total comprehensive income	-	-	1,080	2,283	70	77
Dividends received by the Group	-	-	335	456	-	-

(All amounts in RMB millions unless otherwise stated)

Interest in joint ventures

Summarised balance sheet in respect of the Group's principal joint ventures and reconciliation to carrying amount is as follows:

	China Marine Bunker (PetroChina) Co., Ltd.		Arrow Energy Holdings Pty Ltd.		Trans-Asia Gas Pipeline Co., Ltd.	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Percentage ownership interest(%)	50.00	50.00	50.00	50.00	50.00	50.00
Non-current assets	1,961	1,974	29,601	32,733	26,529	27,009
Current assets	5,863	6,453	516	708	3,957	4,045
Including: cash and cash equivalents	1,120	1,461	227	368	3,955	4,025
Non-current liabilities	243	749	21,694	25,308	2,100	2,100
Current liabilities	4,736	4,902	577	690	343	414
Net assets	2,845	2,776	7,846	7,443	28,043	28,540
Net assets attributable to owners of the Company	2,584	2,528	7,846	7,443	28,043	28,540
Group's share of net assets	1,292	1,264	3,923	3,722	14,022	14,270
Elimination of transactions with the Group	-	-	(44)	(45)	-	-
Carrying amount of interest in joint ventures	1,292	1,264	3,879	3,677	14,022	14,270

Summarised statement of comprehensive income and dividends received by the Group is as follows:

	China Marine Bunker (PetroChina) Co., Ltd.		Arrow Energy Holdings Pty Ltd.		Trans-Asia Gas Pipeline Co., Ltd.	
	For the six months ended June 30, 2017	For the six months ended June 30, 2016	For the six months ended June 30, 2017	For the six months ended June 30, 2016	For the six months ended June 30, 2017	From the closing date to June 30, 2016
Operating income	14,469	8,940	804	516	14	-
Finance expenses	(31)	(17)	291	(358)	(16)	(5)
Including: Interest income	4	5	1	3	32	16
Interest expense	(24)	(23)	(658)	(631)	(21)	(13)
Taxation	(15)	(18)	-	-	-	-
Net profit / (loss)	76	49	(796)	(708)	406	7
Other comprehensive (loss) / income	(11)	35	1,399	719	(68)	(20)
Total comprehensive income / (loss)	65	84	603	11	338	(13)
Total comprehensive income / (loss) by share	23	42	302	6	169	(7)
Elimination of unrealised profit	-	-	-	-	(417)	-
Group's share of total comprehensive income / (loss)	23	42	302	6	(248)	(7)
Dividends received by the Group	-	-	-	-	-	-

(All amounts in RMB millions unless otherwise stated)

(b) Provision for impairment

	June 30, 2017	December 31, 2016
Associates and joint ventures		
North China Petroleum Steel Pipe Co., Ltd.	(78)	(78)
PetroChina Shouqi Sales Company Limited	(60)	(60)
PetroChina Beiqi Sales Company Limited	(49)	(49)
Other	(62)	(62)
	(249)	(249)

(c) Subsidiaries

Investment in subsidiaries:

	Investment cost	December 31, 2016	Addition	Deduction	June 30, 2017
Daqing Oilfield Company Limited	66,720	66,720	-	-	66,720
CNPC Exploration and Development Company Limited	23,778	23,778	-	-	23,778
PetroChina Hong Kong Limited	25,590	25,590	-	-	25,590
PetroChina International Investment Company Limited	31,314	31,314	-	-	31,314
PetroChina International Company Limited	18,953	18,953	-	-	18,953
PetroChina Pipelines Company Limited	109,216	109,216	-	-	109,216
Other		74,907	321	(357)	74,871
Total		350,478	321	(357)	350,442

(All amounts in RMB millions unless otherwise stated)

Summarised financial information in respect of the Group's principal subsidiaries with significant non-controlling interest is as follows:

Summarised balance sheet is as follows:

	CNPC Exploration and Development Company Limited		PetroChina Pipelines Company Limited	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Percentage ownership interest (%)	50.00	50.00	72.26	72.26
Current assets	24,100	26,489	11,601	19,193
Non-current assets	136,848	135,177	241,188	235,023
Current liabilities	13,971	15,504	25,361	26,186
Non-current liabilities	12,268	11,644	12,342	12,344
Net assets	134,709	134,518	215,086	215,686

Summarised statement of comprehensive income is as follows:

	CNPC Exploration and Development Company Limited		PetroChina Pipelines Company Limited	
	For the six months ended June 30, 2017	For the six months ended June 30, 2016	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Operating income	17,749	12,267	23,046	21,456
Net profit	1,667	21,227	11,959	10,747
Total comprehensive income	190	24,420	11,959	10,747
Profit attributable to non-controlling interests	1,146	10,658	3,317	2,981
Dividends paid to non-controlling interests	549	-	3,569	-

Summarised statement of cash flow is as follows:

	CNPC Exploration and Development Company Limited		PetroChina Pipelines Company Limited	
	For the six months ended June 30, 2017	For the six months ended June 30, 2016	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Net cash inflow from operating activities	3,534	3,829	13,222	14,296

(All amounts in RMB millions unless otherwise stated)

14 FIXED ASSETS

	December 31, 2016	Addition	Reduction	June 30, 2017
Cost				
Buildings	214,710	2,979	(572)	217,117
Equipment and Machinery	990,832	17,020	(1,781)	1,006,071
Motor Vehicles	29,227	181	(33)	29,375
Other	22,268	419	(126)	22,561
Total	1,257,037	20,599	(2,512)	1,275,124
Accumulated depreciation				
Buildings	(81,798)	(4,714)	302	(86,210)
Equipment and Machinery	(436,512)	(23,946)	1,455	(459,003)
Motor Vehicles	(19,402)	(891)	17	(20,276)
Other	(11,856)	(757)	49	(12,564)
Total	(549,568)	(30,308)	1,823	(578,053)
Fixed assets, net				
Buildings	132,912			130,907
Equipment and Machinery	554,320			547,068
Motor Vehicles	9,825			9,099
Other	10,412			9,997
Total	707,469			697,071
Provision for impairment				
Buildings	(3,525)	-	9	(3,516)
Equipment and Machinery	(32,963)	-	79	(32,884)
Motor Vehicles	(66)	-	-	(66)
Other	(114)	-	1	(113)
Total	(36,668)	-	89	(36,579)
Net book value				
Buildings	129,387			127,391
Equipment and Machinery	521,357			514,184
Motor Vehicles	9,759			9,033
Other	10,298			9,884
Total	670,801			660,492

Depreciation charged to profit or loss provided on fixed assets for the six months ended June 30, 2017 was RMB 29,568. Cost transferred from construction in progress to fixed assets was RMB 18,996.

As of June 30, 2017, the Group's fixed assets under operating leases are mainly equipment and machinery, the net book value of which amounted to RMB 1,266.

As of June 30, 2017, the Group has no significant fixed assets which are pledged.

(All amounts in RMB millions unless otherwise stated)

15 OIL AND GAS PROPERTIES

	December 31, 2016	Addition	Reduction	June 30, 2017
Cost				
Mineral interests in proved properties	35,886	40	(315)	35,611
Mineral interests in unproved properties	35,350	603	(182)	35,771
Wells and related facilities	1,838,199	28,768	(1,421)	1,865,546
Total	1,909,435	29,411	(1,918)	1,936,928
Accumulated depletion				
Mineral interests in proved properties	(7,846)	(366)	149	(8,063)
Wells and related facilities	(1,020,372)	(82,049)	1,624	(1,100,797)
Total	(1,028,218)	(82,415)	1,773	(1,108,860)
Oil and gas properties, net				
Mineral interests in proved properties	28,040			27,548
Mineral interests in unproved properties	35,350			35,771
Wells and related facilities	817,827			764,749
Total	881,217			828,068
Provision for impairment				
Mineral interests in proved properties	(429)	-	-	(429)
Mineral interests in unproved properties	(4,723)	(51)	-	(4,774)
Wells and related facilities	(30,336)	(13)	1	(30,348)
Total	(35,488)	(64)	1	(35,551)
Net book value				
Mineral interests in proved properties	27,611			27,119
Mineral interests in unproved properties	30,627			30,997
Wells and related facilities	787,491			734,401
Total	845,729			792,517

Depletion charged to profit or loss provided on oil and gas properties for the six months ended June 30, 2017 was RMB 82,243.

As of June 30, 2017, the asset retirement obligations capitalised in the cost of oil and gas properties amounted to RMB 96,724. Related depletion charge for the six months ended June 30, 2017 was RMB 5,234.

16 CONSTRUCTION MATERIALS

The Group's construction materials mainly represent the actual cost of materials purchased for construction projects.

(All amounts in RMB millions unless otherwise stated)

17 CONSTRUCTION IN PROGRESS

Project Name	Budget	December 31, 2016	Addition	Transferred to fixed assets or oil and gas properties	Other Reduction	June 30, 2017	Proportion of construction compared to budget %	Capitalised interest expense	Including: capitalised interest expense for current year	Source of fund
Huabei Petrochemical upgrade of refining quality and technical reformation of safety and environmental protection	10,059	2,177	1,178	-	-	3,355	35	207	30	Self& loan
Jinzhou-Zhengzhou refined oil pipeline	8,241	6,968	494	-	-	7,462	91	355	62	Self& loan
Fourth Shaanxi-Beijing pipeline	14,564	2,915	4,491	-	-	7,406	51	42	21	Self& loan
Other		209,456	53,915	(45,529)	(3,610)	214,232		5,784	842	
		221,516	60,078	(45,529)	(3,610)	232,455		6,388	955	
Less: Provision for impairment		(6,307)				(6,346)				
		215,209				226,109				

For the six months ended June 30, 2017, the capitalised interest expense amounted to RMB 955 (for the six months ended June 30, 2016: RMB 850). The annual interest rates used to determine the capitalised amount are 4.28%.

(All amounts in RMB millions unless otherwise stated)

18 INTANGIBLE ASSETS

	December 31, 2016	Addition	Reduction	June 30, 2017
Cost				
Land use rights	67,563	1,172	(66)	68,669
Patents	4,443	-	-	4,443
Other (i)	31,542	984	(100)	32,426
Total	103,548	2,156	(166)	105,538
Accumulated amortisation				
Land use rights	(13,425)	(1,074)	15	(14,484)
Patents	(3,335)	(85)	-	(3,420)
Other	(14,610)	(1,007)	24	(15,593)
Total	(31,370)	(2,166)	39	(33,497)
Intangible assets, net				
Land use rights	54,138			54,185
Patents	1,108			1,023
Other	16,932			16,833
Total	72,178			72,041
Provision for impairment	(688)	-	-	(688)
Net book value	71,490			71,353

(i) Other intangible assets principally include non-proprietary technology and trademark use right etc.

Amortisation charged to profit or loss provided on intangible assets for the six months ended June 30, 2017 was RMB 2,138.

Research and development expenditures for the six months ended June 30, 2017 amounted to RMB 5,499 (for the six months ended June 30, 2016: RMB 6,326), which have been recognised in profit or loss.

19 GOODWILL

	June 30, 2017	December 31, 2016
PetroChina United Pipelines Co., Ltd.	37,994	37,994
Petroineos Trading Limited	4,582	4,692
Singapore Petroleum Company	2,983	3,055
Other	357	356
	45,916	46,097

Goodwill primarily relates to the acquisition of Singapore Petroleum Company, Petroineos Trading Limited, and PetroChina United Pipelines Co., Ltd. completed in 2009, 2011 and 2015, respectively.

(All amounts in RMB millions unless otherwise stated)

20 LONG-TERM PREPAID EXPENSES

	December 31, 2016	Addition	Reduction	June 30, 2017
Advance lease payments (i)	17,700	1,155	(1,294)	17,561
Other	8,313	372	(1,262)	7,423
Total	26,013	1,527	(2,556)	24,984

(i) Advance lease payments are principally for use of land sub-leased from entities other than the PRC land authorities.

Amortisation charged to profit or loss provided on long-term prepaid expenses for the six months ended June 30, 2017 was RMB 2,164.

21 PROVISION FOR ASSETS

	December 31, 2016	Addition	Reversal	Write-off and others	June 30, 2017
Bad debts provision	4,409	1	(9)	(1)	4,400
Including:					
Bad debts provision for accounts receivable	2,023	1	-	-	2,024
Bad debts provision for other receivables	2,360	-	(9)	(1)	2,350
Bad debts provision for advances to suppliers	26	-	-	-	26
Provision for declines in the value of inventories	3,366	301	(28)	(2,275)	1,364
Provision for impairment of available-for-sale financial assets	337	-	-	(1)	336
Provision for impairment of long-term equity investments	249	-	-	-	249
Provision for impairment of fixed assets	36,668	-	-	(89)	36,579
Provision for impairment of oil and gas properties	35,488	-	-	63	35,551
Provision for impairment of construction in progress	6,307	-	-	39	6,346
Provision for impairment of intangible assets	688	-	-	-	688
Provision for impairment of other non-current assets	162	-	-	-	162
Total	87,674	302	(37)	(2,264)	85,675

22 SHORT-TERM BORROWINGS

	June 30, 2017	December 31, 2016
Guarantee - RMB	16	16
Unsecured - RMB	34,474	29,640
Unsecured - USD	45,658	37,993
Unsecured - JPY	2,826	2,897
Unsecured - Other	2,310	1,423
	85,284	71,969

(All amounts in RMB millions unless otherwise stated)

As of June 30, 2017, the above-mentioned guaranteed borrowings were mainly guaranteed by CNPC and its subsidiaries.

The weighted average interest rate for short-term borrowings as of June 30, 2017 is 2.09% per annum (December 31, 2016: 2.22%).

23 NOTES PAYABLE

As of June 30, 2017 and December 31, 2016, notes payable mainly represented commercial acceptance. All notes payable are matured within one year.

24 ACCOUNTS PAYABLE

As of June 30, 2017, accounts payable aged over one year amounted to RMB 37,430 (December 31, 2016: RMB 40,981), and mainly comprised of payables to several suppliers and were not settled.

25 ADVANCES FROM CUSTOMERS

As of June 30, 2017, advances from customers mainly represented the sales of natural gas, crude oil and refined oil, etc. The advances from customers aged over one year amounted to RMB 4,248 (December 31, 2016: RMB 4,702).

26 EMPLOYEE COMPENSATION PAYABLE

(1) Employee compensation payable listed as below

	December 31, 2016	Addition	Reduction	June 30, 2017
Short-term employee benefits	5,138	48,070	(44,714)	8,494
Post-employment benefits - defined contribution plans	245	8,554	(8,561)	238
Termination benefits	13	32	(35)	10
	5,396	56,656	(53,310)	8,742

(All amounts in RMB millions unless otherwise stated)

(2) Short-term employee benefits

	December 31, 2016	Addition	Reduction	June 30, 2017
Wages, salaries and allowances	986	36,398	(33,646)	3,738
Staff welfare	-	2,457	(2,451)	6
Social security contributions	616	3,909	(3,834)	691
Including:				
Medical insurance	580	3,426	(3,353)	653
Work-related injury insurance	28	314	(315)	27
Maternity insurance	8	162	(160)	10
Housing provident funds	44	3,892	(3,881)	55
Labour union funds and employee education funds	3,489	1,393	(881)	4,001
Other	3	21	(21)	3
	5,138	48,070	(44,714)	8,494

(3) Post-employment benefits - defined contribution plans

	December 31, 2016	Addition	Reduction	June 30, 2017
Basic pension insurance	195	6,522	(6,519)	198
Unemployment insurance	30	266	(276)	20
Annuity	20	1,766	(1,766)	20
	245	8,554	(8,561)	238

As of June 30, 2017, employee benefits payable did not contain any balance in arrears.

27 TAXES PAYABLE

	June 30, 2017	December 31, 2016
Value added tax payable	8,079	6,893
Corporate income tax payable	6,781	8,743
Consumption tax payable	11,036	18,621
Other	9,755	10,942
	35,651	45,199

(All amounts in RMB millions unless otherwise stated)

28 OTHER PAYABLES

As of June 30, 2017, other payables mainly comprised deposits, payments made on behalf, and other payables aged over one year amounted to RMB 12,776 (December 31, 2016: RMB 14,385).

29 PROVISIONS

	December 31, 2016	Addition	Reduction	June 30, 2017
Assets retirement obligations	125,392	4,517	(346)	129,563

Assets retirement obligations are related to oil and gas properties.

30 CURRENT PORTION OF NON-CURRENT LIABILITIES

	June 30, 2017	December 31, 2016
Long-term borrowings due within one year		
Guarantee – RMB	15	21
Guarantee – USD	37	38
Guarantee – Other	27	26
Impawn – RMB	5	45
Unsecured – RMB	42,229	22,923
Unsecured – USD	13,259	13,732
Unsecured – Other	2	-
	55,574	36,785
Debentures payable due within one year	52,000	34,630
	107,574	71,415

The above-mentioned guaranteed borrowings were mainly guaranteed by CNPC and its subsidiaries.

(All amounts in RMB millions unless otherwise stated)

31 LONG-TERM BORROWINGS

	June 30, 2017	December 31, 2016
Guarantee – RMB	82	82
Guarantee – USD	23,775	25,509
Guarantee – Other	74	85
Impawn – RMB	240	251
Unsecured – RMB	171,520	185,142
Unsecured – USD	64,115	66,465
Unsecured – Other	3,049	2,926
	262,855	280,460
Less: Long-term borrowings due within one year (Note 30)	(55,574)	(36,785)
	207,281	243,675

The above-mentioned guaranteed borrowings were mainly guaranteed by CNPC and its subsidiaries.

The maturities of long-term borrowings at the dates indicated are analysed as follows:

	June 30, 2017	December 31, 2016
Between one and two years	69,902	54,463
Between two and five years	99,797	116,560
After five years	37,582	72,652
	207,281	243,675

The weighted average interest rate for long-term borrowings as of June 30, 2017 is 3.74% (December 31, 2016: 3.75%).

The fair values of long-term borrowings amounted to RMB 258,974 (December 31, 2016: RMB 278,422). The fair values are based on discounted cash flows using applicable discount rates based upon the prevailing market rates as at balance sheet date of the Group's availability of financial instruments (terms and characteristics similar to the above-mentioned borrowings).

(All amounts in RMB millions unless otherwise stated)

32 DEBENTURES PAYABLE

Debentures' Name	Issue date	Term of Debentures	Annual interest rate%	December 31, 2016	Addition	Reduction	June 30, 2017
2010 PetroChina Company Limited first tranche medium-term notes	February 5, 2010	7 - year	4.60	11,000	-	(11,000)	-
2010 PetroChina Company Limited second tranche medium-term notes (i)	May 19, 2010	7 - year	3.65	7,630	-	(7,630)	-
2012 PetroChina Company Limited Corporate Debentures first tranche - 5 years	November 22,2012	5 - year	4.55	16,000	-	-	16,000
2012 PetroChina Company Limited Corporate Debentures first tranche - 10 years	November 22,2012	10 - year	4.90	2,000	-	-	2,000
2012 PetroChina Company Limited Corporate Debentures first tranche - 15 years	November 22,2012	15 - year	5.04	2,000	-	-	2,000
2013 PetroChina Company Limited Corporate Debentures first tranche - 5 years	March 15, 2013	5 - year	4.47	16,000	-	-	16,000
2013 PetroChina Company Limited Corporate Debentures first tranche - 10 years	March 15, 2013	10 - year	4.88	4,000	-	-	4,000
2015 PetroChina Company Limited first tranche medium-term notes	May 4, 2015	3 - year	4.03	20,000	-	-	20,000
2015 PetroChina Company Limited second tranche medium-term notes	October 9, 2015	5 - year	3.85	20,000	-	-	20,000
Kunlun Energy Company Limited priority notes - 5 years	May 13, 2015	5 - year	2.88	3,431	-	(72)	3,359
Kunlun Energy Company Limited priority notes - 10 years	May 13, 2015	10 - year	3.75	3,431	-	(72)	3,359
2016 PetroChina Company Limited Corporate Debentures first tranche - 5 years	January 19, 2016	5 - year	3.03	8,800	-	-	8,800
2016 PetroChina Company Limited Corporate Debentures first tranche - 10 years	January 19, 2016	10 - year	3.50	4,700	-	-	4,700
2016 PetroChina Company Limited Corporate Debentures second tranche - 5 years	March 3, 2016	5 - year	3.15	12,700	-	-	12,700
2016 PetroChina Company Limited Corporate Debentures second tranche - 10 years	March 3, 2016	10 - year	3.70	2,300	-	-	2,300
2016 PetroChina Company Limited Corporate Debentures third tranche - 5 years	March 24, 2016	5 - year	3.08	9,500	-	-	9,500
2016 PetroChina Company Limited Corporate Debentures third tranche - 10 years	March 24, 2016	10 - year	3.60	2,000	-	-	2,000
2016 PetroChina Company Limited first tranche medium-term notes	May 11, 2016	5 - year	3.45	15,000	-	-	15,000
Kunlun Energy Co., Ltd. Convertible bonds (ii)	July 25, 2016	3 - year	1.63	3,350	-	(158)	3,192
				163,842	-	(18,932)	144,910
Less: Debentures Payable due within one year (Note 30)				(34,630)			(52,000)
				129,212			92,910

(i) The 2010 PetroChina Company Limited second tranche medium-term notes has a term of 7 years, with an option to determine the interest rate for the issuer and a put option for the investors at the end of the fifth year.

(ii) The term of convertible bonds issued by Kunlun Energy Company Limited is 3 years. The holders of the bonds are entitled to convert the bonds from September 4, 2016 and thereafter till the tenth day before the expiration date.

(All amounts in RMB millions unless otherwise stated)

The above-mentioned debentures were issued at the par value, without premium or discount.

As of June 30, 2017, the above-mentioned debentures which were guaranteed by CNPC and its subsidiaries amounted to RMB 40,000 (December 31, 2016: RMB 40,000).

The fair values of the debentures amounted to RMB 139,757 (December 31, 2016: RMB 160,383). The fair values are based on discounted cash flows using an applicable discount rate based upon the prevailing market rates as at the balance sheet date of the Group's availability of financial instruments (terms and characteristics similar to the above-mentioned debentures payable).

33 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities before offset are listed as below:

(a) Deferred tax assets

	June 30, 2017		December 31, 2016	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Provision for impairment of assets	8,501	40,831	8,907	46,333
Wages and welfare	1,369	7,203	870	4,019
Carry forward of losses	28,705	249,816	30,438	264,551
Other	16,118	66,780	12,744	55,343
	54,693	364,630	52,959	370,246

(b) Deferred tax liabilities

	June 30, 2017		December 31, 2016	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Depreciation and depletion of fixed assets and oil and gas properties	28,319	98,158	32,633	109,452
Other	13,626	68,514	13,612	71,536
	41,945	166,672	46,245	180,988

Deferred tax assets and liabilities after offset are listed as below:

	June 30, 2017	December 31, 2016
Deferred tax assets	24,285	20,360
Deferred tax liabilities	11,537	13,646

(All amounts in RMB millions unless otherwise stated)

34 SHARE CAPITAL

	June 30, 2017	December 31, 2016
H shares	21,099	21,099
A shares	161,922	161,922
	183,021	183,021

The assets and liabilities injected by CNPC in 1999 had been valued by China Enterprise Appraisal Co., Ltd.. The net assets injected by CNPC had been exchanged for 160 billion state-owned shares of the Company with a par value of RMB 1.00 yuan per share. The excess of the value of the net assets injected over the par value of the state-owned shares had been recorded as capital surplus.

Pursuant to the approval of CSRC, on April 7, 2000, the Company issued 17,582,418,000 foreign capital stock with a par value of RMB 1.00 yuan per share, in which 1,758,242,000 shares were converted from the prior state-owned shares of the Company owned by CNPC.

The above-mentioned foreign capital stock represented by 13,447,897,000 H shares and 41,345,210 ADS (each representing 100 H shares), were listed on the Stock Exchange of Hong Kong Limited and the New York Stock Exchange Inc. on April 7, 2000 and April 6, 2000, respectively.

The Company issued an additional 3,196,801,818 new H shares with a par value of RMB 1.00 yuan per share on September 1, 2005. CNPC also converted 319,680,182 state-owned shares it held into H shares and sold them concurrently with PetroChina's issuance of new H shares.

The Company issued 4,000,000,000 A shares with a par value of RMB 1.00 yuan per share on October 31, 2007. The A shares were listed on the Shanghai Stock Exchange on November 5, 2007.

Following the issuance of the A shares, all the existing state-owned shares issued before November 5, 2007 held by CNPC have been registered with the China Securities Depository and Clearing Corporation Limited as A shares.

35 CAPITAL SURPLUS

	December 31, 2016	Addition	Reduction	June 30, 2017
Capital premium	85,880	-	-	85,880
Other capital surplus				
Capital surplus under the old CAS	40,955	-	-	40,955
Other	1,542	-	(25)	1,517
	128,377	-	(25)	128,352

(All amounts in RMB millions unless otherwise stated)

36 SURPLUS RESERVES

	December 31, 2016	Addition	Reduction	June 30, 2017
Statutory Surplus Reserves	186,800	-	-	186,800
Discretionary Surplus Reserves	40	-	-	40
	186,840	-	-	186,840

Pursuant to the Company Law of PRC, the Company's Articles of Association and the resolution of Board of Directors, the Company is required to transfer 10% of its net profit to a Statutory Surplus Reserves. Appropriation to the Statutory Surplus Reserves may be ceased when the fund aggregates to 50% of the Company's registered capital. The Statutory Surplus Reserves may be used to make good previous years' losses or to increase the capital of the Company upon approval.

The Discretionary Surplus Reserves is approved by a resolution of shareholders' general meeting after Board of Directors' proposal. The Company may convert its Discretionary Surplus Reserves to make good previous years' losses or to increase the capital of the Company upon approval. The Company has not extracted Discretionary Surplus Reserves for the six months ended June 30, 2017 (for the six months ended June 30, 2016: None).

37 UNDISTRIBUTED PROFITS

	For the six months ended June 30, 2017
Undistributed profits at beginning of the period	706,213
Add: Net profit attributable to equity holders of the Company	12,674
Less: Ordinary share dividends payable	(6,957)
Other	(8)
Undistributed profits at end of the period	711,922

At the meeting on June 8, 2017, the Board of Directors proposed interim dividends attributable to equity holders of the Company in respect of 2017 of RMB 0.06926 yuan per share, amounting to a total of RMB 12,676, according to the issued 183,021 million shares.

(All amounts in RMB millions unless otherwise stated)

38 NON-CONTROLLING INTERESTS

Non-controlling interests attributable to non-controlling interests of subsidiaries

	Percentage of shares held by non-controlling interests (%)	Profit or loss attributable to non-controlling interests	Dividends declared to non-controlling interests	Balance of non-controlling interests
CNPC Exploration and Development Company Limited	50.00	1,146	549	68,895
PetroChina Pipelines Company Limited	27.74	3,317	3,569	59,665
KunLun Energy Company Limited	41.67	2,663	542	39,629
PetroKazakhstan Inc.	33.00	(50)	224	2,247
Other				15,772
				186,208

39 OPERATING INCOME AND COST OF SALES

	Group	
	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Income from principal operations (a)	955,848	721,803
Income from other operations (b)	20,061	17,264
	975,909	739,067

	Group	
	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Cost of sales from principal operations (a)	755,312	548,814
Cost of sales from other operations (b)	21,835	18,090
	777,147	566,904

(All amounts in RMB millions unless otherwise stated)

	Company	
	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Income from principal operations (a)	555,489	455,683
Income from other operations (b)	14,570	12,348
	570,059	468,031

	Company	
	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Cost of sales from principal operations (a)	421,638	332,458
Cost of sales from other operations (b)	17,111	13,816
	438,749	346,274

(a) Income and cost of sales from principal operations

	Group			
	For the six months ended June 30, 2017		For the six months ended June 30, 2016	
	Income	Cost	Income	Cost
Exploration and Production	237,562	197,996	178,440	179,061
Refining and Chemicals	328,491	214,188	278,036	148,646
Marketing	795,487	764,802	579,724	548,701
Natural gas and Pipeline	141,096	125,118	120,582	107,501
Head Office and Other	43	39	201	66
Intersegment elimination	(546,831)	(546,831)	(435,180)	(435,161)
Total	955,848	755,312	721,803	548,814

	Company			
	For the six months ended June 30, 2017		For the six months ended June 30, 2016	
	Income	Cost	Income	Cost
Exploration and Production	189,209	167,783	132,184	136,423
Refining and Chemicals	310,936	200,783	258,274	140,587
Marketing	321,633	304,386	275,617	256,763
Natural gas and Pipeline	119,318	127,896	102,214	111,276
Head Office and Other	42	39	44	41
Intersegment elimination	(385,649)	(379,249)	(312,650)	(312,632)
Total	555,489	421,638	455,683	332,458

(All amounts in RMB millions unless otherwise stated)

(b) Income and cost of sales from other operations

	Group			
	For the six months ended June 30, 2017		For the six months ended June 30, 2016	
	Income	Cost	Income	Cost
Sale of materials	2,241	2,083	1,552	1,497
Other	17,820	19,752	15,712	16,593
Total	20,061	21,835	17,264	18,090

	Company			
	For the six months ended June 30, 2017		For the six months ended June 30, 2016	
	Income	Cost	Income	Cost
Sale of materials	1,344	1,037	1,059	784
Other	13,226	16,074	11,289	13,032
Total	14,570	17,111	12,348	13,816

40 TAX AND SURCHARGES

	For the six months ended June 30, 2017	For the six months ended June 30, 2016
City maintenance and construction tax	7,767	7,522
Educational surcharge	5,456	5,286
Consumption tax	68,240	71,178
Resource tax	8,970	6,687
Other (i)	4,200	1,411
	94,633	92,084

(i) In accordance with the Notice on the accounting treatment of value added tax (Cai Kuai[2016] No. 22) issued on December 3, 2016, the Group reclassified the property tax, land-use tax, vehicle and vessel tax and stamp tax from general and administrative expenses to taxes and surcharges. The comparative figures were not adjusted.

41 SELLING EXPENSES

	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Employee compensation costs	9,331	9,687
Depreciation, depletion and amortisation	4,369	3,981
Transportation expense	7,018	7,447
Lease, packing, warehouse storage expenses	3,799	3,786
Other	5,621	4,998
	30,138	29,899

(All amounts in RMB millions unless otherwise stated)

42 GENERAL AND ADMINISTRATIVE EXPENSES

	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Employee compensation costs	14,050	14,110
Depreciation, depletion and amortisation	3,405	4,192
Repair expense	4,695	4,322
Lease, packing, warehouse storage expenses	3,069	2,868
Safety fund	2,707	3,210
Technology service expense	1,994	2,492
Other taxes	378	2,162
Other	5,749	7,020
	36,047	40,376

43 FINANCE EXPENSES

	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Interest expense	11,332	11,931
Less: Interest income	(1,189)	(758)
Exchange losses	4,233	5,656
Less: Exchange gains	(3,509)	(6,193)
Other	461	554
	11,328	11,190

44 ASSET IMPAIRMENT LOSSES

	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Impairment losses for bad debts (reversal) / provision	(8)	2
Impairment losses for declines in the value of inventories	273	(11)
Impairment losses for available-for-sale financial assets	-	5
Impairment losses for construction in progress	-	5
Impairment losses for long-term equity investments	-	78
	265	79

(All amounts in RMB millions unless otherwise stated)

45 INVESTMENT INCOME

	Group	
	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Gain on available-for-sale financial assets	30	77
Share of profit of associates and joint ventures	2,215	2,696
Loss on disposal of associates and joint ventures	-	(24)
Gain on disposal of subsidiaries (i)	63	24,534
Other gain / (loss)	162	(20)
	2,470	27,263

(i) On November 24, 2015, the board of directors approved the sale by CNPC E&D., one of the Company's wholly-owned subsidiaries, of its 50% of equity interest in Trans-Asia Pipeline to CNIC Corporation Limited. The transaction was completed in the second quarter of 2016 and CNPC E&D lost control over Trans-Asia Pipeline accordingly. The gain recorded as "Investment income" of RMB 24,534.

	Company	
	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Gain on available-for-sale financial assets	17	45
Share of profit of associates and joint ventures	1,649	2,580
Dividends declared by subsidiaries	17,140	1,652
(Loss) / gain on disposal of subsidiaries	(47)	7,033
Other gain	118	21
	18,877	11,331

For the six months ended June 30, 2017, the investment income from the top five long-term equity investments accounted for using the equity method which accounted for the highest proportion of the Company's profit before taxation was RMB 1,391 (for the six months ended June 30, 2016: RMB 2,496).

(All amounts in RMB millions unless otherwise stated)

46 OTHER INCOME

	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Refund of import value-added tax, relating to the import of natural gas	1,490	-
Refund of value-added tax, relating to the change from business tax to value-added tax	987	-
Other	24	-
	2,501	-

The Group reclassified the government grants related to daily activities from non-operating income to other income in accordance with the Accounting Standard for Business Enterprises No. 16 — Government grants issued by the Ministry of Finance on May 10, 2017. The comparative figures were not adjusted.

47 NON-OPERATING INCOME AND EXPENSES

(a) Non-operating income

	For the six months ended June 30, 2017	For the six months ended June 30, 2016	Amounts included in non-recurring profit/ loss items for the six months ended June 30, 2017
Gains on disposal of fixed assets and oil and gas properties	231	108	231
Government grants (i)	456	3,282	456
Other	1,299	798	1,299
	1,986	4,188	1,986

(i) The Group reclassified the government grants related to daily activities from non-operating income to other income in accordance with the Accounting Standard for Business Enterprises No. 16 — Government grants issued by the Ministry of Finance on May 10, 2017. The comparative figures were not adjusted.

(b) Non-operating expenses

	For the six months ended June 30, 2017	For the six months ended June 30, 2016	Amounts included in non-recurring profit/ loss items for the six months ended June 30, 2017
Loss on disposal of fixed assets and oil and gas properties	2,361	1,003	2,361
Fines	51	41	51
Donation	41	88	41
Extraordinary loss	17	11	17
Other	3,009	2,246	3,009
	5,479	3,389	5,479

(All amounts in RMB millions unless otherwise stated)

48 TAXATION

	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Income taxes	13,106	11,146
Deferred taxes	(6,238)	(1,450)
	6,868	9,696

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the corporate income tax rate in the PRC applicable to the Group as follows:

	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Profit before taxation	27,829	26,597
Tax calculated at a tax rate of 25%	6,957	6,649
Tax return true-up	1,115	787
Effect of income taxes from international operations in excess of taxes at the PRC statutory tax rate	353	145
Effect of preferential tax rate	(2,768)	(638)
Tax effect of income not subject to tax	(635)	(2,114)
Tax effect of expenses not deductible for tax purposes	1,846	4,867
Taxation	6,868	9,696

49 EARNINGS PER SHARE

Basic and diluted earnings per share for the six months ended June 30, 2017 and June 30, 2016 have been computed by dividing profit attributable to owners of the Company by the 183,021 million shares issued and outstanding during the period.

There are no potential dilutive ordinary shares, and the diluted earnings per share are equal to the basic earnings per share.

(All amounts in RMB millions unless otherwise stated)

50 OTHER COMPREHENSIVE INCOME

Other comprehensive (loss) /income attributable to equity holders of the Company	December 31, 2016	Addition	Reduction	June 30, 2017
Other comprehensive (loss) /income would be reclassified to profit or loss				
Including: Share of other comprehensive income of equity-accounted investee	592	1	(125)	468
Gains or losses arising from changes in fair value of available-for-sale financial assets	425	73	(51)	447
Translation differences arising on translation of foreign currency financial statements	(29,294)	3,283	(2,307)	(28,318)
Others	(43)	-	-	(43)
	(28,320)	3,357	(2,483)	(27,446)

51 SUPPLEMENT TO INCOME STATEMENT

Expenses are analysed by nature:

	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Operating income	975,909	739,067
Less:Changes in inventories of finished goods and work in progress	(3,586)	16,710
Raw materials and consumables used	(626,970)	(444,644)
Employee benefits expenses	(55,740)	(56,846)
Depreciation, depletion and amortisation expenses	(116,113)	(105,982)
Impairment losses of non-current assets	-	(88)
Lease expenses	(7,949)	(6,616)
Finance expenses	(11,328)	(11,190)
Other expenses	(122,901)	(104,613)
Operating profit	31,322	25,798

(All amounts in RMB millions unless otherwise stated)

52 NOTES TO CONSOLIDATED AND COMPANY CASH FLOWS

(a) Reconciliation from the net profit to the cash flows from operating activities

	Group		Company	
	For the six months ended June 30, 2017	For the six months ended June 30, 2016	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Net profit / (losses)	20,961	16,901	15,194	(8,372)
Add: Impairment of asset, net	265	79	222	12
Depreciation and depletion of fixed assets and oil and gas properties	111,811	101,654	73,546	64,851
Amortisation of intangible assets	2,138	2,084	1,727	1,703
Amortisation of long-term prepaid expenses	2,164	2,244	1,816	1,898
Loss / (Gain) on disposal of fixed assets, oil and gas properties, intangible assets and other long-term assets	2,107	874	(190)	560
Capitalised exploratory costs charged to expense	3,610	4,698	3,549	3,929
Safety fund reserve	2,197	2,442	1,367	1,621
Finance expense	10,143	11,173	6,557	8,059
Investment income	(2,470)	(27,263)	(18,877)	(11,331)
(Decrease) / increase in deferred taxation	(6,238)	(1,450)	(3,992)	707
Decrease / (increase) in inventories	7,362	(17,594)	7,508	(1,482)
Increase in operating receivables	(38,062)	(15,610)	(14,293)	(9,176)
Increase in operating payables	28,845	31,610	5,496	37,718
Net cash flows from operating activities	144,833	111,842	79,630	90,697

(b) Net increase / (decrease) in cash and cash equivalents

	Group		Company	
	For the six months ended June 30, 2017	For the six months ended June 30, 2016	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Cash at end of the period	114,538	101,322	34,073	23,970
Less: Cash at beginning of the period	(97,931)	(72,773)	(15,201)	(12,970)
Add: Cash equivalents at end of the period	-	-	-	-
Less: Cash equivalents at beginning of the period	-	-	-	-
Increase in cash and cash equivalents	16,607	28,549	18,872	11,000

(All amounts in RMB millions unless otherwise stated)

(c) Cash and cash equivalents

	Group		Company	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Cash at bank and on hand	121,052	98,617	34,073	15,201
Less: Time deposits with maturities over 3 months	(6,514)	(686)	-	-
Cash and cash equivalents at end of the period	114,538	97,931	34,073	15,201

53 SEGMENT REPORTING

The Group is principally engaged in a broad range of petroleum related products, services and activities. The Group's operating segments comprise: Exploration and Production, Refining and Chemicals, Marketing, and Natural Gas and Pipeline. On the basis of these operating segments, the management of the Company assesses the segmental operating results and allocates resources. Sales between operating segments are conducted principally at market prices. Additionally, the Group has presented geographical information based on entities located in regions with similar risk profile.

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

The Refining and Chemicals segment is engaged in the refining of crude oil and petroleum products, production and marketing of primary petrochemical products, and derivative petrochemical products and other chemical products.

The Marketing segment is engaged in the marketing of refined products and trading business.

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.

The Head Office and Other segment relates to cash management and financing activities, the corporate center, research and development, and other business services supporting the operating business segments of the Group.

The accounting policies of the operating segments are the same as those described in Note 4 - "Principal Accounting Policies and Accounting Estimates".

(All amounts in RMB millions unless otherwise stated)

(1) Operating segments

(a) Segment information as of and for the six months ended June 30, 2017 is as follows:

	Exploration and Production	Refining and Chemicals	Marketing	Natural Gas and Pipeline	Head Office and Other	Total
Revenue	242,620	331,703	805,262	142,649	506	1,522,740
Less: Intersegment revenue	(198,560)	(247,795)	(85,595)	(14,796)	(85)	(546,831)
Revenue from external customers	44,060	83,908	719,667	127,853	421	975,909
Segment expenses (i)	(197,743)	(155,000)	(546,233)	(32,447)	(6,542)	(937,965)
Segment result	9,480	17,429	5,806	13,812	(6,082)	40,445
Unallocated expenses						(9,123)
Operating profit						31,322
Segment assets	1,265,858	302,089	406,100	534,887	1,423,943	3,932,877
Other assets						34,633
Elimination of intersegment balances (ii)						(1,567,526)
Total assets						2,399,984
Segment liabilities	507,522	86,138	193,334	135,984	627,269	1,550,247
Other liabilities						47,188
Elimination of intersegment balances (ii)						(581,636)
Total liabilities						1,015,799
Depreciation, depletion and amortisation	(88,676)	(10,759)	(6,134)	(9,751)	(793)	(116,113)
Asset impairment losses	-	221	69	(25)	-	265
Capital expenditures	45,303	4,667	1,930	10,132	307	62,339

(All amounts in RMB millions unless otherwise stated)

(b) Segment information as of and for the six months ended June 30, 2016 is as follows:

	Exploration and Production	Refining and Chemicals	Marketing	Natural Gas and Pipeline	Head Office and Other	Total
Revenue	182,480	280,993	587,680	122,336	758	1,174,247
Less: Intersegment revenue	(147,601)	(212,723)	(60,457)	(14,316)	(83)	(435,180)
Revenue from external customers	34,879	68,270	527,223	108,020	675	739,067
Segment expenses (i)	(182,463)	(142,338)	(369,221)	(27,887)	(7,354)	(729,263)
Segment result	(25,863)	28,674	4,801	8,875	(6,683)	9,804
Unallocated expenses						15,994
Operating profit						25,798
Segment assets	1,273,345	305,579	389,946	533,740	1,502,001	4,004,611
Other assets						27,073
Elimination of intersegment balances (ii)						(1,613,192)
Total assets						2,418,492
Segment liabilities	473,156	107,457	186,001	144,769	709,703	1,621,086
Other liabilities						46,744
Elimination of intersegment balances (ii)						(611,440)
Total liabilities						1,056,390
Depreciation, depletion and amortisation	(78,755)	(11,001)	(6,268)	(9,093)	(865)	(105,982)
Asset impairment losses	5	(5)	1	78	-	79
Capital expenditures	39,550	3,566	2,806	4,518	427	50,867

(i) Segment expenses include operating costs, taxes and surcharges, and selling, general and administrative expenses.

(ii) Elimination of intersegment balances represents elimination of intersegment accounts and investments.

(All amounts in RMB millions unless otherwise stated)

(2) Geographical information

Revenue from external customers	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Mainland China	624,078	513,488
Other	351,831	225,579
	975,909	739,067

Non-current assets (i)	June 30, 2017	December 31, 2016
Mainland China	1,706,048	1,757,772
Other	236,899	235,122
	1,942,947	1,992,894

(i) Non-current assets mainly include non-current assets other than financial instruments and deferred tax assets.

54 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) Parent Company

(a) General information of parent company

CNPC, the immediate parent of the Company, is a state-controlled enterprise directly controlled by the PRC government.

	Type of Legal Entity	Place of incorporation	Legal representative	Principal activities
China National Petroleum Corporation	State-owned and state-controlled enterprises	PRC	Wang Yilin	Oil and gas exploration and development, refining and petrochemical, oil product marketing, oil and gas storage and transportation, oil trading, engineering and technical services and petroleum equipment manufacturing etc.

(b) Equity interest and voting rights of parent company

	June 30, 2017		December 31, 2016	
	Equity interest %	Voting rights %	Equity interest %	Voting rights %
China National Petroleum Corporation	86.17	86.17	86.17	86.17

(2) Subsidiaries

Details about subsidiaries and related information are disclosed in Note 6(1).

(3) Nature of Related Parties that are not controlled by the Company

Names of related parties	Relationship with the Company
Dalian West Pacific Petrochemical Co., Ltd.	Associate
China Marine Bunker (PetroChina) Co., Ltd.	Joint venture
Arrow Energy Holdings Pty Ltd.	Joint venture
Trans-Asia Gas Pipeline Co., Ltd.	Joint venture
CNPC Bohai Drilling Engineering Co., Ltd.	Fellow subsidiary of CNPC
CNPC Oriental Geophysical Exploration Co., Ltd.	Fellow subsidiary of CNPC
CNPC Chuanqing Drilling Engineering Co., Ltd.	Fellow subsidiary of CNPC
Daqing Petroleum Administrative Bureau	Fellow subsidiary of CNPC
Liaohe Petroleum Exploration Bureau	Fellow subsidiary of CNPC
China Petroleum Pipeline Bureau	Fellow subsidiary of CNPC
CNPC Transportation Co., Ltd.	Fellow subsidiary of CNPC
CNPC Material Company	Fellow subsidiary of CNPC
China Petroleum Finance Co., Ltd (the “CP Finance”)	Fellow subsidiary of CNPC
China National Oil and Gas Exploration and Development Corporation	Fellow subsidiary of CNPC
China National United Oil Corporation	Fellow subsidiary of CNPC
China Captive Insurance Co., Ltd.	Fellow subsidiary of CNPC

(4) Summary of significant related party transactions

(a) Related party transactions with CNPC and its subsidiaries:

On August 25, 2011, on the basis of Comprehensive Products and Services Agreement amended in 2008, the Company and CNPC entered into a new Comprehensive Products and Services Agreement (“the Comprehensive Products and Services Agreement”) for a period of three years which took effect on January 1, 2012. The Comprehensive Products and Services Agreement provides for a range of products and services which may be required and requested by either party. The products and services to be provided by the CNPC and its subsidiaries to the Group 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 required and requested by either party are provided in accordance with (1) government-prescribed prices; or (2) where there is no government-prescribed price, with reference to relevant market prices; or (3) where neither (1) nor (2) is applicable, the actual cost incurred or the agreed contractual price. On August 28, 2014, based on the original Comprehensive Products and Services Agreement, the Company and CNPC entered into a new Comprehensive Products and Services Agreement (“the Comprehensive Products and Services Agreement”) for a period of three years which took effect since January 1, 2015. The new Comprehensive Products and Services Agreement includes all the terms of the Agreement signed in 2011.

On August 25, 2011, based on the Land Use Rights Leasing Contract signed in 2000, the Company and CNPC entered into a Supplemental Land Use Rights Leasing Contract which took effect on January 1, 2012. The Supplemental Land Use Rights Leasing Contract provides for the lease of land covering an aggregate area of approximately 1,783 million square meters located throughout the PRC at a maximum annual fee (exclusive of tax and government charges) of RMB 3,892. The Supplemental Land Use Rights Leasing Contract will expire at the same time as the Land Use Rights Leasing Contract. The area and total fee payable for the lease of all such property may, after three years, be adjusted with the Company's operating needs and by reference to market price. On August 28, 2014, the Company and CNPC issued confirmation letter separately, and adjusted area and fee of leasing land. The Company agreed to lease an aggregate area of approximately 1,777 million square meters from CNPC, and adjusted the total fee of land, according to the newly confirmed area of leasing land and the situation of land market. In addition, the annual fee of land was adjusted to RMB 4,831. Besides area and fee of land, the other lease terms of the Land Use Rights Leasing Contract and Supplemental Land Use Rights Leasing Contract kept the same. The confirmation letter was effective since January 1, 2015.

On August 25, 2011, based on the Buildings Leasing Contract and Supplemental Building Leasing Agreement, the Company and CNPC entered into a Revised Buildings Leasing Contract which took effective thereafter. Under this contract, buildings covering an aggregate area of 734,316 square meters were leased at an average annual fee of RMB 1,049 yuan per square meter. The Revised Building Leasing Contract will expire at the same time as the Building Leasing Agreement. The area and total fee payable for the lease of all such property may, after three years, be adjusted with the Company's operating needs and by reference to market price which the adjusted prices will not exceed. On August 28, 2014, the Company and CNPC issued confirmation letter separately, and adjusted area and fee of leasing building. The Company agreed to lease an aggregate area of approximately 1,179,586 square meters from CNPC, and adjusted the total fee of building, according to the newly confirmed area of leasing building and the situation of building market. In addition, the annual fee of building was adjusted to RMB 708. Besides area and fee of building, the other lease terms of the Buildings Leasing Contract kept the same. The confirmation letter was effective since January 1, 2015.

(All amounts in RMB millions unless otherwise stated)

	Notes	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Sales of goods and services rendered to CNPC and its subsidiaries	(1)	52,258	34,854
Purchase of goods and services from CNPC and its subsidiaries:			
Fees paid for construction and technical services	(2)	37,067	31,250
Fees for production services	(3)	73,776	59,519
Social services charges	(4)	1,440	1,343
Ancillary services charges	(5)	1,792	2,064
Material supply services	(6)	2,520	3,530
Financial services			
Interest income	(7)	158	82
Interest expense	(8)	5,222	6,287
Other financial service expense	(9)	846	662
Rents and other payments made under financial leasing	(10)	385	755
Rental paid to CNPC	(11)	2,337	2,065
Purchases of assets from CNPC and its subsidiaries	(12)	320	684

Notes:

(1) Primarily crude oil, natural gas, refined products, chemical products and the supply of water, electricity, gas, heat, measurement, quality inspection, etc.

(2) Construction and technical services comprise geophysical survey, drilling, well cementing, logging, well testing, oil testing, oilfield construction, refineries and chemical plants construction, engineering design and supervision, repair of equipment, etc.

(3) Production services comprise the repair of machinery and equipments, supply of water, electricity and gas, provision of services such as communications, transportation, fire fighting, asset leasing, environmental protection and sanitation, maintenance of roads, manufacture of replacement parts and machinery, etc.

(4) Social services comprise mainly security service, education, hospitals, preschool, etc.

(5) Ancillary services comprise mainly property management and provision of training centres, guesthouses, canteens, public shower rooms, etc.

(6) Material supply services comprise mainly purchase of materials, quality control, storage of materials and delivery of materials, etc.

(7) The bank deposits in CNPC and fellow CNPC subsidiaries as of June 30, 2017 were RMB 36,923 (December 31, 2016: RMB 32,626).

(8) The loans from CNPC and fellow CNPC subsidiaries including short-term borrowings, long-term borrowings due within one year and long-term borrowings as of June 30, 2017 were RMB 241,520 (December 31, 2016: RMB 255,285).

(9) Other financial service expense primarily refers to expense of insurance and other services.

(10) Rents and other payments made under financial leasing represent the payable by the Group (including all rents, leasing service fees and prices for exercising purchase options) for the period according to the financial leasing agreements entered into by the Group and CNPC and its fellow subsidiaries.

(11) Rental was paid for the operating lease of land and buildings at the prices prescribed in the Building and Land Use Rights leasing contract with CNPC.

(12) Purchases of assets principally represent the purchases of manufacturing equipment, office equipment and transportation equipment.

(All amounts in RMB millions unless otherwise stated)

(b) Related party transactions with associates and joint ventures:

The transactions between the Group and its associates and joint ventures are conducted at government-prescribed prices or market prices.

	For the six months ended June 30, 2017	For the six months ended June 30, 2016
(a) Sales of goods		
- Crude Oil	2,087	1,050
- Refined products	14,083	6,788
- Chemical products	184	34
- Natural Gas	60	94
(b) Sales of services	17	12
(c) Purchases of goods	15,083	6,919
(d) Purchases of services	399	448

(5) Commissioned loans

The Company and its subsidiaries commissioned CP Finance and other financial institutions to provide loans to each other, charging interest in accordance with the prevailing interest rates. Loans between the Company and its subsidiaries have been eliminated in the consolidated financial statements. As of June 30, 2017, the eliminated commissioned loans totalled RMB 54,283 , including short-term loans of RMB 47,788 , loans due within one year of RMB 262 and long-term loans of RMB 6,233 .

(6) Guarantees

CNPC and its subsidiaries provided guarantees of part of loans and debentures for the Group, see Note 30, Note 31 and Note 32.

(7) Receivables and payables with related parties

(a) Receivables from related parties

	June 30, 2017	December 31, 2016
CNPC and its subsidiaries		
Accounts receivable	7,718	5,450
Other receivables	4,725	4,712
Advances to suppliers	13,134	3,919
Other non-current assets	8,033	7,582
Associates and joint ventures		
Accounts receivable	2,647	1,214
Advances to suppliers	460	492
Other current assets	4,520	4,486
Other non-current assets	3,375	3,502

As of June 30, 2017, the provisions for bad debts of the receivables from related parties amounted to RMB 7 (December 31, 2016: RMB 7).

As of June 30, 2017, the receivables from related parties represented 35% (December 31, 2016: 33%) of total receivables.

(b) Payables to related parties

	June 30, 2017	December 31, 2016
CNPC and its subsidiaries		
Accounts payable	55,680	58,530
Other payables	7,860	4,320
Advances from customers	830	427
Notes payable	926	472
Other non-current liabilities	3,515	3,755
Associates and joint ventures		
Accounts payable	650	786
Other payables	80	121
Advances from customers	23	116

As of June 30, 2017, the payables to related parties represented 22% (December 31, 2016: 23%) of total payables.

(8) Key management personnel compensation

	For the six months ended June 30, 2017 RMB'000	For the six months ended June 30, 2016 RMB'000
Key management personnel compensation	4,623	4,718

55 CONTINGENT LIABILITIES

(1) Bank and other guarantees

At June 30, 2017 and December 31, 2016, the Group did not guarantee any borrowings for other related parties or third parties.

(2) Environmental liabilities

China has adopted extensive environmental laws and regulations that affect the operation of the oil and gas industry. Under existing legislation, however, management believes that there are no probable liabilities, except for the amounts which have already been reflected in the consolidated financial statements, which may have a material adverse effect on the financial position of the Group.

(All amounts in RMB millions unless otherwise stated)

(3) Legal contingencies

During the reporting period, the Group has complied with domestic and overseas significant laws and regulatory requirements. Notwithstanding certain insignificant lawsuits as well as other proceedings outstanding of the Group, management believes that any resulting liabilities will not have a material adverse effect on the financial position of the Group.

(4) Group insurance

The Group has insurance coverage for vehicles and certain assets that are subject to significant operating risks, third-party liability insurance against claims relating to personal injury, property and environmental damages that result from accidents and also employer liabilities insurance. The potential effect on the financial position of the Group of any liabilities resulting from future uninsured incidents cannot be estimated by the Group at present.

56 COMMITMENTS

(1) Operating lease commitments

Operating lease commitments of the Group are mainly for leasing of land, 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, 2017 and December 31, 2016 under non-cancellable operating leases are as follows:

	June 30, 2017	December 31, 2016
Within one year	9,673	10,108
Between one and two years	8,317	8,355
Between two and three years	7,766	8,151
Thereafter	160,302	163,212
	186,058	189,826

Operating lease expenses for the six months ended June 30, 2017 was RMB 7,949 (for the six months ended June 30, 2016: RMB 6,616).

(All amounts in RMB millions unless otherwise stated)

(2) Capital commitments

As of June 30, 2017, the Group's capital commitments contracted but not provided for were RMB 59,033 (December 31, 2016: RMB 59,664).

The operating lease and capital commitments above are transactions mainly with CNPC and its fellow subsidiaries.

(3) 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. No payments were incurred for the six months ended June 30, 2017 (for the six months ended June 30, 2016: nil).

Estimated annual payments for the next five years are as follows:

	June 30, 2017
Within one year	800
Between one and two years	800
Between two and three years	800
Between three and four years	800
Between four and five years	800

(All amounts in RMB millions unless otherwise stated)

FINANCIAL STATEMENTS SUPPLEMENTARY INFORMATION

1 NON-RECURRING PROFIT/LOSS ITEMS

	For the six months ended June 30, 2017	For the six months ended June 30, 2016
Net loss on disposal of non-current assets	(2,113)	(898)
Government grants recognised in the income statement	456	1,955
Net gain on disposal of available-for-sale financial assets	6	36
Reversal of provisions for bad debts against receivables	9	10
Net profit or loss arising from the disposal of the subsidiary	63	24,534
Other non-operating income and expenses	(1,848)	(1,614)
	(3,427)	24,023
Tax impact of non-recurring profit/loss items	866	(3,302)
Impact of non-controlling interests	(67)	(10,702)
Total	(2,628)	10,019

2 SIGNIFICANT DIFFERENCES BETWEEN IFRS AND CAS

The consolidated net profit for the six months under IFRS and CAS were RMB 20,963 and RMB 20,961 respectively, with a difference of RMB 2; the consolidated shareholders' equity for the six months under IFRS and CAS were RMB 1,383,890 and RMB 1,384,185 respectively, with a difference of RMB 295. These differences under the different accounting standards were primarily due to the revaluation for assets other than fixed assets and oil and gas properties revalued in 1999.

During the Restructuring in 1999, a valuation was carried out in 1999 for assets and liabilities injected by CNPC. Valuation results other than fixed assets and oil and gas properties were not recognised in the financial statements prepared under IFRS.

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2017 and June 30, 2016

(Amounts in millions)

	Notes	Six months ended June 30	
		2017	2016
		RMB	RMB
REVENUE	4	975,909	739,067
OPERATING EXPENSES			
Purchases, services and other		(630,556)	(427,934)
Employee compensation costs		(55,740)	(56,846)
Exploration expenses, including exploratory dry holes		(6,859)	(9,021)
Depreciation, depletion and amortisation		(116,110)	(105,985)
Selling, general and administrative expenses		(34,386)	(35,230)
Taxes other than income taxes	5	(95,372)	(94,781)
Other (expense) / income, net		(403)	25,270
TOTAL OPERATING EXPENSES		(939,426)	(704,527)
PROFIT FROM OPERATIONS		36,483	34,540
FINANCE COSTS			
Exchange gain		3,509	6,193
Exchange loss		(4,233)	(5,656)
Interest income		1,189	758
Interest expense		(11,332)	(11,931)
TOTAL NET FINANCE COSTS		(10,867)	(10,636)
SHARE OF PROFIT OF ASSOCIATES AND JOINT VENTURES		2,215	2,696
PROFIT BEFORE INCOME TAX EXPENSE	6	27,831	26,600
INCOME TAX EXPENSE	7	(6,868)	(9,695)
PROFIT FOR THE PERIOD		20,963	16,905
OTHER COMPREHENSIVE INCOME RECLASSIFIABLE TO PROFIT OR LOSS:			
Currency translation differences		316	6,574
Fair value loss from available-for-sale financial assets, net of tax		(3)	(950)
Share of the other comprehensive (loss) / income of associates and joint ventures accounted for using the equity method		(124)	133
OTHER COMPREHENSIVE INCOME, NET OF TAX		189	5,757
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		21,152	22,662
PROFIT FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		12,676	531
Non-controlling interests		8,287	16,374
		20,963	16,905
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		13,550	4,702
Non-controlling interests		7,602	17,960
		21,152	22,662
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (RMB)	8	0.069	0.003

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

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As of June 30, 2017 and December 31, 2016

(Amounts in millions)

	Notes	June 30, 2017 RMB	December 31, 2016 RMB
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,686,890	1,739,545
Investments in associates and joint ventures		81,783	78,967
Available-for-sale financial assets		1,968	2,011
Advance operating lease payments		71,264	71,353
Intangible and other non-current assets		102,729	102,750
Deferred tax assets		24,285	20,360
TOTAL NON-CURRENT ASSETS		1,968,919	2,014,986
CURRENT ASSETS			
Inventories	11	139,230	146,865
Accounts receivable	12	62,529	47,315
Prepayments and other current assets		94,578	77,583
Notes receivable		13,375	11,285
Time deposits with maturities over three months but within one year		6,514	686
Cash and cash equivalents		114,538	97,931
TOTAL CURRENT ASSETS		430,764	381,665
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	13	333,405	310,680
Income taxes payable		6,781	8,743
Other taxes payable		28,870	36,456
Short-term borrowings	14	192,858	143,384
TOTAL CURRENT LIABILITIES		561,914	499,263
NET CURRENT LIABILITIES		(131,150)	(117,598)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,837,769	1,897,388
EQUITY			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY:			
Share capital		183,021	183,021
Retained earnings		716,908	711,197
Reserves		297,755	294,806
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		1,197,684	1,189,024
NON-CONTROLLING INTERESTS		186,206	183,711
TOTAL EQUITY		1,383,890	1,372,735
NON-CURRENT LIABILITIES			
Long-term borrowings	14	300,191	372,887
Asset retirement obligations		129,563	125,392
Deferred tax liabilities		11,531	13,640
Other long-term obligations		12,594	12,734
TOTAL NON-CURRENT LIABILITIES		453,879	524,653
TOTAL EQUITY AND NON-CURRENT LIABILITIES		1,837,769	1,897,388

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

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2017 and June 30, 2016

(Amounts in millions)

	Six months ended June 30	
	2017	2016
	RMB	RMB
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	20,963	16,905
Adjustments for:		
Income tax expense	6,868	9,695
Depreciation, depletion and amortisation	116,110	105,985
Capitalised exploratory costs charged to expense	3,610	4,698
Safety fund reserve	2,197	2,442
Share of profit of associates and joint ventures	(2,215)	(2,696)
Reversal of provision for impairment of receivables, net	(8)	2
Write down in inventories, net	273	(11)
Impairment of available-for-sale financial assets	-	5
Impairment of long-term investment	-	78
Loss on disposal of property, plant and equipment	2,130	895
Gain on disposal of other non-current assets	(29)	(33)
Gain on disposal of subsidiaries	(63)	(24,534)
Dividend income	(25)	(41)
Interest income	(1,189)	(758)
Interest expense	11,332	11,931
Changes in working capital:		
Accounts receivable, prepayments and other current assets	(38,062)	(15,610)
Inventories	7,362	(17,594)
Accounts payable and accrued liabilities	35,589	29,903
CASH FLOWS GENERATED FROM OPERATIONS	164,843	121,262
Income taxes paid	(20,010)	(9,420)
NET CASH FLOWS FROM OPERATING ACTIVITIES	144,833	111,842

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

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended June 30, 2017 and June 30, 2016

(Amounts in millions)

	Six months ended June 30	
	2017	2016
	RMB	RMB
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(80,467)	(81,865)
Acquisition of investments in associates and joint ventures	(1,089)	(1,104)
Acquisition of available-for-sale financial assets	(4)	(185)
Prepayments on long-term operating leases	(1,139)	(1,225)
Acquisition of intangible assets and other non-current assets	(1,310)	(2,196)
Proceeds from disposal of property, plant and equipment	144	94
Acquisition of subsidiaries	(1)	-
Proceeds from disposal of other non-current assets	52	360
Interest received	828	428
Dividends received	1,563	2,374
(Increase)/decrease in time deposits with maturities over three months	(5,830)	88
NET CASH FLOWS USED FOR INVESTING ACTIVITIES	(87,253)	(83,231)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(250,174)	(216,611)
Repayments of long-term borrowings	(144,534)	(187,334)
Interest paid	(11,090)	(10,058)
Dividends paid to non-controlling interests	(7,749)	(1,279)
Dividends paid to owners of the Company	(242)	(97)
Increase in short-term borrowings	264,174	235,242
Increase in long-term borrowings	110,056	123,395
Increase in debentures payable	-	55,000
Capital contribution from non-controlling interests	241	553
Payments to non-controlling interests due to capital reduction of subsidiaries	(15)	(1)
(Decrease)/ increase in other long-term obligations	(289)	27
NET CASH FLOWS USED FOR FINANCING ACTIVITIES	(39,622)	(1,163)
TRANSLATION OF FOREIGN CURRENCY	(1,351)	1,101
Increase in cash and cash equivalents	16,607	28,549
Cash and cash equivalents at beginning of the period	97,931	72,773
Cash and cash equivalents at end of the period	114,538	101,322

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

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2017 and June 30, 2016

(Amounts in millions)

	Attributable to Owners of the Company				Non-controlling Interests	Total Equity
	Share Capital	Retained Earnings	Reserves	Subtotal		
	RMB	RMB	RMB	RMB	RMB	RMB
Balance at January 1, 2016	183,021	711,755	284,940	1,179,716	164,318	1,344,034
Profit for the six months ended June 30, 2016	-	531	-	531	16,374	16,905
Other comprehensive income for the six months ended June 30, 2016	-	-	4,171	4,171	1,586	5,757
Special reserve-safety fund reserve	-	-	2,353	2,353	89	2,442
Dividends	-	(4,550)	-	(4,550)	(1,384)	(5,934)
Transaction with non-controlling interests in subsidiaries	-	-	214	214	(2,024)	(1,810)
Capital contribution from non-controlling interests	-	-	-	-	595	595
Other	-	(4)	(12)	(16)	(122)	(138)
Balance at June 30, 2016	183,021	707,732	291,666	1,182,419	179,432	1,361,851
Balance at January 1, 2017	183,021	711,197	294,806	1,189,024	183,711	1,372,735
Profit for the six months ended June 30, 2017	-	12,676	-	12,676	8,287	20,963
Other comprehensive income for the six months ended June 30, 2017	-	-	874	874	(685)	189
Special reserve-safety fund reserve	-	-	2,100	2,100	97	2,197
Dividends	-	(6,957)	-	(6,957)	(5,725)	(12,682)
Transaction with non-controlling interests in subsidiaries	-	-	-	-	(2)	(2)
Capital contribution from non-controlling interests	-	-	-	-	631	631
Other	-	(8)	(25)	(33)	(108)	(141)
Balance at June 30, 2017	183,021	716,908	297,755	1,197,684	186,206	1,383,890

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

1 ORGANISATION AND PRINCIPAL ACTIVITIES

PetroChina Company Limited (the “Company”) was established as a joint stock company with limited liability on November 5, 1999 by China National Petroleum Corporation (“CNPC”) as the sole proprietor in accordance with the approval Guo Jing Mao Qi Gai [1999] No. 1024 “Reply on the approval of the establishment of PetroChina Company Limited” from the former State Economic and Trade Commission of the People’s Republic of China (“China” or “PRC”). CNPC restructured (“the Restructuring”) and injected its core business and the related assets and liabilities into the Company. CNPC is a wholly state-owned company registered in China. The Company and its subsidiaries are collectively referred to as the “Group”.

The Group is principally engaged in (i) the exploration, development and production and marketing of crude oil and natural gas; (ii) the refining of crude oil and petroleum products, production and marketing of primary petrochemical products, derivative petrochemical products and other chemical products; (iii) the marketing of refined products and trading business; and (iv) the transmission of natural gas, crude oil and refined products and the sale of natural gas (Note 15).

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited consolidated interim condensed financial statements (“interim financial statements”) have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” (“IAS 34”).

The accounting policies and methods of computation applied in the preparation of the interim financial statements are consistent with those of the consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The interim financial statements as of June 30, 2017 and for the six months ended June 30, 2017 and June 30, 2016 included herein are unaudited but reflect, in the opinion of the Board of Directors, all adjustments (which generally includes only normal recurring adjustments) necessary to properly prepare the interim financial statements, in all material respects, in accordance with IAS 34. The results of operations for the six months ended June 30, 2017 are not necessarily indicative of the results of operations expected for the year ended December 31, 2017.

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are regularly 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 estimates and judgements that are involved in preparing the Group's interim financial statements.

(a) Estimation of oil and natural gas reserves

Estimates of oil and natural 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, depletion and amortisation recorded in the Group's consolidated 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. 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, evolution of technology or development plans, etc.

(b) Estimation of impairment of property, plant and equipment

Property, plant and equipment, including oil and gas properties, are reviewed for possible impairments 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 and judgements such as the future price of crude oil, refined and chemical products, the operation costs, the product mix, production volumes and the oil and gas reserves. However, the impairment reviews and calculations are based on assumptions that are consistent with the Group's business plans taking into account current economic conditions. Favourable changes to some assumptions, or not updating assumptions previously made, may allow the Group to avoid the need to impair any assets or make it necessary to reverse an impairment loss recognized in prior periods, whereas unfavourable changes may cause the assets to become impaired. For example, when the assumed future price and production volume of crude oil used for the expected future cash flows are different from the actual price and production volume of crude oil respectively experienced in future, the Group may either over or under recognize the impairment losses for certain assets.

(c) Estimation of asset retirement obligations

Provision is recognised for the future decommissioning and restoration of oil and gas properties. The amount of the provision recognised is 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 levels, etc. In addition to these factors, the present values of these estimated future expenditures are also impacted by the estimation of the economic lives of oil and gas properties and estimates of discount rates. Changes in any of these estimates will impact the operating results and the financial position of the Group over the remaining economic lives of the oil and gas properties.

(Amounts in millions unless otherwise stated)

4 REVENUE

Revenue represents revenues from the sale of crude oil, natural gas, refined products and petrochemical products and from the transmission of crude oil, refined products and natural gas. Analysis of revenue by segment is shown in Note 15.

5 TAXES OTHER THAN INCOME TAXES

	Six months ended June 30	
	2017	2016
	RMB	RMB
Consumption tax	68,240	71,178
Resource tax	8,970	6,687
Other	18,162	16,916
	95,372	94,781

6 PROFIT BEFORE INCOME TAX EXPENSE

	Six months ended June 30	
	2017	2016
	RMB	RMB
Items credited and charged in arriving at the profit before income tax expense include:		
Credited		
Dividend income from available-for-sale financial assets	25	41
Reversal of provision for impairment of receivables	9	10
Reversal of write down in inventories	28	26
Gain on disposal of investment in subsidiaries (i)	63	24,534
Charged		
Amortisation of intangible and other assets	2,019	2,013
Cost of inventories recognised as expense	770,472	557,883
Provision for impairment of receivables	1	12
Interest expense (Note (ii))	11,332	11,931
Loss on disposal of property, plant and equipment	2,130	895
Operating lease expenses	9,000	7,612
Research and development expenses	5,499	6,326
Write down in inventories	301	15
Note (ii): Interest expense		
Interest expense	12,287	12,781
Less: Amount capitalised	(955)	(850)
	11,332	11,931

(i) On November 24, 2015, the Board of Directors approved the sale by CNPC Exploration and Development Co., Ltd. ("CNPC E&D"), one of the Company's wholly-owned subsidiaries, of its 50% of equity interest in Trans-Asia Gas Pipeline Co., Ltd. to CNIC Corporation Limited for a consideration equivalent to RMB 14,671. CNPC E&D has closed the transaction in the second quarter of 2016. The gain is recorded as "Other income / (expense), net".

(Amounts in millions unless otherwise stated)

7 INCOME TAX EXPENSE

	Six months ended June 30	
	2017	2016
	RMB	RMB
Current taxes	13,106	11,146
Deferred taxes	(6,238)	(1,451)
	6,868	9,695

In accordance with the relevant PRC income tax rules and regulations, the PRC corporate income tax rate applicable to the Group is principally 25%. Operations of the Group in western regions in China qualified for certain tax incentives in the form of a preferential income tax rate of 15% through the year 2020.

8 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the six months ended June 30, 2017 and June 30, 2016 have been computed by dividing profit attributable to owners of the Company by 183,021 million shares issued and outstanding during the period.

There are no potentially dilutive ordinary shares.

9 DIVIDENDS

	Six months ended June 30	
	2017	2016
	RMB	RMB
Interim dividends attributable to owners of the Company for 2017 (a)	12,676	-
Interim dividends attributable to owners of the Company for 2016 (c)	-	3,899

(a) As authorised by shareholders in the Annual General Meeting on June 8, 2017, the Board of Directors resolved to distribute interim dividends attributable to owners of the Company in respect of 2017 of RMB 0.06926 yuan per share amounting to a total of RMB 12,676 .This dividend is not recognised as liability at the end of the reporting period, as it was declared after the date of the statement of financial position.

(b) Final dividends attributable to owners of the Company in respect of 2016 of RMB 0.03801 yuan per share amounting to a total of RMB 6,957 were approved by the shareholders in the Annual General Meeting on June 8, 2017 and were paid on June 22, 2017 (A shares) and July 27, 2017 (H shares).

(c) Interim dividends attributable to owners of the Company in respect of 2016 of RMB 0.02131 yuan per share amounting to a total of RMB 3,899 were paid on September 21, 2016(A shares) and October 28, 2016 (H shares).

(d) Final dividends attributable to owners of the Company in respect of 2015 of RMB 0.02486 yuan per share amounting to a total of RMB 4,550 were paid on June 8, 2016 (A shares) and July 14, 2016 (H shares).

(Amounts in millions unless otherwise stated)

10 PROPERTY, PLANT AND EQUIPMENT

	RMB
Cost	
At January 1, 2017	3,395,621
Additions	63,958
Disposals or write offs	(6,055)
Currency translation differences	(1,417)
At June 30, 2017	3,452,107
Accumulated depreciation and impairment	
At January 1, 2017	(1,656,076)
Charge for the period and others	(112,333)
Disposals or write offs	1,979
Currency translation differences	1,213
At June 30, 2017	(1,765,217)
Net book value	
At June 30, 2017	1,686,890

	RMB
Cost	
At January 1, 2016	3,245,830
Additions	52,208
Disposals or write offs	(6,505)
Currency translation differences	9,680
At June 30, 2016	3,301,213
Accumulated depreciation and impairment	
At January 1, 2016	(1,460,925)
Charge for the period and others	(102,027)
Disposals or write offs	963
Currency translation differences	(3,392)
At June 30, 2016	(1,565,381)
Net book value	
At June 30, 2016	1,735,832

(Amounts in millions unless otherwise stated)

11 INVENTORIES

	June 30, 2017	December 31, 2016
	RMB	RMB
Crude oil and other raw materials	49,608	55,371
Work in progress	10,621	10,336
Finished goods	80,268	84,473
Spare parts and consumables	97	51
	140,594	150,231
Less: Write down in inventories	(1,364)	(3,366)
	139,230	146,865

12 ACCOUNTS RECEIVABLE

	June 30, 2017	December 31, 2016
	RMB	RMB
Accounts receivable	64,553	49,338
Less: Provision for impairment of accounts receivable	(2,024)	(2,023)
	62,529	47,315

The aging analysis of accounts receivable (net of impairment of accounts receivable) based on the invoice date (or date of revenue recognition, if earlier), as of June 30, 2017 and December 31, 2016 is as follows:

	June 30, 2017	December 31, 2016
	RMB	RMB
Within 1 year	55,156	43,686
Between 1 and 2 years	6,224	2,744
Between 2 and 3 years	522	437
Over 3 years	627	448
	62,529	47,315

The Group offers its customers credit terms up to 180 days.

(Amounts in millions unless otherwise stated)

Movements in the provision for impairment of accounts receivable are as follows:

	Six months ended June 30	
	2017	2016
	RMB	RMB
At beginning of the period	2,023	523
Provision for impairment of accounts receivable	1	-
Receivables written off as uncollectible	-	(1)
Reversal of provision for impairment of accounts receivable	-	(2)
Other	-	2
At end of the period	2,024	522

13 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2017	December 31, 2016
	RMB	RMB
Trade payables	91,881	80,606
Advances from customers	58,995	60,590
Salaries and welfare payable	8,742	5,396
Accrued expenses	26,294	123
Dividends payable by subsidiaries to non-controlling shareholders	7,047	2,356
Interest payable	2,991	4,536
Construction fee and equipment cost payables	99,870	118,011
Loans borrowed from related parties	-	1,432
Other	37,585	37,630
	333,405	310,680

Other consists primarily of customer deposits.

The aging analysis of trade payables as of June 30, 2017 and December 31, 2016 is as follows:

	June 30, 2017	December 31, 2016
	RMB	RMB
Within 1 year	86,205	74,450
Between 1 and 2 years	2,476	3,293
Between 2 and 3 years	1,492	944
Over 3 years	1,708	1,919
	91,881	80,606

(Amounts in millions unless otherwise stated)

14 BORROWINGS

	June 30, 2017	December 31, 2016
	RMB	RMB
Short-term borrowings excluding current portion of long-term borrowings	85,284	71,969
Current portion of long-term borrowings	107,574	71,415
	192,858	143,384
Long-term borrowings	300,191	372,887
	493,049	516,271

The movements in borrowings are analysed as follows:

	RMB
Balance at January 1, 2017	516,271
Increase in borrowings	374,230
Decrease in borrowings	(394,708)
Currency translation differences	(2,744)
Balance at June 30, 2017	493,049

The following table sets out the borrowings' remaining contractual maturities at the date of the statement of financial position, which are based on contractual undiscounted cash flows including principal and interest, and the earliest contractual maturity date:

	June 30, 2017	December 31, 2016
	RMB	RMB
Within 1 year	208,125	160,572
Between 1 and 2 years	79,756	102,096
Between 2 and 5 years	190,737	209,653
After 5 years	65,140	106,879
	543,758	579,200

15 SEGMENT INFORMATION

The Group is principally engaged in a broad range of petroleum related products, services and activities. The Group's operating segments comprise: Exploration and Production, Refining and Chemicals, Marketing, and Natural Gas and Pipeline. On the basis of these operating segments, the management of the Company assesses the segmental operating results and allocates resources. Sales between operating segments are conducted principally at market prices. Additionally, the Group presents geographical information based on entities located in regions with a similar risk profile.

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

The Refining and Chemicals segment is engaged in the refining of crude oil and petroleum products, production and marketing of primary petrochemical products, derivative petrochemical products and other chemical products.

The Marketing segment is engaged in the marketing of refined products and the trading business.

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.

The Head Office and Other segment relates to cash management and financing activities, the corporate center, research and development, and other business services supporting the operating business segments of the Group.

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

(Amounts in millions unless otherwise stated)

The segment information for the operating segments for the six months ended June 30, 2017 and 2016 are as follows:

Six months ended June 30, 2017	Exploration and Production	Refining and Chemicals	Marketing	Natural Gas and Pipeline	Head Office and Other	Total
	RMB	RMB	RMB	RMB	RMB	RMB
Revenue	242,620	331,703	805,262	142,649	506	1,522,740
Less: intersegment sales	(198,560)	(247,795)	(85,595)	(14,796)	(85)	(546,831)
Revenue from external customers	44,060	83,908	719,667	127,853	421	975,909
Depreciation, depletion and amortisation	(88,673)	(10,759)	(6,134)	(9,751)	(793)	(116,110)
Profit/ (loss) from operations	6,916	15,837	5,682	13,934	(5,886)	36,483
Finance costs:						
Exchange gain						3,509
Exchange loss						(4,233)
Interest income						1,189
Interest expense						(11,332)
Total net finance costs						(10,867)
Share of profit of associates and joint ventures	125	(29)	722	92	1,305	2,215
Profit before income tax expense						27,831
Income tax expense						(6,868)
Profit for the period						20,963
Segment assets	1,223,026	300,579	395,284	530,337	1,401,567	3,850,793
Other assets						34,633
Investments in associates and joint ventures	42,611	1,438	10,808	4,550	22,376	81,783
Elimination of intersegment balances (a)						(1,567,526)
Total assets						2,399,683
Capital expenditures	45,303	4,667	1,930	10,132	307	62,339
Segment liabilities	507,522	86,138	193,334	135,984	627,269	1,550,247
Other liabilities						47,182
Elimination of intersegment balances (a)						(581,636)
Total liabilities						1,015,793

(Amounts in millions unless otherwise stated)

Six months ended June 30, 2016	Exploration and Production	Refining and Chemicals	Marketing	Natural Gas and Pipeline	Head Office and Other	Total
	RMB	RMB	RMB	RMB	RMB	RMB
Revenue	182,480	280,993	587,680	122,336	758	1,174,247
Less: intersegment sales	(147,601)	(212,723)	(60,457)	(14,316)	(83)	(435,180)
Revenue from external customers	34,879	68,270	527,223	108,020	675	739,067
Depreciation, depletion and amortisation	(78,755)	(11,001)	(6,271)	(9,093)	(865)	(105,985)
(Loss)/ profit from operations	(2,419)	27,474	4,609	11,431	(6,555)	34,540
Finance costs:						
Exchange gain						6,193
Exchange loss						(5,656)
Interest income						758
Interest expense						(11,931)
Total net finance costs						(10,636)
Share of profit of associates and joint ventures	156	(1)	197	106	2,238	2,696
Profit before income tax expense						26,600
Income tax expense						(9,695)
Profit for the period						16,905
Segment assets	1,227,442	304,258	379,934	530,495	1,475,723	3,917,852
Other assets						27,073
Investments in associates and joint ventures	45,738	1,246	10,003	3,245	26,278	86,510
Elimination of intersegment balances (a)						(1,613,192)
Total assets						2,418,243
Capital expenditures	39,550	3,566	2,806	4,518	427	50,867
Segment liabilities	473,156	107,457	186,001	144,769	709,703	1,621,086
Other liabilities						46,746
Elimination of intersegment balances (a)						(611,440)
Total liabilities						1,056,392

(Amounts in millions unless otherwise stated)

Geographical information

	Revenue		Non-current assets (b)	
	Six months ended June 30, 2017	Six months ended June 30, 2016	June 30,2017	December 31, 2016
	RMB	RMB	RMB	RMB
Mainland China	624,078	513,488	1,686,727	1,739,351
Other	351,831	225,579	255,939	253,264
	975,909	739,067	1,942,666	1,992,615

(a) Elimination of intersegment balances represents elimination of intersegment accounts and investments.

(b) Non-current assets mainly include non-current assets other than financial instruments and deferred tax assets.

16 CONTINGENT LIABILITIES

(a) Bank and other guarantees

At June 30, 2017 and December 31, 2016, the Group did not guarantee related parties or third parties any borrowings or others.

(b) Environmental liabilities

China has adopted extensive environmental laws and regulations that affect the operation of the oil and gas industry. Under existing legislation, however, management believes that there are no probable liabilities, except for the amounts which have already been reflected in the interim financial statements, which may have a material adverse effect on the financial position of the Group.

(c) Legal contingencies

During the reporting period, the Group has complied with domestic and overseas significant laws and regulatory requirements. Notwithstanding certain insignificant lawsuits as well as other proceedings outstanding of the group, management believes that any resulting liabilities will not have a material adverse effect on the financial position of the Group.

(d) Group insurance

The Group has insurance coverage for vehicles and certain assets that are subject to significant operating risks, third-party liability insurance against claims relating to personal injury, property and environmental damages that result from accidents and also employer liabilities insurance. The potential effect on the financial position of the Group of any liabilities resulting from future uninsured incidents cannot be estimated by the Group at present.

(Amounts in millions unless otherwise stated)

17 COMMITMENTS

(a) Operating lease commitments

Operating lease commitments of the Group are mainly for leasing of land, 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, 2017 and December 31, 2016 under non-cancellable operating leases are as follows:

	June 30, 2017	December 31, 2016
	RMB	RMB
No later than 1 year	9,673	10,108
Later than 1 year and no later than 5 years	30,338	30,757
Later than 5 years	146,047	148,961
	186,058	189,826

(b) Capital commitments

At June 30, 2017, the Group's capital commitments contracted but not provided for mainly relating to property, plant and equipment were RMB 59,033 (December 31, 2016: RMB 59,664).

The operating lease and capital commitments above are transactions mainly with CNPC and its fellow subsidiaries.

(c) Exploration and production licenses

The Company is obligated to make annual payments with respect to its exploration and production licenses to the Ministry of Land and Resources. No payments were incurred for the six months ended June 30, 2017 (six months ended June 30, 2016: nil).

Estimated annual payments for the next five years are as follows:

	June 30, 2017
	RMB
Within one year	800
Between one and two years	800
Between two and three years	800
Between three and four years	800
Between four and five years	800

18 RELATED PARTY TRANSACTIONS

CNPC, the controlling shareholder of the Company, is a state-controlled enterprise directly controlled by the PRC government.

Related parties include CNPC and its fellow subsidiaries, their associates and joint ventures, other state-owned enterprises and their subsidiaries which the PRC government has control, joint control or significant influence over and enterprises which the Group is able to control, jointly control or exercise significant influence over, key management personnel of the Company and CNPC and their close family members.

(a) Transactions with CNPC and its fellow subsidiaries, associates and joint ventures of the Group

The Group has extensive transactions with other companies in CNPC and its fellow subsidiaries. Due to these relationships, it is possible that the terms of the transactions between the Group and other members of CNPC and its fellow subsidiaries are not the same as those that would result from transactions with other related parties or wholly unrelated parties.

The principal related party transactions with CNPC and its fellow subsidiaries, associates and joint ventures of the Group which were carried out in the ordinary course of business, are as follows:

On August 25, 2011, based on the terms of the Comprehensive Products and Services Agreement amended in 2008, the Company and CNPC entered into a new Comprehensive Products and Services Agreement ("the Comprehensive Products and Services Agreement") for a period of three years which took effect on January 1, 2012. The Comprehensive Products and Services Agreement provides for a range of products and services which may be required and requested by either party. The products and services to be provided by CNPC and its fellow subsidiaries to the Group 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 required and requested by either party are provided in accordance with (1) government-prescribed prices; or (2) where there is no government-prescribed price, with reference to relevant market prices; or (3) where neither (1) nor (2) is applicable, the actual cost incurred or the agreed contractual price. On the basis of the existing Comprehensive Products and Services Agreement, the Company and CNPC entered into a new Comprehensive Products and Services Agreement on August 28, 2014 for a period of three years which took effect on January 1, 2015. The new Comprehensive Products and Services Agreement has already incorporated the terms of the current Comprehensive Products and Services Agreement which was amended in 2011.

- Sales of goods represent the sale of crude oil, refined products, chemical products and natural gas, etc. The total amount of these transactions amounted to RMB 66,871 for the six months ended June 30, 2017 (six months ended June 30, 2016: RMB 40,522).

(Amounts in millions unless otherwise stated)

- Sales of services principally represent the provision of services in connection with the transportation of crude oil and natural gas, etc. The total amount of these transactions amounted to RMB 1,818 for the six months ended June 30, 2017 (six months ended June 30, 2016: RMB 2,310).

- Purchases of goods and services principally represent construction and technical services, production services, social services, ancillary services and material supply services, etc. The total amount of these transactions amounted to RMB 132,077 for the six months ended June 30, 2017 (six months ended June 30, 2016: RMB 105,073).

- Purchases of assets principally represent the purchases of manufacturing equipment, office equipment and transportation equipment, etc. The total amount of these transactions amounted to RMB 320 for the six months ended June 30, 2017 (six months ended June 30, 2016: RMB 684).

- Amounts due from and to CNPC and its fellow subsidiaries, associates and joint ventures of the Group included in the following accounts captions are summarised as follows:

	June 30, 2017	December 31, 2016
	RMB	RMB
Accounts receivable	10,358	6,657
Prepayments and other receivables	18,319	9,123
Other current assets	4,520	4,486
Other non-current assets	11,408	11,084
Accounts payable and accrued liabilities	66,049	64,772
Other non-current liabilities	3,515	3,755

- Interest income represents interest from deposits placed with CNPC and its fellow subsidiaries. The total interest income amounted to RMB 158 for the six months ended June 30, 2017 (six months ended June 30, 2016: RMB 82). The balance of deposits at June 30, 2017 was RMB 36,923 (December 31, 2016: RMB 32,626).

- Purchases of financial services principally represents interest charged on the loans from CNPC and its fellow subsidiaries, insurance fees, etc. The total amount of these transactions amounted to RMB 6,068 for the six months ended June 30, 2017 (six months ended June 30, 2016: RMB 6,949).

- The borrowings from CNPC and its fellow subsidiaries at 30 June, 2017 were RMB 241,520 (December 31, 2016: RMB 255,285).

- Rents and other payments made under financial leasing represent the payable by the Group (including all rents, leasing service fees and prices for exercising purchase options) for the period according to the financial leasing agreements entered into by the Group and CNPC and its fellow subsidiaries. The total rents and other payments made under financial leasing amounted to RMB 385 for the six months ended June 30, 2017 (six months ended June 30, 2016: RMB 755).

(Amounts in millions unless otherwise stated)

On August 25, 2011, based on the Land Use Rights Leasing Contract signed in 2000, the Company and CNPC entered into a Supplemental Land Use Rights Leasing Contract which took effect on January 1, 2012. The Supplemental Land Use Rights Leasing Contract provides for the lease of land covering an aggregate area of approximately 1,783 million square meters located throughout the PRC at a maximal annual fee (exclusive of tax and government charges) of RMB 3,892. The Supplemental Land Use Rights Leasing Contract will expire at the same time as the Land Use Rights Leasing Contract. The area and total fee payable for the lease of all such property may be adjusted with the Company's operating needs and by reference to market price every three years. The Company and CNPC each issued a confirmation letter to the Land Use Rights Leasing Contract on August 28, 2014, which adjusted the rental payable and the area for the leased land parcels. The Company agreed to rent from CNPC parcels of land with an aggregate area of approximately 1,777 million square metres with rental payable adjusted to approximately RMB 4,831 in accordance with the area of leased land parcels and the current situation of the property market. The Land Use Rights Leasing Contract shall remain unchanged, apart from the rental payable and the leased area. The confirmation letter shall be effective from January 1, 2015.

On August 25, 2011, based on the Buildings Leasing Contract and Supplemental Building Leasing Agreement, the Company and CNPC entered into a Revised Buildings Leasing Contract which took effect thereafter. Under this contract, buildings covering an aggregate area of 734,316 square meters were leased at an average annual fee of RMB 1,049 yuan per square meter. The Revised Building Leasing Contract will expire at the same time as the Building Leasing Agreement. The area and total fee payable for the lease of all such property may, every three years, be adjusted with the Company's operating needs and by reference to market price which the adjusted prices will not exceed. The Company and CNPC each issued a confirmation letter to the Building Leasing Contract on August 28, 2014, which adjusted the rental payable and the gross floor area for the buildings leased. The Company agreed to lease from CNPC buildings with an aggregate gross floor area of approximately 1,179,586 square metres with rental payable adjusted to approximately RMB 708 in accordance with the gross floor area leased and the current situation of the market. The Building Leasing Contract and Supplemental Contract shall remain unchanged apart from the rental payable and the gross floor area leased. The confirmation letter shall be effective from January 1, 2015.

(b) Key management compensation

	Six months ended June 30	
	2017	2016
	RMB'000	RMB'000
Emoluments and other benefits	3,825	3,845
Contribution to retirement benefit scheme	798	873
	4,623	4,718

(c) Transactions with other state-controlled entities in the PRC

Apart from transactions with CNPC and its fellow subsidiaries, associates and joint ventures of the Group, the Group's transactions with other state-controlled entities include but not limited to the following:

- Sales and purchases of goods and services,
- Purchases of assets,
- Lease of assets, and
- Bank deposits and borrowings

These transactions are conducted in the ordinary course of the Group's business.

DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection at the headquarters of the Company in Beijing upon request by the relevant regulatory authorities and shareholders in accordance with the Articles of Association and the laws and regulations:

1. The financial statements under the hand and seal of the Chairman Mr. Wang Yilin, Vice Chairman and President Mr. Wang Dongjin and Chief Financial Officer Mr. Chai Shouping of the Company.

2. The original copies of the documents and announcements of the Company published in the newspaper designated by the China Securities Regulatory Commission during the reporting period.

3. The Articles of Association of the Company.

CONFIRMATION FROM THE DIRECTORS AND SENIOR MANAGEMENT

According to the relevant provisions and requirements of the Securities Law of the People's Republic of China and the Measures for Information Disclosure of Companies Offering Shares to the Public promulgated by the China Securities Regulatory Commission, as the Directors and Senior Management of PetroChina Company Limited, we have carefully reviewed the interim report for 2017 and concluded that this interim report truly, accurately and completely represents the business performance of the Company in the first half of 2017, it contains no false representations, misleading statements or material omissions and complies with laws, regulations and the requirements of the China Securities Regulatory Commission.

Signatures of the Directors and Senior Management:

Wang Yilin	Zhang Jianhua	Wang Dongjin	Yu Baocai	Liu Yuezhen
Liu Hongbin	Hou Qijun	Duan Liangwei	Qin Weizhong	Lin Boqiang
Zhang Biyi	Elsie Leung Oi-sie	Tokuchi Tatsuhito	Simon Henry	Sun Longde
Huang Weihe	Xu Fugui	Lin Aiguo	Wu Enlai	Lv Gongxun
Tian Jinghui	Chai Shouping			

August 24, 2017

This interim report is prepared in English and Chinese. In the event of any inconsistency between the two versions, the Chinese version shall prevail.

PetroChina

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