

Edgar Filing: AMERICA MOVIL SA DE CV/ - Form SC 13D/A

AMERICA MOVIL SA DE CV/  
Form SC 13D/A  
June 21, 2004

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

SCHEDULE 13D  
(Rule 13d-101)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT TO  
RULE 13d-1(a) AND AMENDMENTS THERETO FILED  
PURSUANT TO RULE 13d-2(a)  
(Amendment No. 10)

America Movil, S.A. de C.V. (the "Issuer")

(Name of Issuer)

American Depositary Shares ("L Share ADSs"), each representing  
20 Series L Shares ("L Shares")  
American Depositary Shares ("A Share ADSs"), each representing  
20 Series A Shares ("A Shares")

(Title of Class of Securities)

02364W105 for L Share ADSs(1)  
02364W204 for A Share ADSs(2)

(CUSIP Number)

Rafael Robles Miaja  
Franck, Galicia y Robles, S.C.  
Torre del Bosque  
Boulevard Manuel Avila Camacho No. 24 piso 7  
Mexico 11000, Distrito Federal  
(525) 5540-9225

(Name, Address and Telephone Number of Person Authorized  
to Receive Notices and Communications)

June 17, 2004

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G  
to report the acquisition that is the subject of this Schedule 13D, and is  
filing this schedule because of Rule 13d-1(e), 13d-1(f) or 13d-1(g), check the  
following box ☐

(Continued on the following pages)

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(1) CUSIP number is for the L Share ADSs only. No CUSIP number exists for the underlying L Shares since such shares are not traded in the United States.

(2) CUSIP number is for the A Share ADSs only. No CUSIP number exists for the underlying A Shares since such shares are not traded in the United States.

CUSIP No. 02364W105 L Share ADSs 13D  
02364W204 A Share ADSs

1 NAMES OF REPORTING PERSONS  
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Carlos Slim Helu

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ☐  
(b) ☐

3 SEC USE ONLY

4 SOURCE OF FUNDS

AF (See Item 3)

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT  
TO ITEM 2(d) or 2(e) ☐

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Mexico

7 SOLE VOTING POWER

40,000 A Shares and 100,000 L Shares  
(See Items 5(a) and 5(b))

NUMBER OF SHARES  
BENEFICIALLY OWNED BY  
EACH REPORTING PERSON  
WITH

8 SHARED VOTING POWER

48,139,030 A Shares and 3,525,043,569 L Shares  
(See Items 5(a) and 5(b))

9 SOLE DISPOSITIVE POWER

40,000 A Shares and 100,000 L Shares  
(See Items 5(a) and 5(d))

10 SHARED DISPOSITIVE POWER

48,139,030 A Shares and 3,525,043,569 L Shares  
(See Items 5(a) and 5(d))

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

48,179,030 A Shares and 3,525,143,569 L Shares (See Item 5(a))

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES ☒

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

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15.9% of A Shares and 36.0% of L Shares (See Item 5(a))

14 TYPE OF REPORTING PERSON

IN

CUSIP No. 02364W105 L Share ADSs 13D  
02364W204 A Share ADSs

1 NAMES OF REPORTING PERSONS  
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Carlos Slim Domit

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ☐  
(b) ☐

3 SEC USE ONLY

4 SOURCE OF FUNDS

AF (See Item 3)

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT  
TO ITEM 2(d) or 2(e) ☐

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Mexico

7 SOLE VOTING POWER

8,132 L Shares (See Items 5(a) and 5(b))

NUMBER OF SHARES  
BENEFICIALLY OWNED BY  
EACH REPORTING PERSON  
WITH

8 SHARED VOTING POWER

48,139,030 A Shares and 3,525,043,569 L Shares  
(See Items 5(a) and 5(b))

9 SOLE DISPOSITIVE POWER

8,132 L Shares (See Items 5(a) and 5(d))

10 SHARED DISPOSITIVE POWER

48,139,030 A Shares and 3,525,043,569 L Shares  
(See Items 5(a) and 5(d))

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

48,139,030 A Shares and 3,525,051,701 L Shares (See Item 5(a))

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES ☒

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

15.9% of A Shares and 36.0% of L Shares (See Item 5(a))

14 TYPE OF REPORTING PERSON

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IN

CUSIP No. 02364W105 L Share ADSs 13D  
02364W204 A Share ADSs

- 1 NAMES OF REPORTING PERSONS  
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Marco Antonio Slim Domit

- 2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ☐  
(b) ☐

- 3 SEC USE ONLY

- 4 SOURCE OF FUNDS

AF (See Item 3)

- 5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT  
TO ITEM 2(d) or 2(e) ☐

- 6 CITIZENSHIP OR PLACE OF ORGANIZATION

Mexico

- 7 SOLE VOTING POWER

8,132 L Shares (See Items 5(a) and 5(b))

NUMBER OF SHARES  
BENEFICIALLY OWNED BY  
EACH REPORTING PERSON  
WITH

- 8 SHARED VOTING POWER

48,139,030 A Shares and 3,525,043,569 L Shares  
(See Items 5(a) and 5(b))

- 9 SOLE DISPOSITIVE POWER

8,132 L Shares (See Items 5(a) and 5(d))

- 10 SHARED DISPOSITIVE POWER

48,139,030 A Shares and 3,525,043,569 L Shares  
(See Items 5(a) and 5(d))

- 11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

48,139,030 A Shares and 3,525,051,701 L Shares (See Item 5(a))

- 12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES ☒

- 13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

15.9% of A Shares and 36.0% of L Shares (See Item 5(a))

- 14 TYPE OF REPORTING PERSON

IN

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CUSIP No. 02364W105 L Share ADSs 13D  
02364W204 A Share ADSs

- 1 NAMES OF REPORTING PERSONS  
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Patrick Slim Domit

- 2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ☐  
(b) ☐

- 3 SEC USE ONLY

- 4 SOURCE OF FUNDS

AF (See Item 3)

- 5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT  
TO ITEM 2(d) or 2(e) ☐

- 6 CITIZENSHIP OR PLACE OF ORGANIZATION

Mexico

- 7 SOLE VOTING POWER

8,134 L Shares (See Items 5(a) and 5(b))

NUMBER OF SHARES  
BENEFICIALLY OWNED BY  
EACH REPORTING PERSON  
WITH

- 8 SHARED VOTING POWER

48,139,030 A Shares and 3,525,043,569 L Shares  
(See Items 5(a) and 5(b))

- 9 SOLE DISPOSITIVE POWER

8,134 L Shares (See Items 5(a) and 5(d))

- 10 SHARED DISPOSITIVE POWER

48,139,030 A Shares and 3,525,043,569 L Shares  
(See Items 5(a) and 5(d))

- 11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

48,139,030 A Shares and 3,525,051,703 L Shares (See Item 5(a))

- 12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES ☒

- 13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

15.9% of A Shares and 36.0% of L Shares (See Item 5(a))

- 14 TYPE OF REPORTING PERSON

IN

CUSIP No. 02364W105 L Share ADSs 13D  
02364W204 A Share ADSs

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- 1 NAMES OF REPORTING PERSONS  
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)  
  
Maria Soumaya Slim Domit
- 2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ☐  
(b) ☐
- 3 SEC USE ONLY
- 4 SOURCE OF FUNDS  
  
AF (See Item 3)
- 5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT  
TO ITEM 2(d) or 2(e) ☐
- 6 CITIZENSHIP OR PLACE OF ORGANIZATION  
  
Mexico
- 7 SOLE VOTING POWER  
  
8,134 L Shares (See Items 5(a) and 5(b))
- 8 SHARED VOTING POWER  
NUMBER OF SHARES  
BENEFICIALLY OWNED BY  
EACH REPORTING PERSON  
WITH  
48,139,030 A Shares and 3,525,043,569 L Shares  
(See Items 5(a) and 5(b))
- 9 SOLE DISPOSITIVE POWER  
  
8,134 L Shares (See Items 5(a) and 5(d))
- 10 SHARED DISPOSITIVE POWER  
  
48,139,030 A Shares and 3,525,043,569 L Shares  
(See Items 5(a) and 5(d))
- 11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  
  
48,139,030 A Shares and 3,525,051,703 L Shares (See Item 5(a))
- 12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES ☒
- 13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  
  
15.9% of A Shares and 36.0% of L Shares (See Item 5(a))
- 14 TYPE OF REPORTING PERSON  
  
IN

CUSIP No. 02364W105 L Share ADSs 13D  
02364W204 A Share ADSs

- 1 NAMES OF REPORTING PERSONS  
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)  
  
Vanessa Paola Slim Domit

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2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ☐  
(b) ☐

3 SEC USE ONLY

4 SOURCE OF FUNDS

AF (See Item 3)

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) or 2(e) ☐

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Mexico

7 SOLE VOTING POWER

498,134 L Shares (See Items 5(a) and 5(b))

NUMBER OF SHARES  
BENEFICIALLY OWNED BY  
EACH REPORTING PERSON  
WITH

8 SHARED VOTING POWER

48,139,030 A Shares and 3,525,043,569 L Shares  
(See Items 5(a) and 5(b))

9 SOLE DISPOSITIVE POWER

498,134 L Shares (See Items 5(a) and 5(b))

10 SHARED DISPOSITIVE POWER

48,139,030 A Shares and 3,525,043,569 L Shares  
(See Items 5(a) and 5(d))

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

48,139,030 A Shares and 3,525,541,703 L Shares (See Item 5(a))

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES ☒

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

15.9% of A Shares and 36.0% of L Shares (See Item 5(a))

14 TYPE OF REPORTING PERSON

IN

CUSIP No. 02364W105 L Share ADSs 13D  
02364W204 A Share ADSs

1 NAMES OF REPORTING PERSONS  
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Johanna Monique Slim Domit

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ☐  
(b) ☐

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3 SEC USE ONLY

4 SOURCE OF FUNDS

AF (See Item 3)

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) or 2(e)

☐

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Mexico

7 SOLE VOTING POWER

570,134 L Shares (See Items 5(a) and 5(b))

NUMBER OF SHARES  
BENEFICIALLY OWNED BY  
EACH REPORTING PERSON  
WITH

8 SHARED VOTING POWER

48,139,030 A Shares and 3,525,043,569 L Shares  
(See Items 5(a) and 5(b))

9 SOLE DISPOSITIVE POWER

570,134 L Shares (See Items 5(a) and 5(b))

10 SHARED DISPOSITIVE POWER

48,139,030 A Shares and 3,525,043,569 L Shares  
(See Items 5(a) and 5(d))

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

48,139,030 A Shares and 3,525,613,703 L Shares (See Item 5(a))

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES

☒

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

15.9% of A Shares and 36.0% of L Shares (See Item 5(a))

14 TYPE OF REPORTING PERSON

IN

CUSIP No. 02364W105 L Share ADSs 13D  
02364W204 A Share ADSs

1 NAMES OF REPORTING PERSONS

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

America Telecom, S.A. de C.V.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a) ☐

(b) ☐

3 SEC USE ONLY

4 SOURCE OF FUNDS



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OO and WC (See Item 3)

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT  
TO ITEM 2(d) or 2(e) ☐

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Mexico

7 SOLE VOTING POWER

8 SHARED VOTING POWER

NUMBER OF SHARES  
BENEFICIALLY OWNED BY  
EACH REPORTING PERSON  
WITH

48,139,030 A Shares and 3,508,671,533 L Shares  
(See Items 5(a) and 5(b))

9 SOLE DISPOSITIVE POWER

10 SHARED DISPOSITIVE POWER

48,139,030 A Shares and 3,508,671,533 L Shares  
(See Items 5(a) and 5(d))

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

48,139,030 A Shares and 3,508,671,533 L Shares (See Item 5(a))

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES ☐

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

15.9% of A Shares and 35.9% of L Shares (See Item 5(a))

14 TYPE OF REPORTING PERSON

HC

CUSIP No. 02364W105 L Share ADSs 13D  
02364W204 A Share ADSs

1 NAMES OF REPORTING PERSONS  
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Grupo Financiero Inbursa, S.A. de C.V.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ☐  
(b) ☐

3 SEC USE ONLY

4 SOURCE OF FUNDS

WC and AF (See Item 3)

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT  
TO ITEM 2(d) or 2(e) ☐

6 CITIZENSHIP OR PLACE OF ORGANIZATION

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Mexico

- 7 SOLE VOTING POWER
- 8 SHARED VOTING POWER
- NUMBER OF SHARES  
BENEFICIALLY OWNED BY  
EACH REPORTING PERSON  
WITH
- 16,372,036 L Shares (See Items 5(a) and 5(b))
- 9 SOLE DISPOSITIVE POWER
- 10 SHARED DISPOSITIVE POWER
- 16,372,036 L Shares (See Items 5(a) and 5(d))
- 11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON
- 16,372,036 L Shares (See Item 5(a))
- 12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES ☐
- 13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)
- 0.2% of L Shares (See Item 5(a))
- 14 TYPE OF REPORTING PERSON
- HC

CUSIP No. 02364W105 L Share ADSs 13D  
02364W204 A Share ADSs

- 1 NAMES OF REPORTING PERSONS  
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)
- Carso Global Telecom, S.A. de C.V.
- 2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ☐  
(b) ☐
- 3 SEC USE ONLY
- 4 SOURCE OF FUNDS
- AF (See Item 3)
- 5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT  
TO ITEM 2(d) or 2(e) ☐
- 6 CITIZENSHIP OR PLACE OF ORGANIZATION
- Mexico

- 7 SOLE VOTING POWER
- 0-
- 8 SHARED VOTING POWER
- NUMBER OF SHARES

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BENEFICIALLY OWNED BY  
EACH REPORTING PERSON  
WITH

-0-

9 SOLE DISPOSITIVE POWER

-0-

10 SHARED DISPOSITIVE POWER

-0-

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

-0-

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES ☒

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

0.0%

14 TYPE OF REPORTING PERSON

HC

CUSIP No. 02364W105 L Share ADSs 13D  
02364W204 A Share ADSs

1 NAMES OF REPORTING PERSONS  
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Trust No. F/0008

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ☐  
(b) ☐

3 SEC USE ONLY

4 SOURCE OF FUNDS

WC (See Item 3)

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT  
TO ITEM 2(d) or 2(e) ☐

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Mexico

7 SOLE VOTING POWER

173,150,000 L Shares (See Items 5(a) and 5(b))

8 SHARED VOTING POWER

NUMBER OF SHARES  
BENEFICIALLY OWNED BY  
EACH REPORTING PERSON  
WITH

9 SOLE DISPOSITIVE POWER

173,150,000 L Shares (See Items 5(a) and 5(b))

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10 SHARED DISPOSITIVE POWER

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

173,150,000 L Shares (see Item 5(a))

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES ☐

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

2.0% of L Shares (see Item 5(a))

14 TYPE OF REPORTING PERSON

EP

CUSIP No. 02364W105 L Share ADSs 13D  
02364W204 A Share ADSs

1 NAMES OF REPORTING PERSONS

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Trust No. F/0395

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ☐  
(b) ☐

3 SEC USE ONLY

4 SOURCE OF FUNDS

WC (See Item 3)

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT  
TO ITEM 2(d) or 2(e) ☐

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Mexico

7 SOLE VOTING POWER

2,385,000 L Shares (See Items 5(a) and 5(b))

8 SHARED VOTING POWER

NUMBER OF SHARES  
BENEFICIALLY OWNED BY  
EACH REPORTING PERSON  
WITH

9 SOLE DISPOSITIVE POWER

2,385,000 L Shares (See Items 5(a) and 5(b))

10 SHARED DISPOSITIVE POWER

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

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2,385,000 L Shares (see Item 5(a))

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES ☐

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

0.0% of L Shares (see Item 5(a))

14 TYPE OF REPORTING PERSON

EP

CUSIP No. 02364W105 L Share ADSs 13D

02364W204 A Share ADSs

1 NAMES OF REPORTING PERSONS

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Fundacion Telmex, A.C.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) ☐

(b) ☐

3 SEC USE ONLY

4 SOURCE OF FUNDS

WC (See Item 3)

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT  
TO ITEM 2(d) or 2(e) ☐

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Mexico

7 SOLE VOTING POWER

20,000,000 L Shares (See Items 5(a) and 5(b))

8 SHARED VOTING POWER

NUMBER OF SHARES  
BENEFICIALLY OWNED BY  
EACH REPORTING PERSON  
WITH

9 SOLE DISPOSITIVE POWER

20,000,000 L Shares (See Items 5(a) and 5(b))

10 SHARED DISPOSITIVE POWER

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

20,000,000 L Shares (see Item 5(a))

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES ☐

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

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0.2% of L Shares (see Item 5(a))

14 TYPE OF REPORTING PERSON

PN

CUSIP No. 02364W105 L Share ADSs 13D  
02364W204 A Share ADSs

1 NAMES OF REPORTING PERSONS

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Asociacion Carso, A.C.

2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a) ☐

(b) ☐

3 SEC USE ONLY

4 SOURCE OF FUNDS

WC (See Item 3)

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT  
TO ITEM 2(d) or 2(e)

☐

6 CITIZENSHIP OR PLACE OF ORGANIZATION

Mexico

7 SOLE VOTING POWER

5,000,000 L Shares (See Items 5(a) and 5(b))

8 SHARED VOTING POWER

NUMBER OF SHARES  
BENEFICIALLY OWNED BY  
EACH REPORTING PERSON  
WITH

9 SOLE DISPOSITIVE POWER

5,000,000 L Shares (See Items 5(a) and 5(b))

10 SHARED DISPOSITIVE POWER

11 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

5,000,000 L Shares (see Item 5(a))

12 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES

☐

13 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

0.1% of L Shares (see Item 5(a))

14 TYPE OF REPORTING PERSON

PN

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## Item 2. Identity and Background.

Updated information regarding the members of the Slim Family and the executive officers and directors of each of America Telecom, GFI, CGT, Fundacion Telmex and Asociacion Carso are set forth in Schedule I attached hereto.

## Item 3. Source and Amount of Funds or Other Consideration.

In the period subsequent to the filing of Amendment No. 9 to the Schedule 13D filed with the Securities and Exchange Commission (the "SEC") on March 19, 2004 ("Amendment No. 9"), America Telecom has acquired 23,230,900 L Shares on the Mexican Stock Exchange for an aggregate amount of approximately U.S.\$41,131,440. The funds used to purchase such L Shares were obtained from the proceeds of borrowings and from the working capital of America Telecom.

## Item 4. Purpose of Transaction.

As discussed in Item 4 of the Schedule 13D filed by the Reporting Persons with the SEC on May 16, 2001, CGT and SBC International, Inc. ("SBC") were parties to a series of agreements (the "AM Agreements") which govern the ownership and voting of any and all future AA Shares, no par value (collectively, the "AA Shares"), of the Issuer, owned by such persons. Pursuant to the Spin-Off, America Telecom has succeeded to the rights and obligations of CGT under the AM Agreements. As of the date hereof, America Telecom currently owns, in the aggregate, approximately 67% of the issued and outstanding AA Shares.

Through its beneficial ownership of A Shares and AA Shares America Telecom may be deemed to control the Issuer. Except as set forth in this statement, none of the Reporting Persons currently has plans or proposals, which relate to or which would result in any of the actions or transactions described in paragraphs (a) through (j) of Item 4 of the instructions to Schedule 13D. However, from time to time the Reporting Persons may evaluate the possibility of acquiring additional A Shares and L Shares, disposing of A Shares and L Shares, or entering into corporate transactions involving the Issuer (including, but not limited to, joint ventures and/or other commercial arrangements with the Issuer). The Reporting Persons reserve the right to formulate plans or proposals regarding the Issuer or any of its securities and to carry out any of the actions or transactions described in paragraphs (a) through (j) of Item 4 of the instructions to this Schedule 13D, to the extent deemed advisable by the Reporting Persons.

## Item 5. Interest in Securities of the Issuer.

(a) The Reporting Persons have the following interests in A Shares and L Shares:

A Shares(1)		L Sh
Number	% of Class	Number

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Carlos Slim Helu(3).....	48,179,030	15.9%	3,525,143,569
Carlos Slim Domit(4).....	48,139,030	15.9%	3,525,051,701
Marco Antonio Slim Domit(5).....	48,139,030	15.9%	3,525,051,701
Patrick Slim Domit(6).....	48,139,030	15.9%	3,525,051,703
Maria Soumaya Slim Domit(7).....	48,139,030	15.9%	3,525,051,703
Vanessa Paola Slim Domit(8).....	48,139,030	15.9%	3,525,541,703
Johanna Monique Domit(9).....	48,139,030	15.9%	3,525,613,703
America Telecom(10).....	48,139,030	15.9%	3,508,671,533
GFI.....	--	--	16,372,036
CGT.....	--	--	--
Telmex Trust.....	--	--	173,150,000
Telnor Trust.....	--	--	2,385,000
Fundacion Telmex.....	--	--	20,000,000
Asociacion Carso.....	--	--	5,000,000

- 
- (1) Based upon 303,320,578 A Shares outstanding as of June 14, 2004. Includes A Shares held in the form of A Share ADSs. Except as otherwise indicated, all A Shares are held in the form of A Shares.
  - (2) Based upon 8,472,967,308 L Shares outstanding as of June 14, 2004. Includes L Shares held in the form of L Share ADSs. Other than in the case of the Telmex Trust, Telnor Trust, Fundacion Telmex and Asociacion Carso, L Share totals and percentages assume that all of the A Shares and 1,258,864,333 AA Shares held by the relevant Reporting Persons have been converted into L Shares in accordance with the restrictions set forth in Item 4 of Amendment No. 1 to Schedule 13D filed by the Reporting Persons with the SEC on May 16, 2001. Except as otherwise indicated, all L Shares are held in the form of L Shares.
  - (3) Includes 40,000 A Shares and 100,000 L Shares owned directly by Carlos Slim Helu, as well as A Shares and L Shares beneficially owned through GFI and America Telecom by trusts for the benefit of the Slim Family (the "Family Trust Shares"). All A Shares and L Shares owned by such trusts are deemed to be beneficially owned by each member of the Slim family that is a beneficiary of such trusts. Thus, beneficial ownership of A Shares and L Shares is deemed to be shared by each member of the Slim family.
  - (4) Includes 8,132 L Shares owned directly by Carlos Slim Domit, as well as the Family Trust Shares.
  - (5) Includes 8,132 L Shares owned directly by Marco Antonio Slim Domit, as well as the Family Trust Shares.
  - (6) Includes 8,134 L Shares owned directly by Patrick Slim Domit, as well as the Family Trust Shares.
  - (7) Includes 8,134 L Shares owned directly by Maria Soumaya Slim Domit, as well as the Family Trust Shares.
  - (8) Includes 498,134 L Shares owned directly by Vanessa Paola Slim Domit and her spouse, as well as the Family Trust Shares.
  - (9) Includes 570,134 L Shares owned directly by Johanna Monique Slim Domit and her spouse, as well as the Family Trust Shares.



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- (10) Assumes that America Telecom has purchased all of the L Shares that it is obligated to purchase under the Forward Share Purchase Transactions described in Item 6 of this statement. Includes 1,532,214,660 L Shares held in the form of L Share ADSs.

(c) All transactions in A Shares and L Shares during the period beginning 60 days prior to the event which requires the filing of this statement and ending on the date of this filing are listed in Schedule II-A hereto. The Schedule II to Amendment No. 9 inadvertently excluded certain purchases of L Shares, even though such purchases were included in the total number of L Shares reported as purchased in Item 3 to Amendment No. 9. These excluded purchases are listed in Schedule II-B hereto.

Item 6. Contracts, Arrangements, Understandings or Relationships  
-----  
With Respect to Securities of the Issuer.  
-----

CGT has entered into paired put and call options pursuant to which it has an option to purchase, and the relevant counterparty has an option to sell, L Shares (in the form of L Share ADSs) on the terms indicated below. Each such option is exercisable only on its maturity date, and may be settled in cash or L Shares.

Counterparty	Maturity Date	Number of L Shares	Strike Price per L Share	Net Aggregate Premiums
-----	-----	-----	-----	-----
JPMorgan Chase	August 30, 2004	30,000,000	US\$1.0826	US\$6,142,909
JPMorgan Chase	August 30, 2004	21,000,000	1.0306	4,074,841
JPMorgan Chase	August 30, 2004	19,000,000	1.0320	3,735,894
JPMorgan Chase	August 30, 2004	16,000,000	0.9104	2,775,305
JPMorgan Chase	August 30, 2004	14,000,000	0.9582	2,549,144

Additionally, America Telecom has entered into Forward Share Purchase Transactions pursuant to which it is obligated to buy L Shares (in the form of L Shares ADSs) from a counterparty on the terms specified below. The L Shares that are the subject of each contract listed below were sold to the counterparty at the inception of such contract, but for the purposes of this statement are treated as beneficially owned by America Telecom.

Counterparty	Maturity Date	Number of L Shares	Purchase Price per L Share	
-----	-----	-----	-----	
JPMorgan Chase	October 21, 2005	143,300,000	0.6978	L
JPMorgan Chase	December 19, 2005	55,555,560	0.7200	L
Wachovia Bank National Association	February 7, 2006	113,555,720	0.7045	L
JPMorgan Chase	February 7, 2006	40,828,640	0.6250	L

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JPMorgan Chase	March 29, 2006	219,620,000	0.6830	L
JPMorgan Chase	October 2, 2006	86,582,000	1.1550	L
Santander Central Hispano Benelux S.A.N.V.	April 10, 2008	136,800,000	0.7310	L
Santander Central Hispano Benelux S.A.N.V.	September 20, 2008	109,290,000	0.9150	L
Santander Central Hispano Benelux S.A.N.V.	October 10, 2008	86,806,000	1.1520	L
Santander Central Hispano Benelux S.A.N.V.	February 24, 2009	56,545,100	1.769	L
Dresdner Bank A.G.	March 5, 2009	55,050,940	1.817	L
Santander Central Hispano Benelux S.A. N.V.	May 5, 2009	28,571,440	1.750	L

Other than as disclosed herein and in Item 4 of this statement, there are no other contracts, arrangements, understandings or relationships (legal or otherwise) among the Reporting Persons and between such persons and any person with respect to A Shares or L Shares.

Item 7. Material to be Filed as Exhibits.  
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\* The Powers of Attorney filed as exhibits to Amendment No. 3 to the Schedule 13D and Amendment No. 9 to the Schedule 13D and the Joint Filing Agreement filed as an exhibit to Amendment No. 9 to the Schedule 13D filed by the Reporting Persons are hereby incorporated herein by reference.

## SIGNATURE

After reasonable inquiry, and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Carlos Slim Helu

-----  
Carlos Slim Domit

-----  
Marco Antonio Slim Domit

By: /s/ Eduardo Valdes Acra

-----  
Eduardo Valdes Acra  
Attorney-in-Fact  
June 17, 2004

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Patrick Slim Domit

Maria Soumaya Slim Domit

Vanessa Paola Slim Domit

Johanna Monique Slim Domit

AMERICA TELECOM, S.A. DE C.V.

By: Eduardo Valdes Acra  
Title: Attorney-in-Fact

CARSO GLOBAL TELECOM, S.A. DE C.V.

By: Eduardo Valdes Acra  
Title: Attorney-in-Fact

GRUPO FINANCIERO INBURSA, S.A. DE C.V.

By: Eduardo Valdes Acra  
Title: Attorney-in-Fact

BANCO INBURSA S.A.,  
INSTITUCION DE BANCA  
MULTIPLE, GRUPO FINANCIERO  
INBURSA, DIVISION  
FIDUCIARIA, AS TRUSTEE  
OF TRUST NO. F/0008

By: Eduardo Valdes Acra  
Title: Attorney-in-Fact

BANCO INBURSA S.A.,  
INSTITUCION DE BANCA  
MULTIPLE, GRUPO FINANCIERO  
INBURSA, DIVISION  
FIDUCIARIA, AS TRUSTEE  
OF TRUST NO. F/0395

By: Eduardo Valdes Acra  
Title: Attorney-in-Fact

FUNDACION TELMEX, A.C.

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-----  
By: Eduardo Valdes Acra  
Title: Attorney-in-Fact

ASOCIACION CARSO, A.C.

-----  
By: Eduardo Valdes Acra  
Title: Attorney-in-Fact

SCHEDULE I

All of the individuals listed below are citizens of Mexico.

THE SLIM FAMILY  
Paseo de las Palmas 736, Colonia Lomas de Chapultepec,  
11000 Mexico D.F., Mexico

Name ----	Principal Occupation -----
Carlos Slim Helu	Chairman Emeritus of the Board of Telefonos de Mexico, S.A. de C.V., and Chairman of the Board of America Movil, S.A. de C.V. and Carso Global Telecom, S.A. de C.V.
Carlos Slim Domit	Chairman of the Board of Telefonos de Mexico, S.A. de C.V., Chairman of Grupo Carso, S.A. De C.V. and President of Grupo Sanborns, S.A. de C.V.
Marco Antonio Slim Domit	Chairman of Grupo Financiero Inbursa, S.A. de C.V.
Patrick Slim Domit	Vice President of Commercial Markets of Telefonos de Mexico, S.A. de C.V.
Maria Soumaya Slim Domit	President of Museo Soumaya
Vanessa Paola Slim Domit	Private Investor
Johanna Monique Slim Domit	Private Investor

AMERICA TELECOM, S.A. de C.V.  
Insurgentes Sur 3500, Col. Pena Pobre Tlalpan, 14060 Mexico D.F., Mexico

Name and Position -----	Principal Occupation -----
Directors	

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Carlos Slim Helu (Director and Chairman of the Board)	Chairman Emeritus of the Board of Telefonos de Mexico de C.V., and Chairman of the Board of America Movil de C.V. and Carso Global Telecom, S.A. de C.V.
Jaime Chico Pardo (Director and Vice Chairman of the Board)	President of Telefonos de Mexico, S.A. de C.V.
Claudio X. Gonzalez Laporte (Director)	Chairman of the Board of Kimberly Clark de Mexico, S.A. de C.V.
Patrick Slim Domit (Director and Vice Chairman of the Board)	Vice President of Commercial Markets of Telefonos de Mexico, S.A. de C.V.
Juan Antonio Perez Simon (Director)	Vice-Chairman of Telefonos de Mexico, S.A. de C.V.
Carlos Slim Domit (Director)	Chairman of the Board of Telefonos de Mexico S.A. Chairman of Grupo Carso, S.A. de C.V. and President of Sanborns, S.A. de C.V.
Executive Officers	
Daniel Hajj Aboumrad (Chief Executive Officer)	Chief Executive Officer of America Telecom, S.A. de C.V. and Chief Executive Officer of Radiomovil Dipsa, S.A. de C.V.

GRUPO FINANCIERO INBURSA, S.A. de C.V.  
Paseo de las Palmas 736, Col. Lomas Chapultepec, 11000 Mexico D.F., Mexico

Name and Position -----	Principal Occupation -----
Directors	
Carlos Slim Helu (Chairman Emeritus)	Chairman Emeritus of the Board of Telefonos de Mexico de C.V., and Chairman of the Board of America Movil de C.V. and Carso Global Telecom, S.A. de C.V.
Marco Antonio Slim Domit (Chairman of the Board)	Chairman of Grupo Financiero Inbursa, S.A. de C.V.
Eduardo Valdes Acra (Vice-Chairman of the Board)	Chief Executive Officer of Inversora Bursatil, S.A. de C.V., Casa de Bolsa, Grupo Financiero Inbursa, S.A. de C.V.
Agustin Franco Macias (Director)	Chairman of Cryoinfra, S.A. de C.V.
Claudio X. Gonzalez Laporte (Director)	Chairman of the Board of Kimberly Clark de Mexico, S.A. de C.V.
Juan Antonio Perez Simon (Director)	Vice-Chairman of Telefonos de Mexico, S.A. de C.V.
David Ibarra Munoz (Director)	Independent Economist
Jose Kuri Harfush (Director)	President of Janel, S.A. de C.V.
Executive Officers	
Marco Antonio Slim Domit (President)	President of Grupo Financiero Inbursa, S.A. de C.V.

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CARSO GLOBAL TELECOM, S.A. de C.V.

Insurgentes Sur 3500, Col. Pena Pobre Tlalpan, 14060 Mexico D.F., Mexico

Name and Position  
-----

Principal Occupation  
-----

## Directors

Carlos Slim Helu  
(Director and Chairman Emeritus of the Board)

Chairman Emeritus of the Board of Telefonos de Mexico, S.A. de C.V., and Chairman of the Board of Telefonos de Mexico, S.A. de C.V. and Carso Global Telecom, S.A. de C.V.

Jaime Chico Pardo  
(Director and Vice Chairman of the Board)

President of Telefonos de Mexico, S.A. de C.V. and Vice President of Carso Global Telecom, S.A. de C.V.

Claudio X. Gonzalez Laporte (Director)

Chairman of the Board of Kimberly Clark de Mexico, S.A. de C.V.

C.P. Humberto Gutierrez  
Olvera Zubizarreta

General Director of Grupo Carso, S.A. de C.V.

Juan Antonio Perez Simon (Director)

Vice-Chairman of Telefonos de Mexico, S.A. de C.V. and Chairman of the Board of Sanborns Hermanos, S.A. de C.V.

Carlos Slim Domit  
(Director and Chairman of the Board)

Chairman of the Board of Telefonos de Mexico, S.A. de C.V. and Chairman of Grupo Carso, S.A. de C.V. and Sanborns, S.A. de C.V.

## Executive Officers

Armando Ibanez (Chief Financial Officer)

Chief Financial Officer of Carso Global Telecom, S.A. de C.V.

FUNDACION TELMEX, A.C.

Vizcainas No. 16, Colonia Centro, Delegacion Cuauhtemoc, 06080  
Mexico, D.F. Mexico

Name and Position  
-----

Principal Occupation  
-----

## Directors

Carlos Slim Helu (Chairman)

Chairman Emeritus of the Board of Telefonos de Mexico, S.A. de C.V., and Chairman of the Board of America Movil, S.A. de C.V. and Carso Global Telecom, S.A. de C.V.

Jaime Chico Pardo (Director)

President of Telefonos de Mexico, S.A. de C.V.

Arturo Elias Ayub (Director)

Executive Officer of Telefonos de Mexico, S.A. de C.V.

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Adolfo Cerezo Perez	Chief Financial Officer of Telefonos de Mexico, S.A. de C.V.
Mario Cobo Trujillo	Executive Officer of Telefonos de Mexico, S.A. de C.V.
Sergio Rodriguez Molleda	Counsel, Telefonos de Mexico, S.A. de C.V.

ASOCIACION CARSO, A.C.  
Insurgentes Sur 3500, Colonia Pena Pobre, 14000 Mexico, D.F., Mexico

Name and Position -----	Principal Occupation -----
 Directors	
Carlos Slim Helu	Chairman Emeritus of the Board of Telefonos de Mexico, S.A. de C.V. and Chairman of the Board of America Movil, S.A. de C.V. and Carso Global Telecom, S.A. de C.V.
Juan Antonio Perez Simon	Vice-Chairman of Telefonos de Mexico, S.A. de C.V.
C.P. Humberto Gutierrez Olvera Zubizarreta	General Director of Grupo Carso, S.A. de C.V.
Fernando Gerardo Chico Pardo	President of Promecap, S.C.
Marco Antonio Slim Domit	President of Grupo Financiero Inbursa, S.A. de C.V.
Carlos Slim Domit	Chairman of the Board of Telefonos de Mexico S.A. de C.V., Chairman of Grupo Carso, S.A. de C.V. and President of Sanborns, S.A. de C.V.
Patrick Slim Domit	Vice President of Commercial Markets of Telefonos of Mexico, S.A. de C.V.
Ignacio Cobo Gonzalez	Private Investor

### SCHEDULE II-A

For the period beginning 60 days prior to the event which requires the filing of this statement and on the date of this filing, the Reporting Persons set forth below effected the following transactions in L Shares on the Mexican Stock Exchange. The prices below reflect the consideration paid or received (in US\$ based upon the Fixed Rate published by the Banco de Mexico on the day preceding the trade date) per L Share on the relevant trade date.

Reporting Person -----	Type of Transaction -----	Trade Date -----	Number of L Shares -----	Average Price Per L Share -----
Telmex Trust	Sale	04/19/04	10,000	1.89
Telmex Trust	Sale	04/19/04	490,000	1.89
Telmex Trust	Sale	04/19/04	225,600	1.89

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Telmex Trust	Sale	04/19/04	7,000	1.89
Telmex Trust	Sale	04/19/04	4,800	1.89
Telmex Trust	Sale	04/19/04	262,600	1.88
Telmex Trust	Sale	04/20/04	200,000	1.90
Telmex Trust	Sale	04/20/04	2,500	1.90
Telmex Trust	Sale	04/20/04	50,000	1.90
Telmex Trust	Sale	04/20/04	20,000	1.90
Telmex Trust	Sale	04/20/04	21,700	1.90
Telmex Trust	Sale	04/20/04	5,800	1.90
Telmex Trust	Sale	04/20/04	2,500	1.91
Telmex Trust	Sale	04/20/04	7,500	1.91
Telmex Trust	Sale	04/20/04	190,000	1.91
Telmex Trust	Sale	04/20/04	10,000	1.91
Telmex Trust	Sale	04/20/04	10,000	1.91
Telmex Trust	Sale	04/20/04	180,000	1.91
Telmex Trust	Sale	04/20/04	300,000	1.91
Telmex Trust	Sale	04/21/04	260,000	1.90
Telmex Trust	Sale	04/21/04	250,000	1.88
Telmex Trust	Sale	04/21/04	200,000	1.89
Telmex Trust	Sale	04/21/04	150,000	1.88
Telmex Trust	Sale	04/21/04	140,000	1.88
Telmex Trust	Sale	04/22/04	200,000	1.89
Telmex Trust	Sale	04/22/04	5,100	1.89
Telmex Trust	Sale	04/22/04	294,900	1.89
Telmex Trust	Sale	04/22/04	200,000	1.89
Telmex Trust	Sale	04/22/04	300,000	1.89
Telmex Trust	Sale	04/23/04	20,000	1.90
Telmex Trust	Sale	04/23/04	9,000	1.90
Telmex Trust	Sale	04/23/04	171,000	1.90
Telmex Trust	Sale	04/23/04	5,000	1.90
Telmex Trust	Sale	04/23/04	4,800	1.91
Telmex Trust	Sale	04/23/04	4,500	1.91
Telmex Trust	Sale	04/23/04	85,700	1.91
Telmex Trust	Sale	04/23/04	100,000	1.91
Telmex Trust	Sale	04/23/04	300,000	1.92
Telmex Trust	Sale	04/23/04	500	1.91
Telmex Trust	Sale	04/23/04	299,500	1.91
Telmex Trust	Sale	04/26/04	150,000	1.88
Telmex Trust	Sale	04/26/04	100,000	1.89
Telmex Trust	Sale	04/26/04	150,000	1.89
Telmex Trust	Sale	04/26/04	100,000	1.88
Telmex Trust	Sale	04/26/04	5,000	1.88
Telmex Trust	Sale	04/26/04	195,000	1.88
Telmex Trust	Sale	04/26/04	1,900	1.88
Telmex Trust	Sale	04/26/04	298,100	1.88
Telmex Trust	Sale	04/27/04	200,000	1.88
Telmex Trust	Sale	04/27/04	100,000	1.88
Telmex Trust	Sale	04/27/04	5,000	1.88
Telmex Trust	Sale	04/27/04	95,000	1.88
Telmex Trust	Sale	04/27/04	100,000	1.88
Telmex Trust	Sale	04/27/04	100,000	1.88
Telmex Trust	Sale	04/27/04	200,000	1.89
Telmex Trust	Sale	04/27/04	150,000	1.88
Telmex Trust	Sale	04/27/04	50,000	1.90
GFI	Sale	04/28/04	350,000	1.91
GFI	Sale	04/28/04	95,700	1.89
GFI	Sale	04/28/04	104,300	1.90
GFI	Sale	04/28/04	200,000	1.86
Telmex Trust	Sale	04/28/04	95,000	1.92
Telmex Trust	Sale	04/28/04	105,000	1.92
Telmex Trust	Sale	04/28/04	250,000	1.92
Telmex Trust	Sale	04/28/04	300,000	1.92



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Telmex Trust	Sale	04/29/04	300,000	1.78
Telmex Trust	Sale	04/29/04	200,000	1.76
Telmex Trust	Sale	05/03/04	300,000	1.78
Telmex Trust	Sale	05/03/04	200,000	1.75
Telmex Trust	Sale	05/04/04	150,000	1.80
Telmex Trust	Sale	05/04/04	10,000	1.80
Telmex Trust	Sale	05/04/04	190,000	1.80
Telmex Trust	Sale	05/04/04	150,000	1.81
Telmex Trust	Sale	05/05/04	7,500	1.80
Telmex Trust	Sale	05/05/04	7,100	1.80
Telmex Trust	Sale	05/05/04	135,400	1.80
Telmex Trust	Sale	05/05/04	238,900	1.79
Telmex Trust	Sale	05/05/04	10,500	1.78
Telmex Trust	Sale	05/05/04	600	1.78
Telmex Trust	Sale	05/05/04	15,000	1.78
Telmex Trust	Sale	05/05/04	285,000	1.78
Telmex Trust	Sale	05/05/04	300,000	1.76
Telmex Trust	Sale	05/05/04	250,000	1.77
Telmex Trust	Sale	05/05/04	150,000	1.77
Telmex Trust	Sale	05/05/04	100,000	1.76
America Telecom	Purchase	05/10/04	19,500	1.61
America Telecom	Purchase	05/10/04	15,000	1.61
America Telecom	Purchase	05/10/04	14,000	1.61
America Telecom	Purchase	05/10/04	42,700	1.61
America Telecom	Purchase	05/10/04	7,300	1.61
America Telecom	Purchase	05/10/04	7,600	1.61
America Telecom	Purchase	05/10/04	12,300	1.61
America Telecom	Purchase	05/10/04	30,100	1.61
America Telecom	Purchase	05/10/04	49,900	1.61
America Telecom	Purchase	05/10/04	1,600	1.61
America Telecom	Purchase	05/10/04	50,000	1.61
America Telecom	Purchase	05/10/04	50,000	1.60
America Telecom	Purchase	05/10/04	20,000	1.60
America Telecom	Purchase	05/10/04	30,000	1.60
America Telecom	Purchase	05/10/04	41,500	1.60
America Telecom	Purchase	05/10/04	8,500	1.60
America Telecom	Purchase	05/10/04	22,000	1.60
America Telecom	Purchase	05/10/04	17,600	1.60
America Telecom	Purchase	05/10/04	10,400	1.60
America Telecom	Purchase	05/10/04	100,000	1.60
America Telecom	Purchase	05/10/04	47,100	1.60
America Telecom	Purchase	05/10/04	2,900	1.60
America Telecom	Purchase	05/10/04	30,000	1.60
America Telecom	Purchase	05/10/04	70,000	1.60
America Telecom	Purchase	05/10/04	12,300	1.59
America Telecom	Purchase	05/10/04	87,700	1.59
America Telecom	Purchase	05/10/04	50,000	1.59
America Telecom	Purchase	05/10/04	17,300	1.59
America Telecom	Purchase	05/10/04	32,700	1.59
America Telecom	Purchase	05/10/04	42,400	1.59
America Telecom	Purchase	05/10/04	7,600	1.59
America Telecom	Purchase	05/10/04	50,000	1.59
America Telecom	Purchase	05/10/04	43,000	1.59
America Telecom	Purchase	05/10/04	7,000	1.59
America Telecom	Purchase	05/10/04	5,900	1.59
America Telecom	Purchase	05/10/04	25,500	1.59
America Telecom	Purchase	05/10/04	18,600	1.59
America Telecom	Purchase	05/10/04	1,400	1.59
America Telecom	Purchase	05/10/04	32,000	1.59
America Telecom	Purchase	05/10/04	16,600	1.59
America Telecom	Purchase	05/10/04	5,000	1.59
America Telecom	Purchase	05/10/04	1,600	1.59

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America Telecom	Purchase	05/10/04	22,200	1.59
America Telecom	Purchase	05/10/04	21,200	1.60
America Telecom	Purchase	05/10/04	71,200	1.59
America Telecom	Purchase	05/10/04	28,800	1.59
America Telecom	Purchase	05/10/04	2,000	1.60
America Telecom	Purchase	05/10/04	10,000	1.60
America Telecom	Purchase	05/10/04	50,000	1.60
America Telecom	Purchase	05/10/04	10,000	1.60
America Telecom	Purchase	05/10/04	28,000	1.60
America Telecom	Purchase	05/10/04	20,000	1.60
America Telecom	Purchase	05/10/04	80,000	1.60
America Telecom	Purchase	05/11/04	100,000	1.67
America Telecom	Purchase	05/11/04	100,000	1.67
America Telecom	Purchase	05/11/04	26,100	1.67
America Telecom	Purchase	05/11/04	73,900	1.67
America Telecom	Purchase	05/11/04	7,300	1.67
America Telecom	Purchase	05/11/04	500	1.67
America Telecom	Purchase	05/11/04	9,500	1.67
America Telecom	Purchase	05/11/04	82,700	1.67
America Telecom	Purchase	05/11/04	4,000	1.67
America Telecom	Purchase	05/11/04	60,000	1.67
America Telecom	Purchase	05/11/04	36,000	1.67
America Telecom	Purchase	05/11/04	100,000	1.67
America Telecom	Purchase	05/11/04	25,000	1.68
America Telecom	Purchase	05/11/04	50,000	1.68
America Telecom	Purchase	05/11/04	3,000	1.68
America Telecom	Purchase	05/11/04	20,000	1.68
America Telecom	Purchase	05/11/04	100,000	1.68
America Telecom	Purchase	05/11/04	2,000	1.68
America Telecom	Purchase	05/11/04	71,400	1.68
America Telecom	Purchase	05/11/04	5,000	1.68
America Telecom	Purchase	05/11/04	23,600	1.68
America Telecom	Purchase	05/11/04	100,000	1.68
America Telecom	Purchase	05/11/04	78,400	1.68
America Telecom	Purchase	05/11/04	2,000	1.68
America Telecom	Purchase	05/11/04	19,600	1.68
America Telecom	Purchase	05/11/04	200	1.68
America Telecom	Purchase	05/11/04	40,000	1.68
America Telecom	Purchase	05/11/04	10,000	1.68
America Telecom	Purchase	05/11/04	49,800	1.68
America Telecom	Purchase	05/11/04	100,000	1.68
America Telecom	Purchase	05/11/04	100,000	1.68
America Telecom	Purchase	05/11/04	5,000	1.68
America Telecom	Purchase	05/11/04	50,000	1.68
America Telecom	Purchase	05/11/04	200	1.68
America Telecom	Purchase	05/11/04	44,800	1.68
America Telecom	Purchase	05/12/04	16,000	1.67
America Telecom	Purchase	05/12/04	84,000	1.67
America Telecom	Purchase	05/12/04	32,100	1.67
America Telecom	Purchase	05/12/04	1,000	1.68
America Telecom	Purchase	05/12/04	1,000	1.68
America Telecom	Purchase	05/12/04	2,000	1.68
America Telecom	Purchase	05/12/04	60,000	1.68
America Telecom	Purchase	05/12/04	3,900	1.68
America Telecom	Purchase	05/12/04	10,100	1.68
America Telecom	Purchase	05/12/04	60,000	1.68
America Telecom	Purchase	05/12/04	29,900	1.68
America Telecom	Purchase	05/12/04	50,300	1.68
America Telecom	Purchase	05/12/04	25,000	1.68
America Telecom	Purchase	05/12/04	24,700	1.68
America Telecom	Purchase	05/12/04	50,000	1.67
America Telecom	Purchase	05/12/04	5,900	1.68

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America Telecom	Purchase	05/12/04	400	1.68
America Telecom	Purchase	05/12/04	11,800	1.68
America Telecom	Purchase	05/12/04	391,900	1.68
America Telecom	Purchase	05/12/04	1,300	1.67
America Telecom	Purchase	05/12/04	20,000	1.68
America Telecom	Purchase	05/12/04	18,700	1.68
America Telecom	Purchase	05/12/04	30,900	1.68
America Telecom	Purchase	05/13/04	100,000	1.69
America Telecom	Purchase	05/13/04	100,000	1.69
America Telecom	Purchase	05/13/04	100,000	1.69
America Telecom	Purchase	05/13/04	1,800	1.69
America Telecom	Purchase	05/13/04	77,400	1.69
America Telecom	Purchase	05/13/04	20,800	1.69
America Telecom	Purchase	05/13/04	42,200	1.69
America Telecom	Purchase	05/13/04	57,800	1.69
America Telecom	Purchase	05/13/04	100,000	1.69
America Telecom	Purchase	05/13/04	100,000	1.69
America Telecom	Purchase	05/13/04	20,000	1.69
America Telecom	Purchase	05/13/04	80,000	1.69
America Telecom	Purchase	05/13/04	100,000	1.68
America Telecom	Purchase	05/13/04	9,600	1.68
America Telecom	Purchase	05/13/04	39,700	1.68
America Telecom	Purchase	05/13/04	50,000	1.68
America Telecom	Purchase	05/13/04	700	1.68
America Telecom	Purchase	05/13/04	25,000	1.69
America Telecom	Purchase	05/13/04	75,000	1.69
America Telecom	Purchase	05/13/04	25,000	1.69
America Telecom	Purchase	05/13/04	75,000	1.69
America Telecom	Purchase	05/13/04	5,100	1.68
America Telecom	Purchase	05/13/04	60,000	1.68
America Telecom	Purchase	05/13/04	100,000	1.68
America Telecom	Purchase	05/13/04	34,900	1.68
America Telecom	Purchase	05/13/04	25,100	1.68
America Telecom	Purchase	05/13/04	74,900	1.68
America Telecom	Purchase	05/14/04	15,000	1.69
America Telecom	Purchase	05/14/04	101,400	1.69
America Telecom	Purchase	05/14/04	83,600	1.69
America Telecom	Purchase	05/14/04	21,300	1.69
America Telecom	Purchase	05/14/04	78,700	1.69
America Telecom	Purchase	05/14/04	70,000	1.69
America Telecom	Purchase	05/14/04	30,000	1.69
America Telecom	Purchase	05/14/04	22,700	1.69
America Telecom	Purchase	05/14/04	77,300	1.69
America Telecom	Purchase	05/14/04	4,100	1.69
America Telecom	Purchase	05/14/04	15,500	1.69
America Telecom	Purchase	05/14/04	84,000	1.69
America Telecom	Purchase	05/14/04	96,400	1.69
America Telecom	Purchase	05/14/04	31,200	1.69
America Telecom	Purchase	05/14/04	68,800	1.69
America Telecom	Purchase	05/14/04	200,000	1.69
America Telecom	Purchase	05/14/04	1,000	1.68
America Telecom	Purchase	05/14/04	199,000	1.68
America Telecom	Purchase	05/14/04	51,000	1.68
America Telecom	Purchase	05/14/04	49,000	1.68
America Telecom	Purchase	05/14/04	1,300	1.68
America Telecom	Purchase	05/14/04	117,000	1.68
America Telecom	Purchase	05/14/04	53,700	1.68
America Telecom	Purchase	05/14/04	20,000	1.68
America Telecom	Purchase	05/14/04	2,000	1.68
America Telecom	Purchase	05/14/04	6,000	1.69
America Telecom	Purchase	05/17/04	36,700	1.64
America Telecom	Purchase	05/17/04	40,000	1.64

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America Telecom	Purchase	05/17/04	23,300	1.64
America Telecom	Purchase	05/17/04	100,000	1.64
America Telecom	Purchase	05/17/04	100,000	1.63
America Telecom	Purchase	05/17/04	6,000	1.63
America Telecom	Purchase	05/17/04	3,900	1.63
America Telecom	Purchase	05/17/04	8,300	1.63
America Telecom	Purchase	05/17/04	43,500	1.63
America Telecom	Purchase	05/17/04	30,000	1.63
America Telecom	Purchase	05/17/04	16,600	1.63
America Telecom	Purchase	05/17/04	91,700	1.63
America Telecom	Purchase	05/17/04	37,100	1.63
America Telecom	Purchase	05/17/04	40,000	1.63
America Telecom	Purchase	05/17/04	22,000	1.63
America Telecom	Purchase	05/17/04	900	1.64
America Telecom	Purchase	05/17/04	40,100	1.64
America Telecom	Purchase	05/17/04	30,000	1.64
America Telecom	Purchase	05/17/04	29,900	1.64
America Telecom	Purchase	05/17/04	18,700	1.64
America Telecom	Purchase	05/17/04	30,000	1.64
America Telecom	Purchase	05/17/04	30,000	1.64
America Telecom	Purchase	05/17/04	40,000	1.64
America Telecom	Purchase	05/17/04	10,000	1.64
America Telecom	Purchase	05/17/04	50,000	1.64
America Telecom	Purchase	05/17/04	21,300	1.64
America Telecom	Purchase	05/17/04	64,000	1.64
America Telecom	Purchase	05/17/04	5,500	1.64
America Telecom	Purchase	05/17/04	3,000	1.64
America Telecom	Purchase	05/17/04	6,000	1.64
America Telecom	Purchase	05/17/04	21,500	1.64
America Telecom	Purchase	05/17/04	100,000	1.64
America Telecom	Purchase	05/17/04	7,500	1.64
America Telecom	Purchase	05/17/04	92,500	1.64
America Telecom	Purchase	05/17/04	100,000	1.63
America Telecom	Purchase	05/17/04	95,300	1.63
America Telecom	Purchase	05/17/04	4,700	1.63
America Telecom	Purchase	05/17/04	99,500	1.63
America Telecom	Purchase	05/17/04	500	1.63
America Telecom	Purchase	05/18/04	33,000	1.67
America Telecom	Purchase	05/18/04	50,000	1.67
America Telecom	Purchase	05/18/04	2,000	1.67
America Telecom	Purchase	05/18/04	600	1.67
America Telecom	Purchase	05/18/04	5,000	1.67
America Telecom	Purchase	05/18/04	9,400	1.67
America Telecom	Purchase	05/18/04	42,000	1.67
America Telecom	Purchase	05/18/04	25,000	1.67
America Telecom	Purchase	05/18/04	33,000	1.67
America Telecom	Purchase	05/18/04	1,000	1.67
America Telecom	Purchase	05/18/04	82,100	1.67
America Telecom	Purchase	05/18/04	17,000	1.67
America Telecom	Purchase	05/18/04	59,000	1.67
America Telecom	Purchase	05/18/04	20,000	1.67
America Telecom	Purchase	05/18/04	4,000	1.67
America Telecom	Purchase	05/18/04	16,900	1.67
America Telecom	Purchase	05/18/04	1,000	1.68
America Telecom	Purchase	05/18/04	52,900	1.68
America Telecom	Purchase	05/18/04	42,000	1.68
America Telecom	Purchase	05/18/04	4,100	1.68
America Telecom	Purchase	05/18/04	7,000	1.68
America Telecom	Purchase	05/18/04	2,000	1.68
America Telecom	Purchase	05/18/04	91,000	1.68
America Telecom	Purchase	05/18/04	1,000	1.68
America Telecom	Purchase	05/18/04	67,800	1.68

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America Telecom	Purchase	05/18/04	9,000	1.68
America Telecom	Purchase	05/18/04	10,000	1.68
America Telecom	Purchase	05/18/04	12,000	1.68
America Telecom	Purchase	05/18/04	200	1.68
America Telecom	Purchase	05/18/04	2,800	1.68
America Telecom	Purchase	05/18/04	4,000	1.68
America Telecom	Purchase	05/18/04	2,000	1.68
America Telecom	Purchase	05/18/04	1,000	1.68
America Telecom	Purchase	05/18/04	1,000	1.68
America Telecom	Purchase	05/18/04	1,000	1.68
America Telecom	Purchase	05/18/04	2,000	1.68
America Telecom	Purchase	05/18/04	2,500	1.68
America Telecom	Purchase	05/18/04	2,000	1.68
America Telecom	Purchase	05/18/04	2,000	1.68
America Telecom	Purchase	05/18/04	1,000	1.68
America Telecom	Purchase	05/18/04	7,300	1.68
America Telecom	Purchase	05/18/04	1,000	1.68
America Telecom	Purchase	05/18/04	2,000	1.68
America Telecom	Purchase	05/18/04	2,000	1.68
America Telecom	Purchase	05/18/04	3,000	1.68
America Telecom	Purchase	05/18/04	2,000	1.68
America Telecom	Purchase	05/18/04	2,100	1.68
America Telecom	Purchase	05/18/04	10,000	1.68
America Telecom	Purchase	05/18/04	3,000	1.68
America Telecom	Purchase	05/18/04	2,000	1.68
America Telecom	Purchase	05/18/04	2,000	1.68
America Telecom	Purchase	05/18/04	5,000	1.68
America Telecom	Purchase	05/18/04	37,300	1.68

## SCHEDULE II-B

The purchases listed below were inadvertently excluded from Schedule II to Amendment No. 9.

Reporting Person	Type of Transaction	Trade Date	Number of L Shares	Average Price Per L Share
America Telecom	Purchase	03/15/04	25,000	1.77
America Telecom	Purchase	03/15/04	10,000	1.77
America Telecom	Purchase	03/15/04	10,000	1.77
America Telecom	Purchase	03/15/04	40,000	1.77
America Telecom	Purchase	03/15/04	25,000	1.77
America Telecom	Purchase	03/15/04	1,000	1.77
America Telecom	Purchase	03/15/04	2,000	1.77
America Telecom	Purchase	03/15/04	2,900	1.77
America Telecom	Purchase	03/15/04	44,200	1.77
America Telecom	Purchase	03/15/04	24,900	1.77
America Telecom	Purchase	03/15/04	25,100	1.77
America Telecom	Purchase	03/15/04	34,900	1.77
America Telecom	Purchase	03/15/04	3,000	1.77
America Telecom	Purchase	03/15/04	25,000	1.77
America Telecom	Purchase	03/15/04	30,000	1.77
America Telecom	Purchase	03/15/04	12,000	1.77
America Telecom	Purchase	03/15/04	60,000	1.77
America Telecom	Purchase	03/15/04	16,000	1.76
America Telecom	Purchase	03/15/04	64,000	1.76
America Telecom	Purchase	03/15/04	10,000	1.76
America Telecom	Purchase	03/15/04	2,000	1.77
America Telecom	Purchase	03/15/04	20,000	1.77

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America Telecom	Purchase	03/15/04	25,000	1.77
America Telecom	Purchase	03/15/04	13,000	1.77
America Telecom	Purchase	03/15/04	17,600	1.77
America Telecom	Purchase	03/15/04	1,700	1.77
America Telecom	Purchase	03/15/04	40,700	1.77
America Telecom	Purchase	03/15/04	9,300	1.77
America Telecom	Purchase	03/15/04	30,700	1.77
America Telecom	Purchase	03/15/04	4,300	1.77
America Telecom	Purchase	03/15/04	50,000	1.77
America Telecom	Purchase	03/15/04	100,000	1.77
America Telecom	Purchase	03/15/04	45,700	1.77
America Telecom	Purchase	03/15/04	50,000	1.77
America Telecom	Purchase	03/15/04	11,000	1.77
America Telecom	Purchase	03/15/04	14,000	1.77
America Telecom	Purchase	03/15/04	3,000	1.77
America Telecom	Purchase	03/15/04	72,000	1.77
America Telecom	Purchase	03/15/04	11,700	1.77
America Telecom	Purchase	03/15/04	50,000	1.78
America Telecom	Purchase	03/15/04	10,000	1.78
America Telecom	Purchase	03/15/04	100,000	1.78
America Telecom	Purchase	03/15/04	1,000	1.79
America Telecom	Purchase	03/15/04	19,000	1.79
America Telecom	Purchase	03/15/04	4,000	1.79
America Telecom	Purchase	03/15/04	28,600	1.79
America Telecom	Purchase	03/15/04	60,000	1.79
America Telecom	Purchase	03/15/04	2,300	1.79
America Telecom	Purchase	03/15/04	38,800	1.79
America Telecom	Purchase	03/15/04	19,400	1.79
America Telecom	Purchase	03/15/04	5,200	1.79
America Telecom	Purchase	03/15/04	40,000	1.79
America Telecom	Purchase	03/15/04	34,800	1.79
America Telecom	Purchase	03/15/04	2,600	1.79
America Telecom	Purchase	03/15/04	22,600	1.79
America Telecom	Purchase	03/15/04	15,000	1.79
America Telecom	Purchase	03/15/04	63,000	1.79
America Telecom	Purchase	03/15/04	22,000	1.79
America Telecom	Purchase	03/15/04	100,000	1.79
America Telecom	Purchase	03/15/04	23,500	1.78
America Telecom	Purchase	03/15/04	26,500	1.78
America Telecom	Purchase	03/15/04	13,500	1.78
America Telecom	Purchase	03/15/04	40,000	1.78
America Telecom	Purchase	03/15/04	40,000	1.78
America Telecom	Purchase	03/15/04	6,500	1.78
America Telecom	Purchase	03/15/04	71,500	1.78
America Telecom	Purchase	03/15/04	2,500	1.78
America Telecom	Purchase	03/15/04	26,000	1.78
America Telecom	Purchase	03/15/04	45,000	1.78
America Telecom	Purchase	03/15/04	55,000	1.78
America Telecom	Purchase	03/16/04	29,000	1.79
America Telecom	Purchase	03/16/04	9,700	1.79
America Telecom	Purchase	03/16/04	40,000	1.79
America Telecom	Purchase	03/16/04	21,000	1.79
America Telecom	Purchase	03/16/04	300	1.79
America Telecom	Purchase	03/16/04	100,000	1.79
America Telecom	Purchase	03/16/04	100,000	1.79
America Telecom	Purchase	03/16/04	35,400	1.79
America Telecom	Purchase	03/16/04	50,000	1.79
America Telecom	Purchase	03/16/04	14,600	1.79
America Telecom	Purchase	03/16/04	75,000	1.80
America Telecom	Purchase	03/16/04	25,000	1.80
America Telecom	Purchase	03/16/04	45,000	1.80
America Telecom	Purchase	03/16/04	55,000	1.80

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America Telecom	Purchase	03/16/04	40,000	1.79
America Telecom	Purchase	03/16/04	7,200	1.79
America Telecom	Purchase	03/16/04	40,000	1.79
America Telecom	Purchase	03/16/04	12,800	1.79
America Telecom	Purchase	03/16/04	32,200	1.79
America Telecom	Purchase	03/16/04	50,000	1.79
America Telecom	Purchase	03/16/04	2,600	1.79
America Telecom	Purchase	03/16/04	10,000	1.79
America Telecom	Purchase	03/16/04	5,200	1.79
America Telecom	Purchase	03/16/04	72,600	1.79
America Telecom	Purchase	03/16/04	27,400	1.79
America Telecom	Purchase	03/16/04	100,000	1.79
America Telecom	Purchase	03/16/04	59,500	1.79
America Telecom	Purchase	03/16/04	40,000	1.79
America Telecom	Purchase	03/16/04	500	1.79
America Telecom	Purchase	03/16/04	97,500	1.79
America Telecom	Purchase	03/16/04	700	1.79
America Telecom	Purchase	03/16/04	1,800	1.79
America Telecom	Purchase	03/16/04	100,000	1.79
America Telecom	Purchase	03/16/04	99,500	1.79
America Telecom	Purchase	03/16/04	500	1.79
America Telecom	Purchase	03/16/04	12,500	1.79
America Telecom	Purchase	03/16/04	87,500	1.79
America Telecom	Purchase	03/16/04	27,500	1.78
America Telecom	Purchase	03/16/04	36,100	1.78
America Telecom	Purchase	03/16/04	36,400	1.78
America Telecom	Purchase	03/16/04	3,600	1.78
America Telecom	Purchase	03/16/04	90,000	1.78
America Telecom	Purchase	03/16/04	1,300	1.78
America Telecom	Purchase	03/16/04	500	1.78
America Telecom	Purchase	03/16/04	4,600	1.78
America Telecom	Purchase	03/16/04	100,000	1.78
America Telecom	Purchase	03/16/04	5,000	1.78
America Telecom	Purchase	03/16/04	13,100	1.78
America Telecom	Purchase	03/16/04	27,700	1.78
America Telecom	Purchase	03/16/04	1,600	1.78
America Telecom	Purchase	03/16/04	1,200	1.78
America Telecom	Purchase	03/16/04	3,600	1.78
America Telecom	Purchase	03/16/04	11,000	1.78
America Telecom	Purchase	03/16/04	3,800	1.78
America Telecom	Purchase	03/16/04	33,000	1.78
America Telecom	Purchase	03/16/04	94,000	1.78
America Telecom	Purchase	03/16/04	6,000	1.78

damages or business interruption insurance since such insurance coverage is not customary in the PRC. While the effect of under-insurance on future incidents cannot be reasonably assessed at present, management believes that it may have a material impact on the results of operations but will not have a material adverse effect on the financial position of the Group. - Others On November 13, 2005, explosions occurred at the dianil plant of a branch of the Company located in the Jilin Province. The impact of the accident is undergoing government investigation. The incident shows that the Company needs further strengthening of its operational safety and environmental protection. The Company has realized the seriousness of the issue and has stepped up its efforts in securing operational safety and environmental protection. The Company will bear resultant liabilities caused by the explosions based on the results of the investigation. (photo) 37 CORPORATE GOVERNANCE REPORT The Company has always duly complied with the regulatory provisions of the jurisdictions in which its shares are listed, standardized its operations and promoted the continuous improvement of the level of corporate governance. In 2005, the Company commenced a series of work with outstanding results in respect of the Rules Governing the Listing of Securities on The Stock Exchange of Hong

Kong Limited (the "Listing Rules") in Hong Kong and the Sarbanes-Oxley Act in the United States. The Company amended its Articles of Association and the Work Manual of the Board of Directors. The Company also formulated the Organizational and Work Rules of the Audit Committee. As a result, the information disclosure system and related work processes have been further improved. Under the guidance of the above regulatory documentation, efficient checks and balances mechanism was achieved within the Company through coordination among the shareholders' general meeting, the Board of Directors and its related special board committees, the Supervisory Committee and the management headed by the President. The internal management and operation of the Company were further standardized. The Company's management is stable and pragmatic and abides by its undertakings. The Company provides updated, accurate, complete and reliable information with respect to the Company to all market participants and regulatory authorities and by so doing enhances the value of the Company continuously. The Company's website ([www.petrochina.com.cn](http://www.petrochina.com.cn)) contains information on corporate governance and mechanism for assessment of performance and for incentives and restrictions of the Company, information disclosure and transparency, the relationship between CNPC and the Company, performance of duty by independent non-executive directors, professional and ethical code for senior management personnel, code of conduct for staff and workers, and significant differences in corporate governance structure pursuant to the requirements under section 303A.11 of the New York Stock Exchange Listed Company Manual. You may access such information by following these steps: (1) From our main web page, click "Investor Relations" (2) Next, click "Corporate Governance Structure" (3) Finally, click on the information you are looking for.

**COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE PRACTICES**

The interim report of the Company dated August 24, 2005 discloses that the composition of the Examination and Remuneration Committee is not in compliance with B.1.1 of the Code of Corporate Governance Practices (the "CODE") set out in Appendix 14 of the Listing Rules. The Company has already appointed an additional independent non-executive director in the Examination and Remuneration Committee in November 2005 and such committee is now composed of a majority of independent non-executive directors in compliance with the provisions of the Code. Save as described above, since the listing of the H shares of the Company on the HKSE, the Company has complied with the Code applicable to the relevant reporting period.

**SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the provisions of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Listing Rules in respect of the dealings of the Company's shares by its directors. The Directors and the Supervisors have confirmed that they have complied with the requirements under the Model Code.

**BOARD OF DIRECTORS**

Pursuant to the Work Manual of the Board of Directors, the Board of Directors convened 4 ordinary meetings, 4 extraordinary meetings and 11 meetings of special committees and passed 37 Board resolutions and 10 opinions of committees were submitted during the reporting period. The members of the Company's Board of Directors and the rate of attendance of Directors at ordinary Board meetings are as follows (Note 2):

POSITION NAME	ATTENDANCE RATE (%)
Chairman Chen Geng	100 (50 of which by proxy)
Vice Chairman Jiang Jiemin	100 (25 of which by proxy)
Executive Directors Su Shulin	100 (75 of which by proxy)
Non-executive Directors Zheng Hu	100 (25 of which by proxy)
Zhou Jiping	100 (25 of which by proxy)
Wang Yilin (Note 1)	100
Zeng Yukang (Note 1)	100
Gong Huazhang	100 (25 of which by proxy)
Jiang Fan (Note 1)	100
Independent Non-executive Directors Chee-Chen Tung	100 (25 of which by proxy)
Liu Hongru	100 (50 of which by proxy)
Franco Bernabe	100 (25 of which by proxy)

39 Notes: Note 1. Wang Yilin, Zeng Yukang and Jiang Fan only became Directors on November 8, 2005. They only attended the first meeting of the Third Term of the Board of Directors. Note 2. Ren Chuanjun, Wang Fucheng and Zou Haifeng resigned on November 8, 2005. Their attendance rates of ordinary Board meetings during the year were 67%, 100% and 100% respectively. There is no relationship (including financial, business, family or other material/relevant relationship(s)) among members of the Board of Directors and between the Chairman and the chief executive officer.

**OPERATIONS OF THE BOARD OF DIRECTORS**

The Company's Board of Directors is elected by the Company's shareholders' general meeting through voting and is held accountable to the shareholders' general meeting. The Board of Directors is the highest decision-making authority during the adjournment of the shareholders' general meeting. The primary responsibilities of the Board of Directors are to provide strategic guidance to the Company, exercise effective supervision over the management staff, ensure that the Company's interests are protected and are accountable to the shareholders. The Board of Directors makes decisions on certain important matters, including strategic proposals and long and medium-term planning; annual business plans and investment plans; annual financial budgets; annual criteria for assessment of the performance of members of working units of the Company and annual remuneration plans; interim



and annual financial reports; preliminary distribution plans in respect of interim profit and full year profit; and material issues involving development, acquisition or corporate reorganization of the Company. The Directors and the Board of Directors of the Company carry out corporate governance duties in respect of the Company in a serious and responsible manner. The Directors are elected following the procedures for election and appointment of Directors provided for in the Articles of Association of the Company. The Directors attend Board meetings in a serious and responsible manner, perform their duties as Directors earnestly and diligently, make important decisions concerning the Company, appoint, dismiss and supervise the members of the operation units of the Company, communicate with shareholders, and strengthen and consolidate itself. The Company has established a system of independent directors. There are three independent non-executive Directors in the Board of Directors, in compliance with the minimum number of independent non-executive Directors required under the Listing Rules. The Company has received a confirmation of independence from each of the three independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company considers that the three non-executive Directors are completely independent of the Company, its majority shareholders and its affiliates and comply fully with the requirements concerning independent non-executive Directors under the Listing Rules. Mr Liu Hongru, an independent non-executive director of the Company, has appropriate accounting and financial expertise as required 40 under Rule 3.10 of the Listing Rules. Please see the Brief Biography of the Directors, a section under the Board of Directors' Report for biographical details of Mr Liu Hongru. The three independent non-executive Directors do not hold other positions in the Company. They perform their duties seriously, protect the rights and interests of minority shareholders independently and objectively, and provide checks and balances in the decision-making of the Board of Directors according to the Articles of Association of the Company and the relevant requirements under the applicable laws and regulations. The Board of Directors has established the Audit Committee, the Investment and Development Committee, the Examination and Remuneration Committee and the Health, Safety and Environmental Protection Committee. The main responsibility of these committees is to provide support to the Board of Directors in decision-making. The Directors participating in the special committees focus their studies on particular issues according to their areas of expertise and make recommendations for the improvement of the corporate governance level of the Company. THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER Mr Chen Geng is the Chairman of the Board of Directors of the Company. Mr Jiang Jiemin is the Vice Chairman and President of the Company. Pursuant to the Articles of Association of the Company, the primary duties and responsibilities of the Chairman are chairing the shareholders' general meetings and convening and holding meetings of the Board of Directors, checking the implementation of Board resolutions, signing share certificates issued by the Company, and other duties and power authorized under the Articles of Association and by the Board of Directors. The key duties and responsibilities of the President are taking care of production, operation and management matters, organizing the implementation of Board resolutions, organizing the implementation of annual business plans and investment plans of the Company, formulating plans for the establishment of internal management institutions of the Company, devising the basic management system of the Company, formulating specific rules and regulations of the Company, advising the Board of Directors to appoint or dismiss Senior Vice Presidents, Vice Presidents, the Financial Controller and other senior management personnel, appointing or dismissing management staff other than those that should be appointed or dismissed by the Board of Directors, and performing other duties and power authorized by the Articles of Association and the Board of Directors. TERM OF OFFICE OF NON-EXECUTIVE DIRECTORS Pursuant to the Company's Articles of Association, the Directors shall be elected by the shareholders' general meeting and serve a term of three years. Upon the expiry of their term of office, the Directors may be re-elected for another term. 41 REMUNERATION OF DIRECTORS The Examination and Remuneration Committee of the Company comprises two independent non-executive Directors, Mr Liu Hongru as chief committee member and Mr Chee-Chen Tung as member, and a non-executive Director, Mr Zheng Hu. This is in compliance with the provisions of the Code. Since the listing of the Company in 2000, there have been three changes to the composition of the Examination and Remuneration Committee. The Work Manual of the Board of Directors of the Company specifies the duties and responsibilities and work system of the Examination and Remuneration Committee. The terms of reference of the Examination and Remuneration Committee are included in the Work Manual of the Board of Directors and set out in the Company's website ([www.petrochina.com.cn](http://www.petrochina.com.cn)). The main duties and responsibilities of the Examination and Remuneration Committee are organizing appraisal of the President and submitting a report to the Board of Directors, supervising the appraisals of Senior Vice Presidents, Vice Presidents, the Financial Controller and other senior officers under the leadership of the President, studying the incentive scheme,

remuneration system and stock option plan of the Company, monitor and assess the effects of their implementation, and put forward opinions on reform and improvement. The Examination and Remuneration Committee held two meetings in 2005. All of the three members (Liu Hongru, Zheng Hu and Zou Haifeng) attended the 9th meeting of the Examination and Remuneration Committee of the Second Term of the Board of Directors. The 1st meeting of the Examination and Remuneration Committee of the Third Term of the Board of Directors was held by way of circulation. A summary of the work of the Examination and Remuneration Committee of the Company in 2005 is as follows: The 9th meeting of the Examination and Remuneration Committee of the Second Term of the Board of Directors reviewed the "Report on the Examination of the Completion of Performance Targets by the President's Team in 2004 and the Formulation of Performance Contracts in 2005". The 1st meeting of the Examination and Remuneration Committee of the Third Term of the Board of Directors reviewed the "Resolution on the Modification of the Standard Basic Remuneration and Annual Performance Remuneration of the President's Work Team". 42

**NOMINATION OF DIRECTORS** Pursuant to the Company's Articles of Association, election and replacement of Directors shall be proposed to the shareholders' general meeting for approval. Shareholders whose shareholding represents 5% or more of the voting shares of the Company are entitled to make such proposal and request the Board of Directors to authorize the Chairman to consolidate a list of the director candidates nominated by the shareholders who are entitled to make a proposal. As authorized by the Board of Directors, the Chairman shall consolidate a list of the director candidates and order the Secretariat of the Board of Directors together with the relevant departments to prepare the relevant procedural documents, including but not limited to invitations to serve as Director, confirmation letters, resume of candidates and letters of resignations. The Secretariat of the Board of Directors is responsible for requesting the Chairman and/or the shareholders entitled to make a proposal to issue invitations to serve as Director to the director candidates. The director candidates will sign the confirmation letters. At the same time, resigning Directors are required to sign resignation letters. Pursuant to the Company's Articles of Association, the Company is required to issue a notice of the shareholders' meeting to shareholders in writing 45 days in advance and send a circular to shareholders. Pursuant to Rule 13.51(2) of the Listing Rules, the list, resume and emoluments of the director candidates must be set out in the circular to shareholders to facilitate the making of discretionary voting by shareholders. The new Directors must be approved by more than half of the total voting shares held by the shareholders or the independent shareholders present in person or by proxy in the shareholders' general meeting. The Company has not established a Nomination Committee.

**AUDITORS' REMUNERATION** The external auditors of the Company are PricewaterhouseCoopers (Certified Public Accountants, Hong Kong). It provides auditing services to the Company. During the reporting period, the Company paid an aggregate of RMB50 million to its auditors as fees for their professional audit services. In the annual general meeting of shareholders for 2004 held on May 26, 2005, the renewal of the appointment of PricewaterhouseCoopers Zhong Tian CPAs Company Limited and PricewaterhouseCoopers as domestic and international auditors respectively for the Company in 2005 was approved, and the Board of Directors was authorized to determine the remuneration for the auditors in 2005. 43

**AUDIT COMMITTEE** The Audit Committee of the Company comprises one non-executive director and three independent non-executive directors. Under the Organizational and Work Rules of the Audit Committee, the chairman of the Committee must be an independent non-executive director and all resolutions of the Committee must be approved by the independent non-executive directors. In the Organizational and Work Rules of the Audit Committee discussed and adopted in the 10th meeting of the Second Term of the Board of Directors held on June 8, 2005, the terms of reference of the Audit Committee are clarified and reinforced in accordance with the requirements under the Listing Rules. The responsibilities of the Audit Committee of the Company are set out in the Company's website ([www.petrochina.com.cn](http://www.petrochina.com.cn)). The major responsibilities of the Audit Committee of the Company are supervising the completeness and the process of the financial reporting of the Company to ensure true, fair and transparent disclosure of financial information; evaluating the effectiveness of the internal control and risk management framework; inspecting and monitoring the internal audit functions; reviewing and monitoring the appointment and work of external auditors, including the conduct of annual reviews on the performance of external auditors, and, in conjunction with the Supervisory Committee, submitting proposals for the appointment, renewal of appointment and dismissal of external auditors and the fees for audit services to the shareholders' general meeting; receiving, keeping and dealing with complaints regarding accounting, internal control or audit matters that the Company is aware of; receiving and dealing with employees' complaints or anonymous reports regarding accounting or audit matters and ensuring the confidentiality of such complaints or reports; and performing other responsibilities as may be required under the

Listing Rules from time to time. During the reporting period, the Audit Committee held three regular meetings. The opinions of the Audit Committee will be presented to the Board of Directors and acted upon (where appropriate). The members of the Audit Committee and their rate of attendance of meetings are as follows: POSITION NAME ATTENDANCE RATE (%) ----- Chairman Franco Bernabe 100 Member Chee-Chen Tung 67 Member Liu Hongru 100 Member Gong Huazhang 100 44 The following are the work reports prepared by the Audit Committee in respect of the performance of its responsibilities relating to the interim and annual results and the review of the internal supervision and control system and the performance of the other responsibilities set out in the Code during the reporting period: the Audit Opinion of the Audit Committee of the Board of Directors on the Financial Report for 2004 the Audit Opinion of the Audit Committee of the Board of Directors on the draft Profit Distribution Plan for 2004 the Audit Opinion of the Audit Committee of the Board of Directors on the Interim Financial Report for 2005 and Other Matters the Audit Opinion of the Audit Committee of the Board of Directors on the Interim Profit Distribution Plan for 2005 SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETINGS To ensure that all shareholders of the Company enjoy equal rights and exercise their rights effectively, the Company convenes the shareholders' general meeting every year pursuant to its Articles of Association. In the shareholders' general meeting for 2004 held on May 26, 2005, 6 ordinary resolutions and 2 special resolutions authorizing the amendment of the Company's Articles of Association and the granting of the general mandate to the Board of Directors to issue the Company's shares were passed and approved. In the first extraordinary shareholders' meeting held on August 16, 2005, 4 ordinary resolutions including 1 resolution on the acquisition of additional interest in Newco were passed and approved. In the second extraordinary shareholders' meeting held on November 8, 2005, 16 resolutions were passed and approved relating to the election of Directors of the Company, the election of the Supervisors of the Company, and the application by the Company to the HKSE for the renewal of ongoing connected transactions and related caps between 2006 and 2008. Pursuant to the relevant provisions of the Listing Rules, as the controlling shareholder and a connected person of the Company, CNPC has waived its right to vote for or against the 4 resolutions passed in the first extraordinary shareholders' meeting and certain part of the third resolution passed in the second extraordinary shareholders' meeting. Such resolutions were passed by more than half of the voting shares represented by the independent shareholders present in the meetings in person or by proxy. The independent non-executive Directors of the Company have conducted annual review to ensure sufficient disclosures have been made of the details, examination and approval procedures, and performance of the connected transactions. 45 SUPERVISORS AND THE SUPERVISORY COMMITTEE The Supervisory Committee of the Company is accountable to the shareholders' general meeting. Its members comprise a supervisor elected by the employees' representatives and two independent non-executive Supervisors. The Supervisors have discharged their duties conscientiously in accordance with the provisions of the Company's Articles of Association, attended all Board meetings and persistently reported their work to the shareholders' general meeting, and submitted the Supervisory Committee Report and related resolutions. In line with the spirit of accountability to all shareholders, the Supervisory Committee monitored the financial affairs of the Company and the performance of duties and responsibilities by the Directors, managers and other senior management personnel of the Company to ensure that they have performed their duties in compliance with applicable laws and regulations. The Supervisory Committee has participated actively in major matters of the Company including production, operation and investment projects and made constructive recommendations. 46 DIRECTORS' REPORT The Board of Directors of the Company is pleased to present its directors' report together with the audited financial statements of the Group for the year ended December 31, 2005. KEY ACTIVITIES OF THE GROUP AND GEOGRAPHICAL ANALYSIS The Group is engaged in a broad range of petroleum-related activities, including: - the exploration, development, production and sales of crude oil and natural gas; - the refining, transportation, storage and marketing of crude oil and petroleum products; - the production and sales of basic petrochemical products, derivative petrochemical products and other chemical products; and - the transmission of natural gas, crude oil and refined products, and sales of natural gas. The operating segment information on the above areas is set out in note 40 to the financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). The businesses of the principal subsidiaries in which the Company had material interest and which could significantly affect the results or assets of the Group are set out in note 18 to the financial statements prepared in accordance with IFRS. SHARE CAPITAL STRUCTURE The Company issued 15,824,176,200 H shares (including H shares underlying ADSs) in April 2000. At the same time, CNPC offered 1,758,241,800 shares held by it in the Company to the public. After the issue and offer, the public held

17,582,418,000 shares in the Company, representing 10% of the total share capital of the Company immediately after the issue. The net proceeds from the share issue amounting to RMB20,337 million were intended to fund the Company's capital expenditures and investments, to provide additional funds for general corporate purposes, and to repay short-term loans borrowed from third party financial institutions. The Company's ADSs and H shares were listed on The New York Stock Exchange, Inc. and the HKSE on April 6, 2000 and April 7, 2000 respectively. The Company issued 3,196,801,818 new H shares at a price of HK\$6.00 per share in September 2005. The net proceeds from the issue of new H shares were approximately RMB19,692 million. CNPC also sold 319,680,182 state-owned shares it held concurrently with the Company's issue of new H shares in September 2005. 47 The share capital of the Company in issue as fully paid or credited as fully paid as at December 31, 2005 was 179,020,977,818 shares, with a par value of RMB1.00 each. As at December 31, 2005, the share capital structure of the Company was as follows:

PERCENTAGE OF THE TOTAL NUMBER OF NUMBER OF SHARES AS AT SHARES IN ISSUE AS AT DECEMBER 31, 2005	2005 (%)
State-owned shares	157,922,077,818 88.21
Foreign-invested shares (H shares and ADSs)	21,098,900,000 11.79
Total	179,020,977,818 100

Changes in the share capital of the Company are set out in note 29 to the financial statements in this annual report prepared in accordance with IFRS. RESULTS AND DISTRIBUTION The results for the year are set out in the Consolidated Profit and Loss Account on page 87. The financial condition of the Group as at December 31, 2005 are set out in the Consolidated Balance Sheet on page 88. The consolidated cashflow of the Group for the year is set out in the statement on page 90. DIVIDENDS The Board of Directors recommends to pay a final dividend of RMB0.180325 per share (inclusive of applicable tax) from the balance of 45% of the net profit for the twelve months ended December 31, 2005 less the interim dividend for 2005 paid on September 30, 2005. The proposed final dividend is subject to shareholders' approval at the annual general meeting to be held on May 26, 2006. The final dividend will be paid to shareholders whose names appear on the register of members of the Company at the close of business on May 26, 2006. The register of members will be closed from April 26, 2006 to May 26, 2006 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfer documents must be lodged, together with the relevant share certificates, at Hong Kong Registrars Limited no later than 4 p.m. on April 25, 2006. In accordance with Article 149 of its Articles of Association, dividends payable to the Company's shareholders shall be declared in Renminbi. Dividends payable to the holders of State-owned shares shall be paid in Renminbi while dividends payable to the holders of H shares shall be paid in Hong Kong Dollars. The amount of Hong Kong Dollars payable shall be calculated on the basis of the average of the closing 48 exchange rates for Renminbi to Hong Kong Dollar as published by the People's Bank of China for the week prior to the declaration of the dividend at the shareholders' meeting to be held on May 26, 2006. Final dividend will be paid on or around June 9, 2006. FIVE-YEARS FINANCIAL SUMMARY A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 10 and 11. BANK LOANS AND OTHER BORROWINGS Details of bank loans and other borrowings of the Company and the Group as at December 31, 2005 are set out in note 28 to the financial statements prepared in accordance with IFRS in this annual report. INTEREST CAPITALISATION Interest capitalisation for the Group for the year ended December 31, 2005 was RMB1,065 million. FIXED ASSETS Changes to the fixed assets of the Company and the Group during the year are summarised in note 15 to the financial statements prepared in accordance with IFRS in this annual report. LAND VALUE APPRECIATION TAX No land value appreciation tax was payable by the Group during the year. RESERVES Details of changes to the reserves of the Company and the Group for the year ended December 31, 2005 are set out in note 30 to the financial statements prepared in accordance with IFRS in this annual report. DISTRIBUTABLE RESERVES As at December 31, 2005, the reserves of the Company that can be distributed as dividend were RMB175,165 million (2004: RMB121,184 million). 49 STATUTORY COMMON WELFARE FUND Details of the statutory welfare fund, such as the nature, application and movements and the basis of calculation (including the percentage and profit figure used for calculating the amounts) are set out in note 30 to the financial statements prepared in accordance with IFRS in this annual report. MANAGEMENT CONTRACT During the year, the Company did not enter into any management contracts concerning the management or administration of its overall business or any of its material business, nor did any such management contract exist. EMPLOYEES' RETIREMENT SCHEME Details of the Company's employees' retirement scheme are set out in note 34 to the financial statements prepared in accordance with IFRS in this annual report. MAJOR SUPPLIERS AND CUSTOMERS CNPC is the Group's largest supplier of goods and services and the

aggregate purchase attributable to CNPC was 35% of the total purchase of the Group for 2005. The aggregate purchase attributable to the five largest suppliers of the Group was 45% of the Group's total purchase. The aggregate revenue derived from the major customers is set out in note 38 to the financial statements prepared in accordance with IFRS in this annual report. The aggregate revenue derived from the five largest customers was less than 30% of the Group's total sales. None of the Directors, Supervisors and their associates or any shareholder (who to the knowledge of the Directors were holding 5% or more of the Company's share capital) had any interest in any of the above-mentioned suppliers and customers.

**REPURCHASE, SALE OR REDEMPTION OF SECURITIES** The Company or any of its subsidiaries did not sell any other types of securities of the Company, nor did it repurchase or redeem any of the securities of the Company during the twelve months ended December 31, 2005.

**50 TRUST DEPOSITS AND IRRECOVERABLE OVERDUE TIME DEPOSITS** As at December 31, 2005, the Company did not have any trust deposits or irrecoverable overdue time deposits.

**PRE-EMPTIVE RIGHTS** There is no provision regarding pre-emptive rights under the Articles of Association of the Company or the PRC laws.

**MATERIAL LITIGATION** The Group was not involved in any material litigation or dispute in 2005.

**SUFFICIENCY OF PUBLIC FLOAT** Based on the information that is publicly available to the company and within the knowledge of its directors, the Directors confirm that the Company has maintained the amount of public float as required under the Listing Rules during the financial period.

**ANNUAL GENERAL MEETING** At the 2004 annual general meeting held on May 26, 2005, the following resolutions were passed: (a) the Report of the Board of Directors for the year 2004 was approved; (b) the Report of the Supervisory Committee for the year 2004 was approved; (c) the Audited Financial Statements of the Company for the year 2004 was approved; (d) the proposal for the declaration and payment of a final dividend for the year ended December 31, 2004 was approved; (e) the proposal for the authorisation of the Board of Directors to determine the distribution of the interim dividend for the year 2005 was approved; (f) the proposal for the appointment of domestic and international accounting firms as accountants of the Company and to authorise the Board of Directors to determine their remuneration for the year 2005 was approved; (g) the proposal for the amendments of the Company's Articles of Association was approved; and (h) the proposal for the authorisation of the Board of Directors to issue shares of the Company was approved.

**51 DIRECTORS** As at the date of this annual report, the Directors of the Company are as follows: - Chairman Mr Chen Geng - Vice Chairman Mr Jiang Jiemin - Executive Directors Mr Su Shulin Mr Duan Wende - Non-executive Directors Mr Zheng Hu Mr Zhou Jiping - Mr Wang Yilin Mr Zeng Yukang - Mr Gong Huazhang Mr Jiang Fan - Independent Non-executive Directors Mr Chee-Chen Tung Mr Liu Hongru Mr Franco Bernabe

**CHANGES IN BOARD OF DIRECTORS AND SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD** Changes in Board of Directors and Supervisory Committee during the reporting period can be found in the section headed "Board of Directors and Supervisory Committee" in the Chairman's Report.

**BRIEF BIOGRAPHY OF DIRECTORS, SECRETARY TO THE BOARD OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT** - Directors - Chairman CHEN GENG, aged 59, is Chairman of the Board of Directors of the Company and the General Manager of CNPC. Mr Chen is a senior economist. He graduated from the Beijing Economics Institute (now renamed as the Capital University of Economics and Trade) in 1968, majoring in labour economics. He has over 30 years of working experience in China's oil and gas industry. Mr Chen was appointed Deputy Director of Changqing Petroleum Exploration Bureau in October 1983, Deputy Director of the Labour Department under the Ministry of Petroleum Industry in April 1985, Director of the Labour Bureau of China National Petroleum Company from August 1988, Assistant to the President of China National Petroleum Company in December 1993, Vice President of China National Petroleum Company in September 1997, Deputy Director of the State Petroleum and Chemical Industry Bureau in March 1998, and Vice President of CNPC in February 2001. Mr Chen was appointed as a Director of the Company in June 2001. He was the President of the Company from December 2002 to May 2004. Mr Chen became President of CNPC in April 2004. He became the Chairman of the Company in May 2004.

**52 - Vice Chairman JIANG JIEMIN**, aged 50, is the Vice Chairman and President of the Company. Mr Jiang is a senior economist and is a degree holder. Mr Jiang has nearly 30 years of working experience in China's oil and gas industry. He was made Deputy Director of the Shengli Petroleum Administration Bureau in March 1993, the main person in charge of the Qinghai Petroleum Administration Bureau in June 1994, Director of the Qinghai Petroleum Administration Bureau in November 1994, and Assistant to the President and Team Leader for the Restructuring and Listing Preparatory Team of CNPC in February 1999, and a Director and Vice President of the Company from November 1999 to June 2000. Mr Jiang was appointed as Deputy Provincial Governor of the Qinghai Province since June 2000, was made a member of the provincial party committee of the Qinghai Province and Deputy

Provincial Governor of Qinghai since November 2000, and the deputy secretary of the provincial party committee of Qinghai Province and Deputy Provincial Governor of Qinghai since June 2003. Mr Jiang has been the Vice Chairman and President of the Company since May 2004. - Executive Directors SU SHULIN, aged 43, is a Director and Senior Vice President of the Company. Mr Su has a Master's degree and is a senior engineer. He graduated from Daqing Petroleum Institute in 1983 majoring in oil geology (Bachelor's degree) and Harbin University of Engineering in March 1999 in Project Management (Master's degree). He has over 20 years of working experience in China's oil and gas industry. Since 1996, Mr Su has worked as Director Assistant of Daqing Petroleum Administration Bureau and concurrently the Department Head of the First Oil and Natural Gas Development Department, and then Executive Deputy Director and later Director of Daqing Petroleum Administration Bureau. He was appointed Vice President of the Company on November 5, 1999, and was concurrently the Chairman and General Manager of the Company's subsidiary Daqing Oilfield Company Limited. Mr Su ceased to act as the Chairman and the General Manager of Daqing Oilfield Company Limited in December 2003. Mr Su has been a Director of the Company since November 2002, and has been Senior Vice President of the Company since December 3, 2002. DUAN WENDE, aged 54, is a Director and Senior Vice President of the Company. Mr Duan is a senior engineer and a degree holder. He graduated from the Postgraduate School of the Chinese Academy of Social Sciences in Investment Economics. He has over 30 years of working experience in China's petrochemical industry. From April 1975 to May 1999, Mr Duan was the Deputy Factory Manager of Fushun No. 628 Factory and of the chemical fibers factory, the Commander of the Fushun Ethylene Project Command Division, Deputy Factory Manager of the ethylene factory, the Factory Manager of the acrylic fibers factory and the detergent factory and Deputy Manager of Fushun Petrochemical Corporation. He has been the Manager of Fushun Petrochemical Corporation since May 1999; he has been appointed as 53 the General Manager of Fushun Petrochemical Branch Company since October 1999. He has been an Assistant to the President of CNPC since August 2001. He has been a Vice President of the Company since March 2002. He has been appointed as a Director of the Company since May 2004. He has been appointed as Senior Vice President of the Company since November 28, 2005. - Non-executive Directors ZHENG HU, aged 59, is a Director of the Company and a Vice President of CNPC. Mr Zheng is a senior engineer and graduated from Beijing Petroleum Institute. He has over 30 years of working experience in China's oil and gas industry. From 1990 to 1992, Mr Zheng was the Vice Chancellor of Beijing Petroleum Managers Training Institute. From 1992 to 1999, Mr Zheng worked as Deputy General Manager and General Manager of China Petroleum Technology Development Corporation, China Petroleum Materials and Equipment (Group) Corporation, and as Director of Personnel and Labour Department of CNPC. Since August 2000, Mr Zheng has been a Vice President of CNPC. He has been a Director of the Company since June 30, 2000. ZHOU JIPING, aged 53, is a Director of the Company and a Vice President of CNPC. Mr Zhou is a senior engineer and a Masters student in marine geologic structure from Nanhai Marine Research Institute of the Chinese Academy of Sciences. He has over 30 years of working experience in China's oil and gas industry. Mr Zhou was the Exploration Manager of the Exploration and Development Department of China National Offshore Oil Corporation, Manager of the Overseas Department of the International Co-operation Bureau of China National Petroleum Company, President of China National Oil & Gas Exploration and Development Corporation in Vanuatu and President of China National Oil & Gas Exploration and Development Corporation in Papua New Guinea. Since November 1996, he was Deputy Director of the International Exploration and Development Co-operation Bureau of China National Petroleum Company, Deputy General Manager of China National Oil & Gas Exploration and Development Corporation. In December 1997, he was appointed President of China National Oil & Gas Exploration and Development Corporation and Deputy Director of the International Exploration and Development Co-operation Bureau of China National Petroleum Company. He became President of China Oil & Gas Exploration and Development Corporation in October 1998. Since August 2001, he was Assistant to the President of CNPC and President of China National Oil & Gas Exploration and Development Corporation. Since December 2003, Mr Zhou has been Vice President of CNPC. Mr Zhou was appointed a Director of the Company in May 2004. WANG YILIN, aged 49, is a Director of the Company and a Vice President and Safety Director of CNPC. Mr Wang is a senior engineer who graduated from Huadong Petroleum Institute in 1982, majoring in 54 Petroleum Geological Exploration. In 2002, he completed his Doctorate course in the specialized study of mineral survey and exploration and obtained his Doctor's degree in Engineering at the Petroleum University. He has over 20 years of working experience in China's oil and gas industry. Mr Wang has been the Deputy Director and Chief Exploration Geologist of Xinjiang Petroleum Administration Bureau since June 1996. He was appointed as the General Manager of the Xinjiang Oilfield Branch of the Company since September

1999. He was appointed as the Senior Executive of Xinjiang Petroleum Administration Bureau and the General Manager of the Xinjiang Oilfield Branch of the Company since June 2001. From July 2003 onwards, he was appointed as the Assistant to the President of CNPC and the Senior Executive of Xinjiang Petroleum Administration Bureau and the General Manager of the Xinjiang Oilfield Branch of the Company concurrently. Since December 2003, he was appointed as the Vice President of CNPC, the Senior Executive of Xinjiang Petroleum Administration Bureau and the General Manager of the Xinjiang Oilfield Branch of the Company. From May 2004, he ceased to work as the Senior Executive of Xinjiang Petroleum Administration Bureau and the General Manager of the Xinjiang Oilfield Branch of the Company. From July 2004 onwards, he has also worked as the Safety Director of CNPC. He has been appointed a Director of the Company since November 8, 2005. ZENG YUKANG, aged 55, is a Director of the Company and a Vice President of CNPC. Mr Zeng graduated from Hubei Geological Institute in 1974, majoring in petroleum geology. He has over 30 years of working experience in China's oil and gas industry. Mr Zeng has been the Senior Executive of the Exploration and Development Institute of Daqing Petroleum Administration Bureau since June 1996. From February 2000 onwards, he was appointed as the Standing Deputy Director of Daqing Petroleum Administration Bureau. Since March 2001, he was appointed as the Director of Daqing Petroleum Administration Bureau. Since November 2002, he held the positions of Assistant to the President of CNPC and Director of Daqing Petroleum Administration Bureau concurrently. From February 2005 onwards, he has been the Assistant to the President of CNPC and the Senior Executive of Daqing Petroleum Administration Bureau. From September 2005 onwards, he has been the Vice President of CNPC. He was appointed as a Director of the Company since November 8, 2005. GONG HUAZHANG, aged 59, is a Director of the Company. Mr Gong is also the General Accountant of CNPC. Mr Gong is a senior accountant and a graduate of Yangzhou Business School. He has over 30 years of working experience in China's oil and gas industry. Mr Gong worked as Chief Accountant, Deputy Director and Director of the Finance Bureau of China National Petroleum Company from 1991. He was the Director of Finance and Assets Department of CNPC in October 1998 and has been the General Accountant of CNPC since February 1999. Mr Gong has been a Director of the Company since November 5, 1999. 55 JIANG FAN, aged 42, is a Director of the Company and the General Manager of Dalian Petrochemical Company. Mr Jiang graduated from Dalian Technical Institute in 1985, majoring in chemical engineering. In June 2003, he completed his Master's degree in administration science and engineering at the Petroleum University and obtained his Master's degree in management study. He has over 20 years of working experience in China's petrochemical industry. Mr Jiang was appointed as the Deputy Manager of Dalian Petrochemical Company since December 1996. In September 1999, he was appointed as the Deputy General Manager of Dalian Petrochemical Company. In February 2002, he became the General Manager of Dalian Petrochemical Company. Mr Jiang has been a Director of the Company since November 8, 2005. - Independent Non-executive Directors CHEE-CHEN TUNG, aged 63, is an independent non-executive Director of the Company. Mr Tung is the Chairman and Chief Executive Officer of Orient Overseas (International) Limited and was educated at the University of Liverpool, England, where he received his Bachelor of Science degree. He later obtained a Master's degree in Mechanical Engineering at the Massachusetts Institute of Technology in the United States. He served as Chairman of the Hong Kong Shipowners' Association between 1993 and 1995. From 1999 to 2001, he was the Chairman of the Hong Kong General Chamber of Commerce. He is an independent non-executive director of Hu Hangyong Expressway Company Ltd., Bank of China (Hong Kong) Co Ltd., Sing Tao News Corporation Limited, Wing Hang Bank and Cathay Pacific Airways, and a member of the Hong Kong Port Development Board. Mr Tung is also the Chairman of the Institute for Shipboard Education Foundation, the Chairman of the Advisory Council of the Hong Kong Polytechnic University and is a member of the Board of Trustees of the International Academic Centre of the University of Pittsburgh and the School of Foreign Service of Georgetown University. Mr Tung has been appointed as an independent non-executive Director of the Company since November 5, 1999. LIU HONGRU, aged 75, is an independent non-executive Director of the Company. Mr Liu graduated from the Faculty of Economics of the University of Moscow in 1959 with an associate Doctorate degree. Mr Liu worked as Vice Governor of the Agricultural Bank of China, Vice Governor of the People's Bank of China, Deputy Director of the State Economic Restructuring Committee, and the Chairman of the China Securities Regulatory Commission. Mr Liu is currently a Deputy Director of the Economics Committee under the Chinese People's Political Consultative Conference and concurrently serves as Vice President of China Finance and Banking Society, Vice President of the China National Debt Association and President of the Shanghai Institute of Financial and Legal Studies. Mr Liu is also a professor at the Peking University, the Postgraduate School of the People's Bank of China and the City University of Hong Kong.

Mr Liu serves as an independent non-executive director or non-executive director in four listed companies 56 in Hong Kong, and possesses the accounting or financial management qualification required under the Listing Rules. Mr Liu was appointed as an independent Supervisor of the Company in December 1999. Upon his resignation from this post, he has been appointed as an independent non-executive Director of the Company since November 19, 2002.

FRANCO BERNABE, aged 57, is an independent non-executive Director of the Company. Mr Bernabe is the Chairman of the Franco Bernabe Group and Vice Chairman of H3G. He is also a vice chairman of Rothschild Europe. He is a former CEO of ENI and of Telecom Italia. He has also served as a special representative of the Italian government for the reconstruction of the Balkan region. Mr Bernabe joined ENI in 1983 to become an assistant to the chairman; in 1986 he became director for development, planning and control; and between 1992 and 1998 was the Chief Executive Officer of ENI. Mr Bernabe led the restructuring program of the ENI Group, making it one of the world's most profitable oil companies. Between 1998 and 1999, Mr Bernabe was the Chief Executive Officer of Telecom Italia. Prior to his joining ENI, Mr Bernabe was the head of economic studies at FIAT. Mr Bernabe was a senior economist at the OECD Department of Economics and Statistics in Paris. Earlier he was a professor of political economy at the School of Industrial Administration, Turin University. Mr Bernabe has been appointed as an independent non-executive Director of the Company since June 30, 2000.

- Secretary to the Board of Directors LI HUIAI, aged 56, is the Secretary to the Board of Directors of the Company. Mr Li is a senior economist. He has over 30 years of working experience in China's oil and gas industry. Mr Li has worked in the Daqing Oil Field, the Liaohe Oil Field and the Huabei Oil Field and in the Nanhai Petroleum Company. From June 1992 to October 1998, Mr Li worked as Deputy Director and Director of the Foreign Affairs Bureau of China National Petroleum Company. From October 1998, Mr Li was appointed as Director of the International Co-operation Department (Foreign Affairs Bureau) of CNPC. Mr Li has been the Secretary to the Board of Directors of the Company since August 29, 2001.

- Supervisors - Chairman Wang Fucheng, aged 55, is the Chairman of the Supervisory Committee. Mr Wang is a senior economist. He graduated from the Shandong Normal University and has over 30 years of working experience in China's oil and gas industry. Mr Wang worked in the Shengli Oil Field, Zhongyuan Oil Field and Liaohe Oil Field. From 1986 to June 2000, Mr Wang worked as the Senior Executive of the Shengli Oil 57 Field, Senior Executive of the Liaohe Oil Exploration Bureau, Director of the Liaohe Oil Exploration Bureau and General Manager of the Branch Office of Liaohe Oil Field. Mr Wang was appointed as a Director of the Company in June 2000 and was appointed as the Vice President of the Company in July 2000. Mr Wang has resigned as a Director of the Company before becoming a Supervisor of the Company. Mr Wang has been appointed as the Chairman of the Supervisory Committee of the Company since November 8, 2005.

- Supervisors WEN QINGSHAN, aged 47, is a Supervisor of the Company and the Director of the Finance and Assets Department of CNPC. Mr Wen is a senior accountant and a graduate of the Renmin University of China. He was the Deputy Chief Accountant of the Finance and Assets Department of CNPC from November 1998, Deputy Director of the Finance and Assets Department of CNPC from May 1999 and Director of the Finance and Assets Department of CNPC from May 2002. He has been a Supervisor of the Company since November 2002.

SUN XIANFENG, aged 53, is a Supervisor of the Company and the Director of the Audit Department and the Audit Services Centre of CNPC. Mr Sun graduated from the Huadong Petroleum Institute in September 1977. Mr Sun worked as Deputy Director of the Supervisory Bureau of China National Petroleum Company from November 1996, before being transferred to the Eighth Office of the State Council Compliance Inspectors' General Office (Supervisory Committee of Central Enterprises Working Commission) as its temporary head in June 1998. He has been the Deputy Director of the Audit Department of CNPC from October 2000, and also the Director of the Audit Services Centre of CNPC since December 2000. He has been the Director of the Auditing Department of CNPC and the Director of the Auditing Services Centre since April 2004. He has been a Supervisor of the Company since May 2004.

XU FENGLI, aged 58, is a Supervisor and General Manager of the Audit Department of the Company. Mr Xu is a senior accountant. He graduated from the Xi'an Petroleum Institute in July 1985. He has over 30 years of working experience in China's petrochemical industry. Mr Xu has been the Chief Accountant of Fushun Petrochemical Corporation in November 1995, Deputy Director of the Finance and Assets Department of CNPC in November 1998, Deputy General Manager of the Finance Department of the Company since December 1999, and Director of the Administrative Office of the Supervisory Committee of the Company since October 2003. He has been a Supervisor of the Company since May 2004 and the General Manager of the Audit Department of the Company since November 2005.

QIN GANG, aged 52, is a Supervisor and an employee representative of the Supervisory Committee of the Company. Mr Qin is a senior engineer. He graduated with an associate degree from



Metallurgy School of Tianjin University, majoring in Enterprises Management. Mr Qin has over 30 years of working experience 58 in China's oil and gas industry. Mr Qin has acted as a Deputy Commander of Tarim Petroleum Exploration and Development Headquarters since November 1997 and a Deputy General Manager of Tarim Oilfield Company since September 1999. From June 2000, Mr Qin worked as Senior Executive of Tarim Southwest Company concurrently. Since July 2002, Mr Qin has worked as an officer and the Chairman of Labour Union of Tarim Oilfield Company. Mr Qin has been a Supervisor of the Company since November, 2005. - Independent Supervisors Li Yongwu, aged 61, is an independent Supervisor of the Company. Mr Li is a senior engineer and has graduated from Tsinghua University in 1968, majoring in polymer studies. Since June 1991, Mr Li was appointed as the Director of Tianjin Chemicals Bureau. Since July 1993, he was appointed as the Director of Tianjin Economic Committee. He became the Deputy Director of the Chemical Industry Department since April 1995. He became Director of the State's Petroleum and Chemical Industry Bureau since March 1998. Since April 2001, he was appointed as a Deputy Director of the Liaison Office of the Central People's Government at the Special Administrative Region of Macau. Since December 2004, he was appointed as the Vice President of China Petroleum and Petrochemical Industry Association. Since May 2005, he became the President of China Petroleum and Petrochemical Industry Association. In 2003, he was elected as a standing member of the Tenth Chinese People's Consultative Conference. Mr Li has been an independent Supervisor of the Company since November 8, 2005. Wu Zhipan, aged 49, is an independent Supervisor of the Company. Mr Wu obtained a Doctor of Laws degree from the School of Law, Peking University in 1988, and was a visiting scholar at Harvard Law School from 1991 to 1992. Mr Wu is currently the Vice Chancellor of the Peking University. He is also an expert consultant of the Supreme People's Court of the PRC, an arbitrator of the Arbitration Panel of China International Economic and Trade Arbitration Commission and President of the China Economic Law Research Societies. Mr Wu is the author of a large number of legal publications and has extensive work experience in the legal field. Mr Wu has been an independent Supervisor of the Company since December 1999. - Other Senior Management WANG GUOLIANG, aged 53, is Chief Financial Officer of the Company. Mr Wang holds a Master's degree and is a senior accountant. He graduated from the Heilongjiang Business College and Hebei University. He has over 20 years of working experience in China's oil and gas industry. Mr Wang worked as the Vice President of China National Petroleum Company Finance Co. Ltd. from 1995 to 1997. From 1998 to 1999, he was the Deputy General Manager and General Accountant of China National Oil & Gas 59 Exploration and Exploitation Corporation. Mr Wang has been the Chief Financial Officer of the Company since November 1999. From November 1999 to March 2002, he was also the General Manager of the Company's Finance Department. LIAO YONGYUAN, aged 43, is the Vice President of the Company. Mr Liao is a Master's degree holder and a senior engineer. He graduated from the Well Drilling Engineering Faculty of Jiangnan Oil Institute as an undergraduate in 1982 and from the Management Sciences and Engineering Faculty of the University of Petroleum (East China) with a Master's degree in 2001 and has more than 20 years of working experience in China's oil and gas industry. He was a Deputy General Engineer for Shengli Oilfield and a Manager of No. 1 Well Drilling Company and Deputy General Engineer and concurrently a core leader of Tarim-Shengli Well Drilling Company from 1993 to 1995. He was Deputy Director of the New Zone Exploration and Development Department of China National Petroleum and Gas Corporation from June to November 1996, the Standing Deputy Commander and then Commander of Tarim Petroleum Exploration and Development Headquarters from November 1996 to September 1999. He was the General Manager of Tarim Oilfield Branch Company from September 1999 to October 2001, and also Deputy Director of Gansu Provincial Economic and Trade Committee from October 2001 to January 2004. He has worked as the Assistant to the President of CNPC since January 2004. He has been concurrently the Head of Coordination Team for Oil Enterprises in Sichuan and Chongqing and Director of the Sichuan Petroleum Administration since April 2004. He has been a Vice President of the Company since November 28, 2005. JIA CHENGZAO, aged 57, is a Vice President of the Company and the President of the China Oil Exploration and Exploitation Research Institute. Mr Jia is a Doctorate degree holder, a senior engineer and a fellow of the Chinese Academy of Sciences. He graduated from Nanjing University and has over 25 years of working experience in China's oil and geological industry. From 1994, Mr Jia has worked as the Deputy Chief Geologist and then the Chief Geologist and Deputy Commander of the Tarim Oil Exploration and Exploitation Headquarters. From 1998, he has also been a Vice President of the China Oil Exploration and Exploitation Scientific Research Institute of CNPC. From 1999, Mr Jia worked as the Deputy General Manager of the China Petroleum Tarim Oil Field and the Deputy Director of China Oil Exploration and Exploitation Research Institute. He has been the Chief Geologist of the Company from July 2000. Mr Jia has also served as the President of

the China Oil Exploration and Exploitation Research Institute since December 16, 2002. Mr Jia has been a Vice President of the Company since November 28, 2005. HU WENRUI, aged 56, is a Vice President of the Company. Mr Hu is a senior engineer, and has over 30 years of working experience in China's oil and gas industry. From 1984 to 1989, Mr Hu was the Manager of Changqing Oilfield No. 2 Oil Extraction Plant, and since April 1989, he was the Deputy Director, Standing Deputy Director and eventually Director of Changqing Petroleum Exploration Bureau. From September 1999 to December 2002, he was the General Manager of Changqing Oilfield Branch Company. He has been the General Manager of the Company's Exploration and Production Branch since December 2002. 60 Mr Hu has been a Vice President of the Company since November 28, 2005. - Qualified Accountant In an announcement dated October 18, 2004, the Company announced that it had not been able to find a suitable accountant with professional accounting qualifications recognised to assume the position of qualified accountant as required under Rule 3.24 of the Listing Rules by September 30, 2004. The Company is still in the process of identifying suitable candidates with professional accounting qualifications to assist the Chief Financial Officer to oversee the compliance by the Company of the financial reporting and other related accounting matters. However, given the importance of the role and the function of the qualified accountant, the Company has made many serious attempts but has still not been able to find a suitable candidate that meets all the requirements in Rule 3.24 of the Listing Rules. The Company is trying its best to identify a candidate with the appropriate qualifications, experience and understanding of the oil and gas industry to act as the joint qualified accountant to assist the Chief Financial Officer of the Company to carry out his duties. The Company will make an application for a 3-year waiver to the HKSE at the appropriate time.

**SHAREHOLDINGS OF MAJORITY SHAREHOLDERS** As at December 31, 2005, the register of interests in shares and short positions kept by the Company under section 336 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO") showed that the persons in the following table and notes held interests or short positions in the Company's shares: PERCENTAGE (%) OF PERCENTAGE (%) OF THE TOTAL NUMBER OF THE TOTAL SHARE NAME OF SHAREHOLDER TYPE OF SHARES NO. OF SHARES THAT CLASS IN ISSUE CAPITAL -----

SHARE NAME OF SHAREHOLDER	TYPE OF SHARES	NO. OF SHARES	CLASS IN ISSUE	CAPITAL
CNPC State-owned	shares	157,922,077,818	100.00	88.21
Warren E. Buffett(1)	H shares	2,347,761,000	11.13	1.311
J.P. Morgan Chase & Co.(2)	H shares	1,056,732,597(L)	5.01(L)	0.590
641,726,602(P)(3)	3.04(P)	0.358	(1)	By virtue of Warren E. Buffett's 35.4% interest in Berkshire Hathaway Inc., Berkshire Hathaway's 100% interest in OBH Inc., OBH Inc.'s 100% interest in National Indemnity Co. and 100% interest in GEICO Corporation, and GEICO Corporation's 100% interest in Government Employees Inc. Company, each of Warren E. Buffett, Berkshire Hathaway Inc. and OBH Inc. is deemed to be interested in 2,279,151,000 H shares held by National Indemnity Co. and 68,610,000 H shares held by Government Employees Inc. Company, totalling 2,347,761,000 H shares.
61	(2)	J.P. Morgan Chase & Co. through its various controlled corporations is interested in an aggregate of 1,056,732,597 H shares of the Company. Of these 1,056,732,597 H shares, 657,654,602 H Shares are directly held by JP Morgan Chase Bank, N.A, J.P. Morgan Chase & Co. is deemed to be interested in these 657,654,602 H shares by virtue of its 100% interest in JP Morgan Chase Bank, N.A; 11,035,463 H shares are directly held by J.P. Morgan Securities Ltd., by virtue of J.P. Morgan Chase International Holdings Limited's 90% interest in J.P. Morgan Securities Ltd., J.P. Morgan Chase (UK) Holdings Limited's 100% interest in J.P. Morgan Chase International Holdings Limited, J.P. Morgan Capital Holdings Limited's 100% interest in J.P. Morgan Chase (UK) Holdings Limited and J.P. Morgan International Finance Limited's 72.72% interest in J.P. Morgan Capital Holdings Limited, J.P. Morgan Chase International Holdings Limited, J.P. Morgan Chase (UK) Holdings Limited, J.P. Morgan Capital Holdings Limited and J.P. Morgan International Finance Limited are deemed to be interested in these 11,035,463 H shares; 92,896,830 H shares are directly held by J.P. Morgan Whitefriars Inc., J.P. Morgan Overseas Capital Corporation is deemed to be interested in these 92,896,830 H shares by virtue of its 100% interest in J.P. Morgan Whitefriars Inc.; 22,597,702 H shares are directly held by J.P. Morgan Investment Management Inc., JP Morgan Asset Management Holdings Inc is deemed to be interested in these 22,597,702 H shares by virtue of its 100% interest in J.P. Morgan Investment Management Inc.; 6,186,000 H shares are directly held by JF International Management Inc., JP Morgan Asset Management (Asia) Inc. is deemed to be interested in these 6,186,000 H shares by virtue of its 100% interest in JF International Management Inc.; 245,344,000 H shares are directly held by JF Asset Management Limited, JP Morgan Asset Management (Asia) Inc. is deemed to be interested in these 245,344,000 H shares by virtue of its 100% interest in JF Asset Management Limited; 6,336,000 H shares are directly held by J.P. Morgan International Bank Limited, J.P. Morgan Overseas Capital Corporation is deemed to be interested in these 6,336,000 H shares by virtue of its 100% interest in J.P. Morgan International Bank		

Limited; 4,772,000 H shares are directly held by J.P. Morgan Asset Management (UK) Limited, by virtue of J.P. Morgan Asset Management Holdings (UK) Limited's 100% interest in J.P. Morgan Asset Management (UK) Limited, J.P. Morgan Asset Management International Limited's 100% interest in J.P. Morgan Asset Management Holdings (UK) Limited and J.P. Morgan Asset Management Holdings Inc.'s 100% interest in J.P. Morgan Asset Management International Limited, J.P. Morgan Asset Management Holdings Inc., J.P. Morgan Asset Management International Limited, J.P. Morgan Asset Management Holdings (UK) Limited are deemed to be interested in these 4,772,000 H shares; 8,150,000 H shares are directly held by JF Asset Management (Singapore) Limited-Co Reg #:197601586K, JP Morgan Asset Management (Asia) Inc. is deemed to be interested in these 8,150,000 H shares by virtue of its 100% interest in JF Asset Management (Singapore) Limited; 400,000 H shares are directly held by J.P. Morgan GT Corporation, J.P. Morgan Chase & Co. is deemed to be interested in these 400,000 H shares by virtue of its 100% interest in J.P. Morgan GT Corporation; and 1,360,000 H shares are directly held by Highbridge Capital Management, LLC, JP Morgan Asset Management Holdings Inc. is deemed to be interested in these 1,360,000 H shares by virtue of its 55% interest in Highbridge Capital Management, LLC. Of these 1,056,732,597 H shares, 110,268,293 H Shares are indirectly held by J.P. Morgan International Finance Limited, by virtue of Bank One International Holdings Corporation's 100% interest in J.P. Morgan International Finance Limited, J. P. Morgan International Inc.'s 100% interest in Bank One International Holdings Corporation, JP Morgan Chase Bank, N.A.'s 100% interest in J. P. Morgan International Inc, J.P. Morgan Chase & Co.'s 100% interest in JP Morgan Chase Bank, N.A, Bank One International Holdings Corporation, J. P. Morgan International Inc., JP Morgan Chase Bank, N.A.. and J.P. Morgan Chase & Co. are also deemed to be interested in these 110,268,293 H shares; 99,232,830 H shares are also indirectly held by J. P. Morgan Overseas Capital Corporation, J. P. Morgan International Finance Limited is also deemed to be interested in these shares by virtue of its 100% interest in J. P. Morgan Overseas Capital Corporation; 288,409,702 H shares are also indirectly held by JP Morgan Asset Management Holdings Inc., J.P. Morgan Chase & Co. is also deemed to be interested in these shares by virtue of its 100% interest in JP Morgan Asset Management Holdings Inc; 259,680,000 H shares are also indirectly held by JP Morgan Asset Management (Asia) Inc., JP Morgan Asset Management Holdings Inc. is also deemed to be interested in these shares by virtue of its 100% interest in JP Morgan Asset Management (Asia) Inc.. (3) Comprising 641,726,602 shares in the lending pool as described in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong). The term "lending pool" is defined as (i) shares that the approved lending agent holds as agent for a third party which he is authorized to lend and other shares that can be lent according to the requirements of the Securities Borrowing and Lending Rules; and (ii) shares that have been lent by the approved lending agent, and only if the right of the approved lending agent to require the return of the shares has not yet been extinguished. As at December 31, 2005, save as disclosed above, no person (other than the Directors, senior management or the Supervisors of the Company) had recorded an interest in the register of interests in shares and short positions kept pursuant to section 336 of the SFO. **INTERESTS OF DIRECTORS AND SUPERVISORS IN THE SHARE CAPITAL OF THE COMPANY** As at December 31, 2005, none of the Directors or Supervisors had any interest and short positions in any shares, underlying shares or debentures of the Company or any associated corporation within the meaning of Part XV of the SFO required to be recorded in the register mentioned under Section 352 of the SFO or as otherwise notifiable to the Company and the HKSE by the Directors and Supervisors pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"). As at December 31, 2005, the Company has not granted its Directors, Supervisors or their respective spouses or children below 18 any rights to subscribe for its equity securities or debt securities. **SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS** No service contract existed or has been proposed between the Company or any of its subsidiaries with any of the above Directors or Supervisors. No Director or Supervisor has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation. **INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS** None of the Directors or Supervisors had any material personal interest, either directly or indirectly, in any contract of significance to which the Company or any of its subsidiaries was a party to during the year. **63 REMUNERATION OF DIRECTORS AND SUPERVISORS** Details of remuneration of Directors and Supervisors and the remuneration policy are set out in note 10 to the financial statements prepared in accordance with IFRS in this annual report. **CONNECTED TRANSACTIONS** As at December 31, 2005, CNPC directly owns an aggregate of approximately 88.21% of the shares of the Company and therefore transactions between the Group and CNPC constitute connected transactions between the Group and CNPC under the Listing Rules. As Beijing Gas Group Co., Ltd. ("BEIJING

GAS") and China Railway Materials and Suppliers Corporation ("CRMSC") are respectively a substantial shareholder of Beijing Huayou Gas Corporation Limited and PetroChina and CRMSC Oil Marketing Company Limited, the Group's subsidiaries, pursuant to the Listing Rules, the transactions between the Group and Beijing Gas and CRMSC respectively constituted connected transactions of the Group. - One-off Connected Transactions 1. Acquisition of Ningxia Dayuan Refinery and Petrochemical Company Limited and Qingyang Refinery and Petrochemical Company Limited Under an acquisition agreement between the Company and CNPC dated March 28, 2005, the Company has acquired the petroleum and natural gas-related refinery and petrochemical businesses respectively owned by CNPC's wholly owned subsidiaries, Ningxia Dayuan Refinery and Petrochemical Company Limited and Qingyang Refinery and Petrochemical Company Limited for a cash consideration of RMB9.14 million. As CNPC is a controlling shareholder of the Company, it is a connected person of the Company and the Acquisitions constitute connected transactions for the Company under the Listing Rules. Details of the transaction were announced by the Company on March 30, 2005. 2. Acquisition of Newco from CNODC ("NEWCO ACQUISITION") The Company has entered into a purchase agreement with China National Oil and Gas Exploration and Development Corporation ("CNODC", wholly-owned by CNPC) on June 8, 2005 whereby the Company agreed to acquire a 50% ownership interest in Newco for a consideration of approximately RMB20,741 million. Newco is wholly owned by CNODC and one of its subsidiaries before the Newco Acquisition. The Company also entered into a transfer agreement to sell its wholly-owned subsidiary, PetroChina International, to Newco for a consideration of approximately RMB579 million on the same date. 64 The purchase agreement and the transfer agreement have been approved by the shareholders of the Company at the extraordinary general meeting held on August 16, 2005. These agreements have been approved by relevant regulatory authorities. Upon completion of the purchase agreement and the transfer agreement, each of CNODC and the Company will own a 50% interest in Newco. The Company will have the right to appoint 4 of the 7 directors of Newco, which will enable the Company to maintain effective control over Newco. Its investment in Newco and the transfer of PetroChina International Limited to Newco will be accounted for in a manner similar to a uniting of interests since these transactions are among entities under common control by CNPC. The consolidated financial statements of the Company will be restated as if the operations of the Company and Newco had always been combined. Details of the transaction can be found in the Company's announcement and circular dated June 10, 2005 and June 30, 2005, respectively. 3. Acquisition of the Fuel Oil Company The Company has entered into two acquisition agreements with two wholly owned subsidiaries of CNPC, Liaohe Petroleum Exploration Bureau and China Oil Natural Gas Pipeline Bureau, on December 6, 2005 for the acquisition of shares representing 15.56% and 20.17%, respectively from them in Petrochina Fuel Oil Company Limited ("FUEL OIL COMPANY"), a 55.43% subsidiary of the Company, for an aggregate cash consideration of RMB558.76 million (the "Acquisitions"). The Fuel Oil Company is principally engaged in the investment and development of fuel oil in the upstream and downstream areas in the PRC. The Acquisitions constitute connected transactions for the Company under the Listing Rules. The Acquisitions increase the Company's interests in the Fuel Oil Company and is expected to strengthen the management of the Fuel Oil Company. Details of the transaction were announced by the Company on December 6, 2005. - Continuing Connected Transactions I. Continuing Connected Transactions with CNPC The Group and CNPC continue to carry out certain existing continuing connected transactions and have entered into new continuing connected transactions throughout the reporting period. The waiver in respect of the existing continuing connected transactions has expired on December 31, 2005. The Company has sought independent shareholders approval at the general meeting held on November 8, 65 2005 for a renewal of the existing continuing connected transactions and the new continuing connected transactions and proposed the new caps for existing continuing connected transactions and the new continuing connected transactions for January 1, 2006 to December 31, 2008. The Group and CNPC will continue to carry out the existing continuing connected transactions referred to in the following agreements: 1. Comprehensive Products and Services Agreement, First Supplemental Comprehensive Agreement and Second Supplemental Comprehensive Agreement (1) The Group and CNPC continue to implement the Comprehensive Products and Services Agreement ("COMPREHENSIVE AGREEMENT") entered into on March 10, 2000 for the provision (i) by the Group to CNPC and (ii) by CNPC Group to the Group, of a range of products and services which may be required and requested from time to time by either party and/or its subsidiary companies and affiliates. The Comprehensive Agreement has been amended by the First Supplemental Comprehensive Agreement and the Second Supplemental Comprehensive Agreement. The term of the Comprehensive Agreement was initially 10 years starting from the date when the Company's business license was issued. This term has been amended by the Second

Supplemental Comprehensive Agreement to 3 years commencing from January 1, 2006. During the term of the Comprehensive Agreement, termination of the product and service implementation agreements described below may be effected from time to time by the parties to the product and service implementation agreements providing at least 6 months' written notice of termination in relation to any one or more categories of products or services. Further, in respect of any products or services already contracted to be provided, termination may not take place until after such products and services have been provided. (A) Products and Services to be provided by the Group to CNPC Group Under the Comprehensive Products and Services Agreement, products and services to be provided by the Group to CNPC Group include such products as refined products, chemical products, natural gas, crude oil and such services as relating to the supply of water, electricity, gas and heating, quantifying and 66 measuring and quality inspection and other products and services as may be requested by the CNPC Group for its own consumption, use or sale from time to time. (B) Products and Services to be provided by CNPC to the Group More products and services are to be provided by CNPC to the Group, both in terms of quantity and variety, than those to be provided by the Group to CNPC. Products and services to be provided by CNPC to the Group have been grouped together and categorised according to the following types of products and services: - Construction and technical services, including but not limited to exploration technology service, downhole operation service, oilfield construction service, oil refinery construction service and engineering and design service; - Production services, including but not limited to water supply, electricity generation and supply, gas supply and communications; - Supply of materials services, including but not limited to purchase of materials, quality control, storage of materials and delivery of materials; - Social services, including but not limited to security services, education and hospitals; - Ancillary services, including but not limited to property management, training centers and guesthouses; and - Financial services, including but not limited to loans and deposits services. The Comprehensive Agreement details specific pricing principles for the products and services to be provided pursuant to the Comprehensive Agreement. If, for any reason, the specific pricing principle for a particular product or service ceases to be applicable, whether due to a change in circumstances or otherwise, such product or service must then be provided in accordance with the following general pricing principles as defined in the Comprehensive Agreement: (a) state-prescribed prices; or (b) where there is no state-prescribed price, then according to the relevant market prices; or (c) where neither (a) nor (b) is applicable, then according to: (i) the actual cost incurred; or (ii) the agreed contractual price. 67 In particular, the Comprehensive Agreement stipulates, among other things, that: (i) the loans and deposits shall be provided at prices determined in accordance with the relevant interest rate and standard for fees as promulgated by the People's Bank of China. Such prices must also be more favourable than those provided by independent third parties; and (ii) the guarantees shall be provided at prices not higher than the fees charged by the state policy banks in relation to the provision of guarantees. References must also be made to the relevant state-prescribed price and market price. (2) First Supplemental Comprehensive Agreement The First Supplemental Comprehensive Agreement dated June 9, 2005 was entered principally to amend the definitions of "state-prescribed price" and "market price" in the Comprehensive Agreement in view of the characteristics of overseas business and to amend the term of the Comprehensive Agreement to three years. The First Supplemental Comprehensive Agreement has taken effect on December 19, 2005. (3) Second Supplemental Comprehensive Agreement The Second Supplemental Comprehensive Agreement entered into by CNPC and the Company on September 1, 2005 provides for certain new continuing connected transactions between the Company and certain companies in which both the Company and CNPC are shareholders, and where CNPC and/or its subsidiaries and/or affiliates (individually or together) is/are entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of such company ("JOINTLY-OWNED COMPANIES"). In the Second Supplemental Comprehensive Agreement, CNPC and the Company agreed to amend certain terms of the Comprehensive Agreement, including, among other things, that: - both CNPC and the Company shall provide and shall procure their respective entities including their subsidiaries, branches and other relevant units to provide products and services in accordance with the terms and principles of the Comprehensive Agreement; - the CNPC Group will provide certain risk operation services as part of the construction and technical services to the Group, and these include the provision of exploration, production and other relevant services within certain and specific reserves of the Company with exploration and exploitation difficulties; 68 - the Group will provide certain financial assistance to the Jointly-owned Companies including entrustment loans and guarantees; - the Jointly-owned Companies will provide certain financial assistance to the Group including entrustment loans and guarantees; and Under the Second Supplemental Comprehensive Agreement, the products and services shall be provided at prices determined according to the pricing

principles for the corresponding products or services under the Comprehensive Agreement (as amended). The Second Supplemental Comprehensive Agreement has taken effect on January 1, 2006.

2. Product and Service Implementation Agreements According to the current arrangements, from time to time and as required, individual product and service implementation agreements may be entered into between the relevant service companies and affiliates of CNPC Group or the Group providing the relevant products or services, as appropriate, and the relevant members of the Group or CNPC Group, requiring such products or services, as appropriate. Each product and service implementation agreement will set out the specific products and services requested by the relevant party and any detailed technical and other specifications which may be relevant to those products or services. The product and service implementation agreements may only contain provisions which are in all material respects consistent with the binding principles and guidelines and terms and conditions in accordance with which such products and services are required to be provided as contained in the Comprehensive Agreement. As the product and service implementation agreements are simply further elaborations on the provision of products and services as contemplated by the Comprehensive Agreement, they do not as such constitute new categories of connected transactions.

3. Land Use Rights Leasing Contract The Company and CNPC continue to implement the Land Use Rights Leasing Contract entered into on March 10, 2000 under which CNPC has leased a total of 42,476 parcels of land in connection with all 69 aspects of the operations and business of the Company covering an aggregate area of approximately 1,145 million square metres, located throughout the PRC, to the Company for a term of 50 years at an annual fee of RMB2 billion. The total fee payable for the lease of all such property may, after the expiration of 10 years from the effective date of the Land Use Rights Leasing Contract, be adjusted (to reflect market conditions prevalent at such time of adjustment, including the then prevailing marketing prices, inflation or deflation and such other factors considered as important by both parties in negotiating and agreeing to any such adjustment) by agreement between the Company and CNPC. In addition, any governmental, legal or other administrative taxes and fees required to be paid in connection with the leased properties will be borne by CNPC. However, any additional amount of such taxes payable as a result of changes in the PRC government policies after the effective date of the contract shall be shared proportionately on a reasonable basis between CNPC and the Company.

4. Buildings Leasing Contract and Buildings Supplementary Leasing Agreement The Company and CNPC continue to implement the Buildings Leasing Contract entered into on March 10, 2000 pursuant to which CNPC has leased to the Company a total of 191 buildings covering an aggregate of area of 269,770 square metres, located throughout the PRC for the use by the Company for its business operation including the exploration, development and production of crude oil, the refining of crude oil and petroleum products, the production and sale of chemicals, etc.. The 191 buildings were leased at a price of RMB145 per square metre per year, that is, an aggregate annual fee of RMB39,116,650 for a term of 20 years. The Company is responsible for the payment of any governmental, legal or other administrative taxes and maintenance charges required to be paid in connection with these 191 buildings. Further to the Buildings Leasing Contract mentioned above, the Company entered into a Supplemental Buildings Leasing Agreement (the "Supplemental Buildings Agreement") with CNPC on September 26, 2002 under which CNPC agreed to lease to the Company another 404 buildings in connection with the operation and business of the Company, covering an aggregate of 442,730 square meters. Compared to the Buildings Leasing Contract, the increase in the units being leased in the Supplemental Buildings Agreement is mainly attributable to the expansion of the Company's operations mainly in the areas such as oil and natural gas exploration, the West-East Gas Pipeline Project and the construction of the northeast refineries and chemical operation base. The total rent payable under the Supplemental Buildings Agreement amounts to RMB157,439,540 per annum. The Company and CNPC will, based on 70 any changes in their production and operations, and changes in the market price, adjust the sizes and quantities of buildings leased under the Buildings Leasing Contract as well as the Supplemental Buildings Agreement every three years. The Supplemental Buildings Agreement became effective on January 1, 2003 and will expire at the same time as the Buildings Leasing Contract. The terms and conditions of the Buildings Leasing Contract will, to the extent not contradictory to the Supplemental Buildings Agreement, continue to apply.

5. Intellectual Property Licensing Contracts The Company and CNPC continue to implement the three intellectual property licensing contracts entered into on March 10, 2000, being the Trademark Licensing Contract, the Patent and Know-how Licensing Contract and the Computer Software Licensing Contract. Pursuant to these licensing contracts, CNPC has granted the Company the exclusive right to use certain trademarks, patents, know-how and computer software of CNPC at no cost. These intellectual property rights relate to the assets and businesses of CNPC which were transferred to the Company pursuant to the restructuring.

6. Contract for the Transfer of Rights under Production

Sharing Contracts The Company and CNPC continue to implement the Contract for the Transfer of Rights under Production Sharing Contracts dated March 10, 2000. As part of the restructuring, CNPC transferred to the Company relevant rights and obligations under 23 Production Sharing Contracts entered into with a number of international oil and natural gas companies, except for the rights and obligations relating to CNPC's supervisory functions. 7. Guarantee of Debts Contract The Company and CNPC continue to implement the Guarantee of Debts Contract entered into on March 10, 2000, pursuant to which all of the debts of CNPC relating to the assets transferred to the Company in the restructuring were also transferred to, and assumed by, the Company. In the Guarantee of Debts Contract, CNPC has agreed to guarantee certain of the debts of the Company at no cost. As of the end of 2005, the total amount guaranteed was RMB674 million. 71 As each of the applicable percentage ratio(s) (other than the profits ratio) in respect of the Trademark Licensing Contract, the Patent and Know-how Licensing Contract, the Computer Software Licensing Contract, the Contract for the Transfer of Rights under Production Sharing Contracts and the Guarantee of Debts Contract is less than 0.1%, these transactions are exempted from the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Directors believe that these transactions had been entered into in the ordinary course of business for the benefits of the Company, and are in the interests of the Shareholders as a whole. II. New Continuing Connected Transactions with Newco The following new continuing connected transactions arose as a result of the completion of the Newco Acquisition: (i) the sale of products by Newco Group to the CNPC Group; (ii) the provisions of construction and technical services such as exploration technology services by CNPC Group to Newco Group; (iii) the provision of social services and ancillary services by CNPC Group to Newco Group; and (iv) the provision of financial services by CNPC Group to Newco Group. As CNPC has become a substantial shareholder of Newco after the Newco Acquisition, Newco is a connected person of the Company under the Listing Rules. The caps for these connected transactions have already been included in that for connected transactions between the Group and CNPC. III. Continuing Connected Transactions with CRMSC and Beijing Gas The Group will enter into continuing connected transactions with Beijing Gas and CRMSC pursuant to the following agreements. For the transactions with Beijing Gas, the Group has complied with the procedures for reporting and announcements obligations to the HKSE. The transactions with CRMSC and the caps for these transactions have been approved by HKSE and the same have been approved in the extraordinary general meeting held on November 8, 2005. (a) Beijing Gas Products and Services Agreement The Company entered into a Products and Services Agreement with Beijing Gas on September 1, 72 2005. Pursuant to the agreement, the Group will continuously provide products and services to Beijing Gas, including the provision of natural gas and natural gas related transmission services. The agreement was effective from January 1, 2006. (b) CRMSC Products and Services Agreement On September 1, 2005, the Company entered into the CRMSC Products and Services Agreement with CRMSC. Under the CRMSC Products and Services Agreement, products and services to be continuously provided by the Company to CRMSC include, among other things, refined products (such as gasoline, diesel and other petroleum products). The term of the CRMSC Products and Services Agreement is 3 years commencing from January 1, 2006. During the term of the CRMSC Products and Services Agreement, the product and service implementation agreements may be terminated from time to time by the contracting parties providing at least 6 months' written notice of termination in relation to any one or more categories of products or services. Further, in respect of any products or services already contracted to be provided, termination may not take place until after such products and services have been provided. CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS The following caps in respect of the Continuing Connected Transactions are set for the annual volumes of the relevant transactions above for the period from January 1, 2006 to December 31, 2008: (A) In relation to the products and services contemplated under (a) the Comprehensive Agreement as amended by the First Supplemental Comprehensive Agreement and the Second Supplemental Comprehensive Agreement, (b) Buildings Leasing Contract and Supplemental Buildings Agreement, and (c) the CRMSC Products and Services Agreement, the total annual revenue or expenditure in respect of each category of products and services will not exceed the proposed maximum annual aggregate values set out in the following table: 73 PROPOSED ANNUAL CAPS ----- CATEGORY OF PRODUCTS AND SERVICES EXISTING ANNUAL LIMIT FOR 2005 2006 2007 2008 -----  
----- RMB (IN MILLIONS) (i) Products and services to be provided by the RMB39,003 million 19,134 23,472 26,910 Group to CNPC Group (ii) Products and services to be provided by CNPC Group to the Group (a) Construction and technical services RMB76,413 million 91,614 88,280 79,636 (b) Production services RMB33,740 million 27,513 28,923 32,647 (c) Supply of materials services RMB6,748 million 4,471 4,331

4,500 (d) Social and ancillary services RMB5,009 million 5,000 5,000 5,000 (e) Financial Services Aggregate of the average daily outstanding principal of loans; the total amount of interest paid in respect of these loans; and other relevant charges RMB59,413 million 43,312 50,132 56,547 Aggregate of the average daily amount of deposits; and the total amount of interest received in respect of these deposits RMB5,657 million 9,081 9,102 9,126 (iii) Financial services to be provided by the Group to the Jointly-owned Companies -- 21,235 32,840 44,465 (iv) Fee for land leases paid by the Group to CNPC RMB2,000 million 2,260 2,260 2,260 (v) Rental for buildings paid by the Group to CNPC RMB200 million 140 140 140 (vi) Products and services to be provided by the Group to CRMSC -- 10,326 11,359 12,495 (B) In relation to the Trademark Licensing Contract, the Patent and Know-how Licensing Contract and the Computer Software Licensing Contract, CNPC has granted the Company the right to use certain trademarks, patents, know-how and computer software of CNPC at no cost. 74

**INDEPENDENT NON-EXECUTIVE DIRECTORS CONFIRMATION** In relation to the connected transactions undertaken by the Group in 2005, the independent non-executive Directors of the Company confirm that: (i) the connected transactions mentioned above have been entered into in the ordinary and usual course of business of the Company; (ii) the connected transactions mentioned above have been entered into on terms that are fair and reasonable to the shareholders of the Company; (iii) the connected transactions mentioned above have been entered into on normal commercial terms either (1) in accordance with the terms of the agreements governing such transactions, or (2) (where there is no such agreement) on terms no less favourable than terms available to independent third parties; and (iv) where applicable, the connected transactions have been entered into within the cap for the years mentioned above.

**AUDITOR'S CONFIRMATION** The auditors of the Company have reviewed the connected transactions mentioned above and have provided the Board of Directors with a letter stating that: (i) all the connected transactions have received the approval of the Board of Directors; (ii) all the connected transactions have been conducted in accordance with the terms of the agreements governing such transactions; and (iii) where applicable, the connected transactions have been entered into within the cap for the years mentioned above.

**IV. Continuing Connected Transactions with CNPC (HK)** As part of the restructuring of CNPC and in preparation for the listing of the Company on HKSE, and as disclosed in the Company's prospectus dated March 27, 2000, CNPC and the Company entered into 75 the Contract for the Transfer of Rights under Production Sharing Contracts whereby the relevant rights and obligations (other than the supervisory functions related to CNPC's role as representative of the PRC government) of CNPC under certain contracts, including the Blocks 9-1 to 9-5 of the Xinjiang Karamay Oilfield Petroleum Contract dated July 1, 1996, entered into between CNPC and Hafnium Limited ("XINJIANG CONTRACT") and the Leng Jiapu Area Petroleum Contract dated December 30, 1997, entered into between CNPC and Beckbury International Limited ("LIAOHE CONTRACT"), were novated to the Company. CNPC (Hong Kong) Limited ("CNPC (HK)") is a 57.5% owned subsidiary of CNPC. CNPC is also the Company's controlling shareholder which holds approximately 88.21% of the issued share capital of the Company. Upon the effective novation by CNPC to the Company of the above interest in the PRC Oil Production Sharing Contracts (the Xinjiang Contract and the Liaohe Contract), certain transactions pursuant to the PRC Oil Production Sharing Contracts constitute connected transactions between the Company and CNPC (HK). Summary of the major terms and conditions of these connected transactions under the Xinjiang Contract and the Liaohe Contract are as follows: (1) Production and development cost sharing between the Company and CNPC (HK): The Company and CNPC (HK) shall share the oil and natural gas produced from blocks 9-1 to 9-5 of the Karamay Oilfield, as to 46% by the Company and 54% by CNPC (HK), and from the Leng Jiapu Oilfield, as to 30% by the Company and 70% by CNPC (HK). CNPC (HK) shall be responsible for 100% of the development costs in respect of blocks 9-1 to 9-5 of the Karamay Oilfield. The Company is responsible for 30% and CNPC (HK) is responsible for 70% of the development costs in respect of the Leng Jiapu Oilfield. (2) Provision of assistance by the Company to CNPC (HK): The Company shall provide assistance to CNPC (HK), including: (i) leasing warehouses, terminal facilities, barges, pipeline and land, etc.; (ii) obtaining approvals necessary for the conduct of the petroleum operations; and (iii) obtaining office space, office supplies, transportation and communication facilities. For such assistance, CNPC (HK) will pay an annual assistance fee of US\$50,000 for each of blocks 9-1 to 9-5 of the Karamay Oilfield and the Leng Jiapu Oilfield. The amount of such fee was determined after negotiations, and has taken into account the actual circumstances and conditions, including the scope of the projects and the level of demand for such assistance. This fee shall be accounted for as operating costs and shared by the Company and CNPC (HK) in accordance with the procedures described in the Xinjiang Contract and the Liaohe Contract. 76 (3) Payment of training fees: In the course of development and operations of each oilfield, CNPC (HK) shall pay the Company an amount of US\$50,000



annually for the training of personnel carried out by the Company for each of blocks 9-1 to 9-5 of the Karamay Oilfield and the Leng Jiapu Oilfield. The amount of such fee was determined after negotiations, and has taken into account the actual circumstances and conditions, including the scope of the projects and the level of demand for training. (4) Sale of crude oil by CNPC (HK) to the Company: CNPC (HK) has the right to deliver its share of oil production from each of blocks 9-1 to 9-5 of the Karamay Oilfield and the Leng Jiapu Oilfield to a destination of its choice, except for destinations which infringe on the political interests of the PRC. However, given the transportation costs and the prevailing oil prices, the only likely purchaser of the oil production attributable to CNPC (HK) from each of blocks 9-1 to 9-5 of the Karamay Oilfield and the Leng Jiapu Oilfield is CNPC or its affiliates, including the Company, which will accept delivery of oil produced in blocks 9-1 to 9-5 of the Karamay Oilfield and the Leng Jiapu Oilfield at the market price. Since the signing of the PRC Oil Production Sharing Contracts, CNPC (HK) has sold all of its share of the oil production to CNPC or its affiliates, including the Company. As far as the Board of Directors is aware, CNPC (HK) intends to continue with this arrangement. There is no contractual obligation upon the Company to purchase oil produced from blocks 9-1 to 9-5 of the Karamay Oilfield and the Leng Jiapu Oilfield, although, from a commercial perspective, the Company intends to continue to accept part of the deliveries. The price of various grades of crude oil sold shall be set either with reference to the price approved by the relevant PRC authorities, or as determined with reference to the prevailing fair market price for transactions of crude oil of a similar quality in the major oil markets. This will be adjusted to take into account the terms of transportation, payment and other terms. In the opinion of the independent non-executive Directors of the Company, the connected transactions have been: (i) conducted on normal commercial terms and entered into in the ordinary and usual course of business of the Company; and (ii) entered into: (a) in accordance with the terms of the PRC Oil Production Sharing Contracts; or (b) on terms no less favourable than the terms available to or from independent third parties. The waiver in respect of the connected transactions between the Company and CNPC (HK) granted by the HKSE will be valid between January 1, 2004 to December 31, 2006. 77 ACCOUNTING PRINCIPLE For the year 2005, the Company adopted certain new accounting principles and they are contained in Note 2 to the Company's financial report prepared in accordance with the IFRS. AUDITORS PricewaterhouseCoopers (certified public accountants in Hong Kong) and PricewaterhouseCoopers Zhong Tian CPAs Limited Company (certified public accountants in the PRC) were the Company's international and domestic auditors respectively in 2005. The Company has retained the above two firms of accountants since the date of its listing. A resolution to continue the appointment of the international and domestic auditors for 2006 will be proposed at the annual general meeting of the Company which will be held on May 26, 2006. By Order of the Board Chen Geng Chairman Beijing, the PRC March 20, 2006 78 REPORT OF THE SUPERVISORY COMMITTEE Dear Shareholders, During the year 2005, the Supervisory Committee has carried out their duties conscientiously and in accordance with the relevant provisions of the Companies Law of the PRC, the Articles of Association of the Company and the Organization and Rules of Procedure of the Supervisory Committee. During the year, the Supervisory Committee held four meetings, considered and passed 10 resolutions, completed the review of the Company's 2004 annual report and 2005 interim report and the change of the members of the Supervisory Committee; attended the annual general meeting for the year 2004 and the first and second extraordinary general meetings for the year 2005 and submitted 3 resolutions to these extraordinary general meetings; attended 4 meetings of the Board of Directors of the Company and submitted five written opinions of the Supervisory Committee in respect of its review of the financial reports of the Company, the profit distribution plan (draft) and the assessment of the performance of the President's Work Team. The Supervisory Committee conducted 2 supervisory hearings, received 14 reports submitted by the Financial Controller, the Finance Department, Audit Department, Human Resources Department, Supervisory Department and PricewaterhouseCoopers Zhong Tian CPAs Co Ltd etc., and reviewed and issued relevant opinions on the Company's financial reports, profit distribution, connected transactions and the assessment of the performance of the President's Work Team. The Supervisory Committee completed 2 random financial auditing investigations, sampling 8 departments, prepared 10 reports and put forward 37 recommendations. The Supervisory Committee conducted 1 supervisory inspection tour and 1 investigation and analysis on a specific topic, prepared 2 reports and put forward 9 recommendations. Through the above activities, the Supervisory Committee has reinforced its supervision on the financial affairs of the Company and the performance of duties by the senior management. It has enhanced the effect of supervision and protected the rights of the shareholders as well as the interests of the Company. (photo) 79 The Supervisory Committee is of the opinion that in 2005, the Company has, with a view to achieving scientific development, organized steady production, operated positively and

soundly, and strengthened micro management. Results of the Company in these areas were prominent. There was continuous growth in the exploration and production of oil and gas. The operating efficiency of the refining, chemicals and marketing businesses was further improved. The scale of the natural gas and pipeline segment and the international business of the Company have been enlarged steadily. The construction of key projects proceeded smoothly. There was a breakthrough in capital operation. Businesses were further integrated and optimized. There was significant improvement in the overall strength and value of the Company. None of the senior management of the Company was found by the Supervisory Committee to be in breach of any applicable laws and regulations of the PRC and the Company's places of listing and the Company's Articles of Association in the performance of their duties. The Company's overall financial position was sound. The quality of the current assets of the Company was enhanced notably. The results of receivables management were remarkable and its inventories were controlled within a reasonable level. The quality and the profit-generating potential of the Company's fixed assets were improved. The amount of the Company's interest-bearing debts and interest expenses lowered from previous years. The Company's asset-debt ratio and the capital-debt ratio dropped continuously. Shareholders' equity increased steadily. All these were well reflected in the capital markets. The Company's connected transactions continue to improve and are more regulated and all such transactions are carried out within the limits approved by the HKSE. The Supervisory Committee is satisfied with the results achieved by the Company and is confident of the prospects of the Company. The Supervisory Committee is of the opinion that the financial reports prepared by PricewaterhouseCoopers pursuant to the IFRS gives a true view of the Company's financial position, operating results and cash flow. The Supervisory Committee considers that the unqualified audit report issued by PricewaterhouseCoopers is objective and fair. The Supervisory Committee approves this report. The Supervisory Committee hopes that the Company will fully implement the concept of scientific development and carry out various tasks soundly and effectively by applying the strategy of "resources, market orientation and internationalization". The Supervisory Committee also hopes that the Company 80 will change the form of its economic growth, improve its innovative capability, accentuate its primary businesses, strengthen its capability for growth, improve the quality and efficiency of its operations and sales, stabilise its market supply, strengthen its management of safety and environment protection and establish a long-term effective mechanism for safety and environmental protection. It is also hoped that the Company will cultivate a corporate culture of harmony and advancement to enable the Company to achieve a sustainable, effective, relatively speedy and well-coordinated development. In 2006, the Supervisory Committee will continue to fulfil its duties including the supervision and assessment of the truthfulness of the Company's financial information, the legal compliance of the Company's connected transactions, and the performance of duties by senior management personnel of the Company conscientiously and in compliance with the Companies Law and the Articles of Association of the Company. By Order of the Supervisory Committee Wang Fucheng Chairman of the Supervisory Committee Beijing, the PRC March 20, 2006 81 BUSINESS OPERATING REVIEW MARKET REVIEW - Crude Oil Market Review In 2005, there was a huge oil demand and rather tight oil supply in the international market. As a result, international crude oil prices continued to soar and fluctuate and broke new record highs several times. The annual average prices for WTI, Brent and Minas crude oil were US\$56.59, US\$54.53 and US\$54.19 per barrel, respectively, representing an increase of US\$15.07, US\$16.28 and US\$17.22 per barrel, respectively, over the annual average prices in 2004. Corresponding to the rise in international oil prices, domestic crude oil prices also increased. The average realized price for domestic crude oil in 2005 was higher than that of 2004. Net crude oil imports of China continued to increase in 2005 by 1.7% to a net total of 119 million tons compared with the corresponding period in the previous year. The domestic crude oil output and refinery crude oil input reached 182 million tons and 273 million tons, respectively. - Refined Oil Products Market Review International oil product prices stayed at a high level throughout 2005. Domestic prices for refined products, however, have failed to completely keep track of the international prices. Refineries incurred heavy losses in processing. In 2005, transportation of refined products was affected by tight transportation capacity. Overall, there was a tight supply of refined products in 2005, and there was a strong pressure for steady supply in the market. Nominal consumption increased by 4.7% to 164.44 million tons. The Group supplied 71.85 million tons of refined products to the domestic market, representing an increase of 11.74% over the previous year, and making its due contribution to the security, stability and continuous development of the Chinese economy. - Chemical Products Market Review The Chinese economy grew steadily and rapidly in 2005 under the government's macroeconomic regulation and control. The domestic demand for chemical products remains buoyant. In 2005, prices of domestic petrochemical products remained high and in fact rose under surging oil prices. However, the overall level of increase

was moderate due to demand and supply factors. The persistent fluctuation and surging of crude oil prices throughout the year has increased the cost of production of petrochemical products remarkably. As a result, profit margin in the petrochemical industry for 2005 was lowered significantly compared to that for 2004 and profit for petrochemical products was squeezed to a certain extent.

**BUSINESS REVIEW** For the twelve months ended December 31, 2005, total crude oil and natural gas output of the Group was 1,009.5 million barrels of oil equivalent, including 822.9 million barrels of crude oil and 1,119.5 billion cubic feet of marketable natural gas, representing an average production of 2.25 million barrels of crude oil and 3,070 million cubic feet of natural gas per day. A total of 788.8 million barrels of crude oil and 1,052.2 billion cubic feet of natural gas were sold. Approximately 83% of the crude oil sold by the Group was purchased by its refineries. In 2005, the lifting cost for the oil and gas operations of the Group was US\$5.28 per barrel, representing an increase of 14.8% from US\$4.60 per barrel in 2004. For the twelve months ended December 31, 2005, the Group's refineries processed 752 million barrels of crude oil, or an average of 2.06 million barrels per day. Approximately 89% of the crude oil processed in the Group's refineries was supplied by the Exploration and Production segment. The Group produced approximately 66.39 million tons of gasoline, diesel and kerosene and sold approximately 75.98 million tons of these products. The Group actively expanded its sales and distribution networks, in particular the retail sales network, by capitalizing fully on the complementary value-added effect of the integration of refining and marketing. As at December 31, 2005, there were 18,164 service stations which were either owned, controlled or franchised by the Group or owned by CNPC but to which the Group provided supervisory support. The cash processing cost of the Group's refineries increased from RMB131 per ton to RMB145 per ton. For the twelve months ended December 31, 2005, the Group produced 1.888 million tons of ethylene, 2.757 million tons of synthetic resin, 1.283 million tons of synthetic fiber raw materials and polymer, 0.281 million tons of synthetic rubber, and 3.578 million tons of urea. For the twelve months ended December 31, 2005, the Group sold 888.8 billion cubic feet of marketable natural gas through the Natural Gas and Pipeline segment. The Group currently owns and operates 20,340 kilometers of regional natural gas pipeline networks, of which 19,212 kilometers are operated by the Natural Gas and Pipeline segment. For the twelve months ended December 31, 2005, the Group owned and operated 9,391 kilometers of crude oil pipeline and 2,462 kilometers of pipeline for refined products.

**83 INFORMATION ON CRUDE OIL AND NATURAL GAS RESERVES** The following table sets forth the Company's estimated proved reserves and proved developed reserves as at December 31, 2003, 2004 and 2005. This table is formulated on the basis of reports prepared by DeGolyer and MacNaughton and Gaffney, Cline & Associates, each an independent engineering consultancy company.

NATURAL GAS COMBINED (MILLIONS CRUDE OIL (BILLION CUBIC FEET) EQUIVALENT)	
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Proved	Developed and Undeveloped Reserves
Reserves as of December 31, 2003 (the basis date)	
11,494.9	41,786.5
Revisions of previous estimates	141.6
82.8	155.4
Extensions and discoveries	573.1
4,405.3	1,307.3
Improved recovery	109.0
43.0	116.2
Production for the year	-817.4
-1,068.7	-995.5
Reserves as of December 31, 2004 (the basis date)	
11,501.2	45,248.9
Revisions of previous estimates	156.8
212.9	192.3
Extensions and discoveries	605.5
4,004.8	1,273.0
Improved recovery	101.4
--	101.4
Production for the year	-828.7
-1,343.5	-1,052.7
Reserves as of December 31, 2005 (the basis date)	
11,536.2	48,123.1
19,556.7	Proved Developed Reserves
As of December 31, 2003 (the basis date)	
9,188.1	13,878.7
11,501.2	As of December 31, 2004 (the basis date)
9,067.9	17,254.5
11,943.6	As of December 31, 2005 (the basis date)
9,194.8	19,857.8
12,504.4	84 (photo)
85	(PRICewaterHOUSECOOPERS LOGO)
	(Chinese Characters)
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**REPORT OF INTERNATIONAL AUDITORS TO THE SHAREHOLDERS OF PETROCHINA COMPANY LIMITED (ESTABLISHED IN THE PEOPLE'S REPUBLIC OF CHINA WITH LIMITED LIABILITY)** We have audited the accompanying balance sheets of PetroChina Company Limited (the "Company") and its subsidiaries (the "Group") as of December 31, 2005 and the consolidated profit and loss account, cash flow statement and statement of changes in equity of the Group for the year then ended. These financial statements set out on pages 87 to 152 are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An

audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. In our opinion the financial statements present fairly, in all material respects, the financial position of the Company and the Group as of December 31, 2005 and the results of operations and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance. PricewaterhouseCoopers Certified Public Accountants Hong Kong, March 20, 2006 86 PETROCHINA COMPANY LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT For the Year Ended December 31, 2005 (Amounts in millions except for per share data) 2004 NOTES 2005 (NOTE 2) ----- RMB RMB TURNOVER 5 552,229 397,354 ----- OPERATING EXPENSES Purchases, services and other (200,321) (114,249) Employee compensation costs 7 (29,675) (22,934) Exploration expenses, including exploratory dry holes (15,566) (12,090) Depreciation, depletion and amortisation (51,305) (48,362) Selling, general and administrative expenses (36,538) (28,302) Shut down of manufacturing assets 8 -- (220) Taxes other than income taxes (23,616) (19,943) Other expense, net (3,037) (116) ----- TOTAL OPERATING EXPENSES (360,058) (246,216) ----- PROFIT FROM OPERATIONS 192,171 151,138 ----- FINANCE COSTS Exchange gain 942 225 Exchange loss (854) (217) Interest income 1,924 1,373 Interest expense 9 (2,762) (2,896) ----- TOTAL FINANCE COSTS (750) (1,515) ----- SHARE OF PROFIT OF ASSOCIATES 16 2,401 1,621 ----- PROFIT BEFORE TAXATION 6 193,822 151,244 TAXATION 11 (54,180) (43,598) ----- PROFIT FOR THE YEAR 139,642 107,646 ===== ATTRIBUTABLE TO: Equity holders of the Company 133,362 103,843 Minority interests 6,280 3,803 ----- 139,642 107,646 ===== BASIC AND DILUTED EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY DURING THE YEAR 13 0.75 0.59 ===== DIVIDENDS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY: Interim dividend declared during the year 14 27,731 20,381 Final dividend proposed after the balance sheet date 14 32,282 25,936 ----- 60,013 46,317 =====

The accompanying notes are an integral part of these financial statements. 87 PETROCHINA COMPANY LIMITED CONSOLIDATED BALANCE SHEET As of December 31, 2005 (Amounts in millions) 2004 NOTES 2005 (NOTE 2) ----- RMB RMB NON CURRENT ASSETS Property, plant and equipment 15 563,890 485,612 Investments in associates 16 12,378 9,898 Available-for-sale investments 17 1,230 1,606 Advance operating lease payments 19 16,235 12,307 Intangible and other assets 20 5,011 3,020 Time deposits with maturities over one year 3,428 3,751 ----- 602,172 516,194 ----- CURRENT ASSETS Inventories 21 62,733 47,377 Accounts receivable 22 4,630 3,842 Prepaid expenses and other current assets 23 22,673 19,866 Notes receivable 24 3,028 4,838 Investments in collateralized loans 25 235 33,217 Time deposits with maturities over three months but within one year 1,691 1,425 Cash and cash equivalents 26 80,905 11,688 ----- TOTAL CURRENT ASSETS 175,895 122,253 ----- CURRENT LIABILITIES Accounts payable and accrued liabilities 27 99,758 73,072 Income tax payable 20,567 17,484 Other taxes payable 4,824 5,032 Short-term borrowings 28 28,689 34,937 ----- 153,838 130,525 ----- NET CURRENT ASSETS/(LIABILITIES) 22,057 (8,272) ----- TOTAL ASSETS LESS CURRENT LIABILITIES 624,229 507,922 ===== EQUITY Equity attributable to equity holders of the Company Share capital 29 179,021 175,824 Retained earnings 203,812 143,115 Reserves 30 132,556 108,834 ----- 515,389 427,773 Minority interests 28,278 15,199 ----- TOTAL EQUITY 543,667 442,972 ----- NON CURRENT LIABILITIES Long-term borrowings 28 44,570 44,648 Other long-term obligations 1,046 2,481 Asset retirement obligations 32 14,187 919 Deferred taxation 31 20,759 16,902 ----- 80,562 64,950 ----- 624,229 507,922 ===== The accompanying notes are an integral part of these financial statements. ----- Chairman

President Chen Geng Jiang Jiemin 88 PETROCHINA COMPANY LIMITED BALANCE SHEET As of December 31, 2005 (Amounts in millions) 2004 NOTES 2005 (NOTE 2) ----- RMB RMB NON CURRENT ASSETS Property, plant and equipment 15 399,876 336,438 Investments in associates 16 4,246 3,904 Available-for-sale investments 17 973 1,364 Subsidiaries 18 105,321 83,984 Advance operating lease payments 19 11,933 8,866 Intangible and other assets 20 3,983 2,153 ----- 526,332 436,709 ----- CURRENT ASSETS Inventories 21 51,538 37,674 Accounts receivable 22 1,471 1,979 Prepaid expenses and other current assets 23 29,259 29,927 Notes receivable 24 2,381 4,505 Investments in collateralized loans 25 117 33,106 Cash and cash equivalents 26 55,814 8,458 ----- TOTAL CURRENT ASSETS 140,580 115,649 ----- CURRENT

LIABILITIES Accounts payable and accrued liabilities 27 113,233 84,912 Income tax payable 18,898 16,811 Other taxes payable 1,726 4,096 Short-term borrowings 28 22,336 25,539 ----- 156,193 131,358 ----- NET CURRENT LIABILITIES (15,613) (15,709) ----- TOTAL ASSETS LESS CURRENT LIABILITIES 510,719 421,000 ===== EQUITY Equity attributable to equity holders of the Company Share capital 29 179,021 175,824 Retained earnings 151,682 105,793 Reserves 30 129,208 95,162 ----- TOTAL EQUITY 459,911 376,779 ----- NON CURRENT LIABILITIES Long-term borrowings 28 32,777 34,368 Other long-term obligations 838 2,364 Asset retirement obligations 32 8,068 -- Deferred taxation 31 9,125 7,489 ----- 50,808 44,221 ----- 510,719 421,000 ===== The accompanying notes are an integral part of these financial statements. ----- Chairman President Chen Geng Jiang Jiemin 89 PETROCHINA COMPANY LIMITED CONSOLIDATED CASH FLOW STATEMENT For the Year Ended December 31, 2005 (Amounts in millions) 2004 NOTES 2005 (NOTE2) ----- RMB RMB CASH FLOWS FROM OPERATING ACTIVITIES 33 203,885 141,691 ----- CASH FLOWS FROM INVESTING ACTIVITIES Capital expenditures (119,227) (94,045) Acquisition of associates (2,334) (1,000) Acquisition of available-for-sale investments (782) (476) Net proceeds / (acquisition) of investments in collateralized loans with maturities not greater than three months 26,896 (8,049) Acquisition of investments in collateralized loans with maturities over three months (443) (8,301) Acquisition of intangible assets (1,600) (531) Acquisition of other non-current assets (1,133) (280) Return capital to minority interests due to liquidation of subsidiaries (935) -- Purchase from minority interests of listed subsidiaries 18 (2,019) -- Other purchase from minority interest (376) -- Proceeds from investments in collateralized loans with maturities over three months 6,529 7,357 Repayment of capital by associates 115 272 Proceeds from disposal of property, plant and equipment 898 873 Proceeds from disposal of associates 1,102 27 Proceeds from disposal of available-for-sale investments 976 83 Proceeds from disposal of intangible and other non-current assets 22 37 Dividends received 678 800 Decrease in time deposits with maturities over three months 57 957 ----- NET CASH USED FOR INVESTING ACTIVITIES (91,576) (102,276) ----- CASH FLOWS FROM FINANCING ACTIVITIES Repayments of short-term borrowings (34,529) (23,862) Repayments of long-term borrowings (19,175) (28,331) Principal payment on finance lease obligations (21) (35) Dividends paid to minority interests (1,486) (736) Cash payment for acquisition of CNPC marketing enterprises -- (1,476) Dividends paid to equity holders of the Company 14 (53,667) (34,328) Issuance of H share 29 19,692 -- Increase in short-term borrowings 32,019 28,113 Increase in long-term borrowings 15,514 18,453 Capital contribution from minority interests 454 2,145 Change in other long-term obligations (1,435) 471 ----- NET CASH USED FOR FINANCING ACTIVITIES (42,634) (39,586) ----- TRANSLATION OF FOREIGN CURRENCY (458) 246 ----- Increase in cash and cash equivalents 69,217 75 Cash and cash equivalents at beginning of year 26 11,688 11,613 ----- Cash and cash equivalents at end of year 26 80,905 11,688 ===== The accompanying notes are an integral part of these financial statements. 90 PETROCHINA COMPANY LIMITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY For the Year Ended December 31, 2005 (Amounts in millions) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY ----- SHARE RETAINED MINORITY TOTAL CAPITAL EARNINGS RESERVES SUBTOTAL INTEREST EQUITY ----- RMB RMB RMB RMB RMB RMB Balance at January 1, 2004 as previously reported before adjusting for the acquisition of the refinery and petrochemical businesses and investment in Zhong You Kan Tan Kai Fa Company Limited and reclassification of minority interest resulting from adoption of IAS 1 and IAS 27 (Note 2) 175,824 89,577 91,212 356,613 -- 356,613 Reclassification as a result of the adoption of revised IAS 1 and IAS 27 (Note 2) -- -- -- 5,608 5,608 Adjustment for the acquisition of the refinery and petrochemical businesses and investment in Zhong You Kan Tan Kai Fa Company Limited (Note 2) -- (1,425) 2,740 1,315 3,358 4,673 ----- Balance at January 1, 2004 adjusted for the acquisition of the refinery and petrochemical businesses and investment in Zhong You Kan Tan Kai Fa Company Limited and reclassification of minority interest resulting from adoption of IAS 1 and IAS 27 (Note 2) 175,824 88,152 93,952 357,928 8,966 366,894 ===== Currency translation differences -- -- 330 330 677 1,007 ----- Net income recognised directly in equity -- -- 330 330 677 1,007 Profit for the year ended December 31, 2004 -- 103,843 -- 103,843 3,803 107,646 ----- Total recognised income for 2004 -- 103,843 330 104,173 4,480 108,653 ----- Transfer to reserves (Note 30) -- (14,552) 14,552 -- -- Final dividend for 2003 (Note 14) -- (13,947) -- (13,947) -- (13,947) Interim dividend for 2004 (Note 14) -- (20,381) -- (20,381) -- (20,381)

Dividends to minority interests	-- -- -- (656)	(656)	Other movements of minority interest	-- -- -- 2,409	2,409	-----
Balance at December 31, 2004	175,824	143,115	108,834	427,773	15,199	442,972
Currency translation differences	-- -- (268)	(268)	(465)	(733)		
Net loss recognised directly in equity	-- -- (268)	(268)	(465)	(733)		
Profit for the year ended December 31, 2005	-- 133,362	-- 133,362	6,280	139,642		
Total recognised income / (loss) for 2005	-- 133,362	(268)	133,094	5,815	138,909	
Issue of shares (Note 29 and 30)	3,197	-- 16,495	19,692	-- 19,692	Transfer to reserves (Note 30)	-- (18,998)
Final dividend for 2004 (Note 14)	-- (25,936)	-- (25,936)	-- (25,936)	Interim dividend for 2005 (Note 14)	-- (27,731)	-- (27,731)
Payment to CNPC for the acquisition of the refinery and petrochemical businesses (Note 2)	-- -- (9)	(9)	-- (9)	Dividends to minority interests	-- -- -- (1,568)	(1,568)
Return capital to minority interests due to liquidation of subsidiaries	-- -- -- (935)	(935)	Purchase from minority interests of listed subsidiaries (Note 18)	-- -- (1,438)	(1,438)	(581)
Other movement of minority interest	-- -- -- 242	242	Capital contribution to Zhong You Kan Tan Kai Fa Company Limited (Note 2)	-- -- (10,056)	(10,056)	10,106
Balance at December 31, 2005	179,021	203,812	132,556	515,389	28,278	543,667

===== The accompanying notes are an integral part of these financial statements. 91 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) 1

ORGANISATION AND PRINCIPAL ACTIVITIES PetroChina Company Limited (the "Company") was established in the People's Republic of China (the "PRC" or "China") on November 5, 1999 as a joint stock company with limited liability as a result of a group restructuring (the "Restructuring") of China National Petroleum Corporation ("CNPC") in preparation for the listing of the Company's shares in Hong Kong and in the United States of America. (See Note 29.) The Company and its subsidiaries are collectively referred to as the "Group". The Group is principally engaged in (i) the exploration, development and production of crude oil and natural gas, (ii) the refining, transportation, storage and marketing of crude oil and petroleum products, (iii) the production and sale of chemicals, and (iv) the transmission, marketing and sale of natural gas. (See Note 40.) 2 BASIS OF PREPARATION The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. In 2005, the Group adopted the newly revised IFRS below, which are relevant to its operations. The 2004 comparative numbers have been amended as required, in accordance with the relevant requirements. The adoption of these IFRS revisions did not result in substantial changes to the Group's accounting policies. In summary: --IAS 1 and 27 (both revised in 2003) affected the presentation of minority interest. IAS 1 (revised in 2003) also has affected the presentation of associates profit sharing and requires the disclosure of critical accounting estimates. --IAS 2, 8, 10, 16, 17, 21, 32, 33 (all revised in 2003) and 39 (revised in 2004) and IFRS 2 had no material effect on the Group's accounting policies. --IAS 24 (revised in 2003) affected the definition of related parties and related-party disclosures. (See Note 3(k) and 39) --IAS 27 and 28 (both revised in 2003) affected the accounting for investments in subsidiaries and associates in the separate financial statement of the Company. These investments are accounted for at cost rather than using equity method, which was used in prior years. As a result, the balance sheet of the Company as of December 31, 2004 and the related notes that are included in the financial statements have been restated. Compared with the previously reported numbers, Investment in associates, Subsidiaries, Reserves and Retained earnings as of December 31, 2004 have been reduced by RMB 1,897, RMB 46,302, RMB 56 and RMB 48,143 respectively to reflect this restatement. 92 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) --IFRS 5 has resulted in a change in the accounting policy relating to the recognition of assets held for sale or discontinued operation, which did not have any material impact on the results and financial positions of the Group as the Group did not hold material assets in this category during the years presented. --The Group early adopted IFRS 6, which did not require a change in the accounting policy for exploration and evaluation activities. In accordance with the acquisition

agreement between the Company and CNPC dated March 28, 2005, the Company acquired the refining and petrochemical businesses owned by CNPC's wholly-owned subsidiaries, Ningxia Dayuan Refinery and Petrochemical Company Limited ("Dayuan") and Qingyang Refinery and Petrochemical Company Limited ("Qingyang") with a total consideration of RMB 9. The acquisition is a combination of businesses under common control since the Company and the CNPC's refinery and petrochemical businesses owned by Dayuan and Qingyang are under the common control of CNPC. As a result, the Company accounted for the acquisition in a manner similar to a uniting of interests, whereby the assets and liabilities acquired are accounted for at historical cost to CNPC (net liabilities of RMB 183 at the effective date). The consolidated financial statements have been restated to give effect to the acquisition with all periods presented as if the operations of the Group and these refinery and petrochemical businesses have always been combined. The difference between RMB 9 payable and the net liabilities transferred from CNPC has been adjusted against equity. In August 2005 the shareholders of the Company approved the acquisition and transfer agreements relating to the Company's acquisition of a 50% ownership interest in Zhong You Kan Tan Kai Fa Company Limited. Zhong You Kan Tan Kai Fa Company Limited was formed in 2005 and was wholly owned by China National Oil and Gas Exploration and Development Corporation ("CNODC", wholly owned by CNPC) and one of its subsidiaries. Under the terms of the related agreements, CNODC transferred certain oil and gas exploration operations into Zhong You Kan Tan Kai Fa Company Limited and the Company contributed to Zhong You Kan Tan Kai Fa Company Limited its wholly-owned subsidiary, PetroChina International Limited ("PTRI"), and cash amounting to approximately RMB 20,162, which is the difference between the cash contribution of RMB 20,741 payable by the Company according to the acquisition agreement and cash consideration of RMB 579 for PTRI receivable by the Company. The terms of the agreements grant the Company the right to appoint four of the seven directors of Zhong You Kan Tan Kai Fa Company Limited and enable the Company to maintain effective control over Zhong You Kan Tan Kai Fa Company Limited. Similar to the acquisition of the refinery and petrochemical businesses from CNPC described above, the investment in Zhong You Kan Tan Kai Fa Company Limited and related transactions have been accounted for in a manner similar to uniting of interests as all entities involved are under common control by CNPC. The consolidated financial statements of the Company have been restated as if the operations of the Company and Zhong You Kan Tan Kai Fa Company Limited have always been combined. The payment was made directly to Zhong You Kan Tan Kai Fa Company Limited, therefore the difference between RMB 20,162 paid and the net assets of RMB 35,551 at the effective date acquired (including RMB 20,162 contributed by the Company and RMB 50 for the contributed paid-in capital by CNODC and its subsidiary) has been adjusted against equity.

93 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) The summarised results of operations and the financial position for the separate entities and on a consolidation basis for the year ended December 31, 2004 are set out below:

PETROCHINA (AS REFINERY AND ZHONG YOU KAN PREVIOUSLY PETROCHEMICAL TAN KAI FA REPORTED) BUSINESS COMPANY LIMITED CONSOLIDATED -----

RMB	RMB	RMB	RMB	RMB	Results of operations:	Turnover	388,633	4,583	11,643	397,354	Profit / (loss) for the year
104,578	(137)	3,205	107,646	Basic and diluted earnings per share for profit attributable to the equity holders of the Company (RMB)	0.59	0.00	0.00	0.59	Equity items: Currency translation differences	-- --	1,007
175,325	2,318	18,519	195,475	Net Assets / (liabilities)	434,603	(212)	8,581	442,972	3	SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (A) BASIS OF CONSOLIDATION	The consolidated financial statements include the financial statements of the Company and its subsidiaries. Subsidiaries are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Other than the business combination under common control for which the accounting policy is disclosed in Note 2, the purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of subsidiary acquired, the difference is recognised

directly in the income statement. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group. For purpose of the presentation of the Company's balance sheets, investments in subsidiaries are accounted for at cost. A listing of the Group's principal subsidiaries is set out in Note 18. 94 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) (B) INVESTMENTS IN ASSOCIATES Investments in associates are accounted for by the equity method in the consolidated financial statements of the Company. Under this method the Group's share of the post-acquisition profits or losses of associates is recognised in the profit and loss account and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the main factor for associates. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) on acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associate. For purpose of the presentation of the Company's balance sheet, investments in associates are accounted for at cost. A listing of the Group's principal associates is shown in Note 16. (C) TRANSACTIONS WITH MINORITY INTERESTS The Group applies a policy of treating transactions with minority interests as transactions with equity participants of the Group. Gains and losses resulted from the disposals to minority interests are recorded in equity. The differences between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired, resulted from the purchase from minority interests, are recorded in equity. (D) FOREIGN CURRENCIES Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Most assets and operations of the Group are located in the PRC, and the functional currency is RMB. For the majority of the overseas oil and gas exploration and production operations, United States Dollar has been used as the functional currency. The consolidated financial statements are presented in RMB, which is the functional and presentation currency of the Company and most of the consolidated subsidiaries. Foreign currency transactions of the Group are accounted for at the exchange rates prevailing at the date of the transactions; monetary assets and liabilities denominated in foreign currencies are translated at balance sheet date exchange rates; gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities are recognised in the consolidated profit and loss account. Profit and loss account and cash flows of the Group entities that have a functional currency different from the Group's presentation currency are translated into the Group's presentation currency at average exchange rates for the year and their balance sheets are translated at the exchange rates at year end. Currency translation differences are recognised in shareholders' equity. The Group did not enter into material hedge contracts during any of the years presented. No foreign currency exchange gains or losses were capitalised for any years presented. 95 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) (E) FINANCIAL INSTRUMENTS Financial instruments carried at the balance sheet date include cash and bank balances, investments, receivables, payables, leases and borrowings. Where necessary the particular recognition methods adopted are disclosed in the individual policy statements associated with each item. Derivatives are recognised at fair value with changes in the fair value recognised in the profit and loss account. The Group did not hold any derivative financial instruments for hedging or risk management purpose in any of the years presented. (F) INVESTMENTS The Group classifies its investments into the following categories: at fair value through profit or loss, held-to-maturity, loans and receivables and available-for-sale. Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as investments at fair value through profit or loss and included in current assets. The Group did not hold any investment in this category during the years presented. Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held-to-maturity and are included in current assets if their respective maturity dates are twelve months or less from balance sheet date, or in non-current assets if their respective maturity



dates are more than twelve months from balance sheet date; the Group did not hold any investment in this category during the year presented. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as investment in collateralised loans, which are initially recorded at fair value and subsequently amortised cost. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless management has expressed the intention of holding the investment for less than twelve months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. Regular purchases and sales of available-for-sale investments are recognised on settlement date, the date that the asset is delivered to or by the Group (the effective acquisition or sale date). Available-for-sale investments are initially recognised at fair value plus transaction costs. Available-for-sale investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale investments are measured at fair value except there are no quoted market prices in active markets and whose fair values cannot be reliably measured using valuation techniques. Available-for-sale investments carried at cost are subject to review for impairment. (G) PROPERTY, PLANT AND EQUIPMENT Property, plant and equipment, including oil and gas properties (Note 3 (h)), are initially recorded at cost less accumulated depreciation, depletion and amortisation. Cost represents the purchase price of the asset and other costs incurred to bring the asset into existing use. Subsequent to their initial recognition, property, plant and equipment are carried at a revalued amount. Revaluations are performed by independent qualified valuers on a regular basis. 96 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) In the intervening years between independent revaluations, the directors review the carrying values of the property, plant and equipment and adjustment is made where the carrying value differs from fair value. As at September 30, 2003, an exercise was undertaken by independent qualified valuers, resulting in minor adjustments to the carrying values, as described in Note 15. Increases in the carrying amount arising on revaluation are credited to the revaluation reserve. Decreases in valuation of property, plant and equipment are first offset against increases from earlier valuations in respect of the same asset and are thereafter charged to the profit and loss account. All other decreases in valuation are charged to the profit and loss account. Any subsequent increases are credited to the profit and loss account up to the amount previously charged. Revaluation surpluses pertaining to revalued assets depreciated or disposed of are retained in the revaluation reserve and will not be available for offsetting against possible future revaluation losses. Depreciation, depletion and amortisation to write off the cost or valuation of each asset, other than oil and gas properties, to their residual values over their estimated useful lives is calculated using the straight-line method. The Group uses the following useful lives for depreciation, depletion and amortisation purposes: Buildings 25-40 years Plant and machinery 10-15 years Equipment and motor vehicles 3-16 years No depreciation is provided for construction in progress until they are completed and ready for use. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Property, plant and equipment, including oil and gas properties (Note 3 (h)), are reviewed for possible impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of a cash generating unit exceeds the higher of its fair value less costs to sell and its value in use, which is the estimated net present value of future cash flows to be derived from the continuing use of the assets in the cash generating unit and from their ultimate disposal. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining net profit. Interest and other costs on borrowings to finance the construction of property, plant and equipment are capitalised during the period of time that is required to complete and prepare the property for its intended use. Costs for planned major maintenance activities, primarily related to refinery turnarounds, are expensed as incurred except for costs of components that result in improvements and betterments which are capitalised as part of property, plant and equipment and depreciated over their useful lives. 97 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) (H) OIL AND GAS PROPERTIES The successful efforts method of accounting is used for oil and gas

exploration and production activities. Under this method, all costs for development wells, support equipment and facilities, and proved mineral interests in oil and gas properties are capitalised. Costs of exploratory wells are capitalised as construction in progress pending determination of whether the wells find proved reserves. Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions. Geological and geophysical costs are expensed when incurred. Costs of exploratory wells are capitalized pending a determination of whether sufficient quantities of potentially economic oil and gas reserves have been discovered. Exploratory wells in areas not requiring major capital expenditures are evaluated for economic viability within one year of completion of drilling. The related well costs are expensed as dry holes if it is determined that such economic viability is not attained. Otherwise, the related well costs are reclassified to oil and gas properties and subject to impairment review (Note 3(g)). For wells that found economically viable reserves in areas where a major capital expenditure would be required before production can begin, the related well costs remain capitalized only if additional drilling is under way or firmly planned. Otherwise the well costs are expensed as dry holes. The Group has no costs of unproved properties capitalised in oil and gas properties. The Ministry of Land and Resources in China issues production licenses to applicants on the basis of the reserve reports approved by relevant authorities. Administrative rules issued by the State Council provide that the maximum term of a production license is 30 years. However, in accordance with a special approval from the State Council, the Ministry of Land and Resources has issued production licenses effective March 2000 to the Group for all of its crude oil and natural gas reservoirs with terms coextensive with the projected production life of those reservoirs, ranging up to 55 years. Production licenses to be issued to the Group in the future will be subject to the 30-year maximum unless additional special approvals can be obtained from the State Council. Each of the Group's production licenses is renewable upon application by the Group 30 days prior to expiration. Future oil and gas price increases may extend the productive lives of crude oil and natural gas reservoirs beyond the current terms of the relevant production licenses. Payments on such licenses are made annually and are expensed as incurred. The cost of oil and gas properties is amortised at the field level on the unit of production method. Unit of production rates are based on oil and gas reserves estimated to be recoverable from existing facilities based on the current terms of the Group's production licenses. The Group's reserve estimates include only crude oil and natural gas which management believes can be reasonably produced within the current terms of these production licenses. (I) INTANGIBLE ASSETS Expenditure on acquired patents, trademarks, technical know-how and licenses is capitalised and amortised using the straight-line method over their useful lives, generally over 10 years. Intangible assets are not revalued. The Group does not have capitalised internally generated intangible assets. The carrying amount of each intangible asset is reviewed annually and adjusted for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The impairment loss is recognised in the consolidated profit and loss account. The recoverable amount is measured as the higher of fair value less costs to sell and value in use which is the present value of estimated future cash flows to be derived from continuing use of the asset and from its ultimate disposal. 98 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) (J) LEASES Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Property, plant and equipment acquired under finance leases are generally depreciated over the useful life of the asset as the Group usually obtains ownership of such leased assets by the end of the leased term. Leases of assets under which a significant portion of the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are expensed on a straight-line basis over the lease term. Payments made to the PRC's land authorities to secure land use rights are treated as operating leases. Land use rights are generally obtained through advance lump-sum payments and the terms for use range up to 50 years. (K) RELATED PARTIES Related parties include CNPC and its subsidiaries, other state-controlled enterprises and their subsidiaries directly or indirectly controlled by the PRC government,

corporations in which the Company is able to control or exercise significant influence, key management personnel of the Company and CNPC and their close family members. Transactions with related parties do not include those done in the ordinary course of business with terms consistently applied to all public and private entities and where there is no choice of supplier such as electricity, telecommunications, postal service and local government retirement funds.

(L) INVENTORIES Inventories are oil products, chemical products, and materials and supplies which are stated at the lower of cost and net realisable value. Cost is determined by the weighted average cost method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads, but excludes borrowing cost. Net realisable value is the estimate of the selling price in the ordinary course of business, less the cost of completion and selling expenses.

(M) TRADE RECEIVABLES Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision made for impairment of these receivables. Such provision for impairment of trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

(N) CASH AND CASH EQUIVALENTS Cash and cash equivalents comprise cash in hand, deposits held at all with banks and highly liquid investments with original maturities of three months or less from the time of purchase.

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(O) BORROWINGS Borrowings are recognised initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings, except for the portion eligible for capitalisation. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(P) TAXATION The Company has obtained approval from the State Administration for Taxation to report taxable income on a consolidated basis. Deferred tax is provided in full, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, the deferred income tax is not accounted for if it arises 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 profit or loss. Currently enacted tax rates are used to determine deferred tax. The principal temporary differences arise from depreciation on oil and gas properties and equipment and provision for impairment of receivables, inventories, investments and property, plant and equipment. Deferred tax assets relating to the carryforward of unused tax losses are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. The Group also incurs various other taxes and levies that are not income taxes. "Taxes other than income taxes", which form part of the operating expenses, primarily comprise consumption tax, resource tax, urban construction tax, education surcharges and business tax.

(Q) REVENUE RECOGNITION Sales are recognised upon delivery of products and customer acceptance, if any, or performance of services, net of sales taxes and discounts. Revenues are recognised only when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods in the ordinary course of the Group's activities, and when the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably and collectability of the related receivables is reasonably assured. The Group markets a portion of its natural gas production under take-or-pay contracts. Customers under the take-or-pay contracts are required to take or pay for the minimum natural gas deliveries specified in the contract clauses. Revenue recognition for natural gas sales and transmission tariff under the take-or-pay contracts follows the accounting policies described in this note. Payments received from customers for natural gas not yet taken are recorded as deferred revenues until actual deliveries.

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(R) PROVISIONS Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provision for decommissioning and restoration is recognized in full on the installation of oil and gas properties. The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding addition to the related oil and gas properties of an amount equivalent to the provision is also created. This is subsequently depreciated as part of the

capital costs of the oil and gas properties. Any change in the present value of the estimated expenditure other than the one due to passage of time which is regarded as interest cost, is reflected as an adjustment to the provision and oil and gas properties. (S) RESEARCH AND DEVELOPMENT Research expenditure incurred is recognised as an expense. Cost incurred on development projects are recognised as intangible assets to the extent that such expenditure is expected to generate future economic benefits. (T) RETIREMENT BENEFIT PLANS The Group contributes to various employee retirement benefit plans organised by Chinese municipal and provincial governments under which it is required to make monthly contributions to these plans at rates prescribed by the related municipal and provincial governments. The Chinese municipal and provincial governments undertake to assume the retirement benefit obligations of existing and future retired Chinese employees of the Group. Contributions to these plans are charged to expense as incurred. The Group currently has no additional material obligations outstanding for the payment of retirement and other post-retirement benefits of employees in China or overseas other than the monthly contributions described above. (U) SHARE APPRECIATION RIGHTS Compensation under the share appreciation rights is measured based on the fair value of the liability incurred and is expensed over the vesting period. The liability is remeasured at each balance sheet date to its fair value until settlement with all changes included in employee compensation cost in the profit and loss account; the related liability is included in the salaries and welfare payable. (V) NEW ACCOUNTING DEVELOPMENTS IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements-Capital Disclosures (effective from January 1, 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The Group will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning January 1, 2007. 101 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) IFRIC 4, Determining whether an Arrangement contains a Lease (effective from January 1, 2006). IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Management is currently assessing the impact of IFRIC 4 on the Group's operations. IFRIC 8, Scope of IFRS 2 (effective from May 1, 2006). IFRIC 8 clarifies that the accounting standards IFRS 2 Share-based Payment applies to arrangements where an entity makes share-based payments for apparently nil or inadequate consideration. Management is currently assessing the impact of IFRIC 8 on the Group's operations. IAS 39 and IFRS 4 (Amendments), Financial Guarantee Contracts (effective from January 1, 2006). These amendments require that issuers of financial guarantee contracts to include the resulting liabilities in their balance sheet. Management is currently assessing the impact of these amendments. The following new interpretations and amendment to existing standards are not relevant to the Group's operations. --IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Fund (effective from January 1, 2006). --IFRIC 6, Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment (effective from December 1, 2005). --IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (effective from March 1, 2006). --IFRIC 9, Reassessment of Embedded Derivatives (effective from June 1, 2006). --IAS 19 (Amendment), Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures (effective from January 1, 2006). --IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transaction and The Fair Value Option (effective from January 1, 2006). --IAS 21 (Amendment), Net Investment in a Foreign Operation (effective from January 1, 2006). 102 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The matters described below are considered to be the most critical in understanding the judgements that are involved in preparing the Group's financial statements. (A) ESTIMATION OF OIL AND NATURAL GAS RESERVES Oil and gas reserves are key elements in the Group's investment decision-making process. They are also an important element in

testing for impairment. Changes in proved oil and natural gas reserves, particularly proved developed reserves, will affect unit-of-production depreciation charges to income. Proved reserve estimates are subject to revision, either upward or downward, based on new information, such as from the development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans. In general, changes in the technical maturity of oil and gas reserves resulting from new information becoming available from development and production activities have tended to be the most significant cause of annual revisions. Changes to the Group's estimates of proved reserves, particularly proved developed reserves, affect the amount of depreciation, depletion and amortisation recorded in the Group's financial statements for property, plant and equipment related to oil and gas production activities. A reduction in proved developed reserves will increase depreciation, depletion and amortisation charges (assuming constant production) and reduce net income. (B) ESTIMATED IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT Property, plant and equipment, including oil and gas properties, are reviewed for possible impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters, such as future prices of crude oil, refined products and chemical products, production profile. However, the impairment reviews and calculations are based on assumptions that are consistent with the Group's business plan. These assumptions also include those relative to the pricing regulations by the regulatory agencies in China that the policies will not restrict the profit margins of refined products to levels that will be insufficient to recover the carrying cost of the related production assets. Favourable changes to some assumptions might have avoided the need to impair any assets in these periods, whereas unfavourable changes might have caused an additional unknown number of other assets to become impaired. (C) ESTIMATION OF ASSET RETIREMENT OBLIGATIONS Provisions are recognized for the future decommissioning and restoration of oil and gas properties. The amounts of the provisions recognized are the present values of the estimated future expenditures. The estimation of the future expenditures is based on current local conditions and requirements, including legal requirements, technology, price level, etc.. In addition to these factors, the present values of these estimated future expenditures are also impacted by the estimation of the economic life of oil and gas properties. Changes in any of these estimates will impact the net income and the financial position of the Group over the remaining economic life of oil and gas properties. 5 TURNOVER Turnover represents revenues from the sale of crude oil, natural gas, refined products and petrochemical products and from the transportation of crude oil and natural gas. Analysis of turnover by segment is shown in Note 40. 103 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) 6 PROFIT BEFORE TAXATION 2005 2004 ----- RMB RMB Profit before taxation is arrived at after crediting and charging of the following items: Crediting Dividend income from available-for-sale investments 109 113 Reversal of impairment of receivables 538 1,373 Reversal of impairment of available-for-sale investments 54 155 Reversal of write down in inventories 293 234 Charging Amortisation on intangible and other assets 888 755 Auditors' remuneration 50 66 Cost of inventories (approximates cost of goods sold) recognised as expense 257,957 174,169 Depreciation on property, plant and equipment, including impairment provision - owned assets 49,198 46,988 - assets under finance leases 13 23 Impairment of available-for-sale investments 31 181 Impairment of receivables 83 2,049 Interest expense (Note 9) 2,762 2,896 Loss on disposal of property, plant and equipment 2,026 2,818 Operating lease expenses 4,850 3,873 Repair and maintenance 7,880 6,314 Research and development expenditure 3,195 2,977 Transportation expenses 13,707 10,042 Write down in inventories 154 381 7 EMPLOYEE COMPENSATION COSTS 2005 2004 RMB RMB ----- Wages and salaries 19,351 15,449 Social security costs (i) 10,324 7,485 ----- 29,675 22,934 ===== (i) Social security costs mainly represent contributions to funds for staff welfare organised by the municipal and provincial governments including contribution to the retirement benefit plans (Note 34). 104 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) 8 SHUT DOWN OF MANUFACTURING ASSETS During the years ended December 31, 2005 and 2004, the Group provided RMB Nil and RMB 220 respectively for the shut down of certain less efficient operating facilities in the refining and chemical manufacturing plants. The charges represented the net book value of the facilities. 2005 2004 ---- RMB RMB Refining facilities -- 192 Chemical facilities -- 28 --- --- 220 === There were no employee termination or relocation costs relating to the shut down of these manufacturing equipments. 9 INTEREST EXPENSE 2005 2004 ----- RMB RMB Interest on Bank loans - wholly repayable within five years 2,306 2,041 - not wholly repayable within five years 46

475 Other loans - wholly repayable within five years 1,165 1,185 - not wholly repayable within five years 309 199  
Finance leases 1 2 Less: amounts capitalised (1,065) (1,006) ----- 2,762 2,896 ===== Amounts  
capitalised are borrowing costs related to funds borrowed specifically for the purpose of acquiring qualifying assets.  
Interest rate on such capitalised borrowings was 5.265% (2004: 5.020%) per annum. 105 PETROCHINA COMPANY  
LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per  
share data or unless otherwise stated) 10 EMOLUMENTS OF DIRECTORS AND SUPERVISORS Details of the  
emoluments of directors and supervisors for the years ended December 31, 2005 and 2004 are as follows: 2005 2004  
----- SALARIES, CONTRIBUTION TO FEE FOR  
DIRECTORS ALLOWANCES AND RETIREMENT NAME AND SUPERVISORS OTHER BENEFITS BENEFIT  
SCHEME TOTAL TOTAL ----- RMB'000 RMB'000 RMB'000  
RMB'000 RMB'000 CHAIRMAN: Mr. Chen Geng -- 781 9 790 389 VICE CHAIRMAN: Mr. Jiang Jiemin -- 616 9  
625 130 EXECUTIVE DIRECTORS: Mr. Su Shulin -- 677 9 686 352 Mr. Duan Wende -- 677 9 686 222 Mr. Wang  
Fucheng (ii) -- -- -- 300 -- -- -- 1,354 18 1,372 874 === ----- NON-EXECUTIVE  
DIRECTORS: Mr. Zheng Hu -- -- -- -- Mr. Zhou Jiping -- -- -- -- Mr. Wang Yilin -- -- -- -- Mr. Zeng Yukang --  
-- -- -- -- Mr. Gong Huazhang -- -- -- -- Mr. Jiang Fan -- 32 1 33 -- Mr. Chee-chen Tung 275 -- -- 275 29 Mr. Liu  
Hongru 274 -- -- 274 33 Mr. Franco Bernabe 279 -- -- 279 33 Mr. Ren Chuanjun (ii) -- -- -- -- Mr. Zou Haifeng (ii)  
-- 281 2 283 238 Mr. Ma Fucai (i) -- -- -- -- Mr. Wu Yaowen (i) -- -- -- -- 828 313 3 1,144  
333 === ----- SUPERVISORS: Mr. Wang Fucheng -- 522 8 530 -- Mr. Wen Qingshan -- -- -- -- Mr.  
Sun Xianfeng -- -- -- -- Mr. Xu Fengli -- 365 9 374 153 Mr. Qin Gang -- -- -- -- Mr. Li Yongwu 12 -- -- 12 -- Mr.  
Wu Zhipan 57 -- -- 57 12 Mr. Li Kecheng (ii) -- -- -- -- Mr. Sun Chongren (ii) -- 80 1 81 272 Mr. Zhang Youcai (ii)  
-- -- -- -- 12 Mr. Bai Xinhe (i) -- -- -- -- Mr. Chen Weizhong (i) -- -- -- -- 69 967 18 1,054 449  
----- 897 4,031 57 4,985 2,175 === ===== 106 PETROCHINA COMPANY  
LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per  
share data or unless otherwise stated) (i) No longer a director or supervisor since May 18, 2004. (ii) No longer a  
director or supervisor since November 8, 2005. The emoluments of the directors and supervisors fall within the  
following bands (including directors and supervisors whose term expired during the year): 2005 2004 NUMBER  
NUMBER ----- Nil - RMB 1 25 24 === === Fee for directors and supervisors disclosed above included RMB  
828 thousand (2004: RMB 95 thousand) paid to independent non-executive directors. None of the directors and  
supervisors has waived their remuneration during the year ended December 31, 2005 (2004: nil). The five highest paid  
individuals in the Group for each of the two years ended December 31, 2005 and 2004 were also directors or  
supervisors and their emoluments are reflected in the analysis shown above. During 2004 and 2005, the Company did  
not incur any payment to any director for loss of office or as inducement to any director to join the Company. The  
Company has adopted a share option scheme which is a share appreciation right arrangement payable in cash to the  
recipients upon exercise of the rights which became effective on the initial public offering of the H shares of the  
Company on April 7, 2000. The directors, supervisors and senior executives of the Company are eligible for the  
scheme. 87,000,000 units of share appreciation rights were granted to senior executives. 35,000,000 units were  
granted to the directors and supervisors; of these 35,000,000 units, 33,130,000 units are outstanding, net of subsequent  
forfeiture of 1,870,000 units by a former independent director. The rights can be exercised on or after April 8, 2003,  
the third anniversary of the grant, up to April 7, 2008. The exercise price is the price as at the initial public offering  
being HK \$1.28 per share or approximately RMB 1.36 per share. As at December 31, 2005, none of the holders of the  
stock appreciation rights has exercised the rights. The liability for the units awarded under the scheme has been  
calculated based on the fair value of the liability incurred and is expensed over the vesting period. The liability is  
remeasured at each balance sheet to its fair value and amounted to approximately RMB 630 (2004: RMB 367) at  
December 31, 2005. 107 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL  
STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) 11 TAXATION 2005 2004  
----- RMB RMB Income tax 50,221 40,331 Deferred tax (Note 31) 3,959 3,267 ----- 54,180 43,598  
===== In accordance with the relevant PRC income tax rules and regulations, the PRC income tax rate  
applicable to the Group is principally 33% (2004: 33%). Operations of the Group in certain regions in China have  
qualified for certain tax incentives in the form of reduced income tax rate to 15% through the year 2010 or accelerated  
depreciation of certain plant and equipment. The tax on the Group's profit before taxation differs from the theoretical  
amount that would arise using the basic tax rate in the PRC applicable to the Group as follows : 2005 2004 -----

----- RMB RMB Profit before taxation 193,822 151,244 ----- Tax calculated at a tax rate of 33% 63,961 49,911 Prior year tax return adjustment 364 27 Effect of preferential tax rate (10,744) (6,886) Utilisation of previously unrecognised tax loss of subsidiaries -- (969) Income not subject to tax (427) (913) Expenses not deductible for tax purposes 1,026 2,428 ----- Tax charge 54,180 43,598 ===== 12 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB 133,362 (2004: RMB 103,843) for the year ended December 31, 2005. 108 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) 13 BASIC AND DILUTED EARNINGS PER SHARE Basic and diluted earnings per share for the year ended December 31, 2005 have been computed by dividing profit for the year attributable to equity holders of the Company by the weighed average number of 176.77 billion shares issued and outstanding for the year. Basic and diluted earnings per share for the year ended December 31, 2004 have been computed by dividing profit for the year attributable to equity holders of the Company by the number of 175.82 billion shares issued and outstanding for the year. There are no dilutive potential ordinary shares. 14 DIVIDENDS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY 2005 2004 ----- RMB RMB Final dividend attributable to equity holders of the Company for 2003 (Note (i)) -- 13,947 Interim dividend attributable to equity holders of the Company for 2004 (Note (ii)) -- 20,381 Final dividend attributable to equity holders of the Company for 2004 (Note (iii)) 25,936 -- Interim dividend attributable to equity holders of the Company for 2005 (Note (iv)) 27,731 -- ----- 53,667 34,328 ===== (i) A final dividend attributable to equity holders of the Company in respect of 2003 of RMB 0.079324 per share amounting to a total of RMB 13,947 was paid on June 2, 2004, and was accounted for in equity as an appropriation of retained earnings in the year ended December 31, 2004. (ii) An interim dividend attributable to equity holders of the Company in respect of 2004 of RMB 0.115919 per share amounting to a total of RMB 20,381 was paid on October 8, 2004, and was accounted for in equity as an appropriation of retained earnings in the year ended December 31, 2004. (iii) A final dividend attributable to equity holders of the Company in respect of 2004 of RMB 0.147511 per share amounting to a total of RMB 25,936 was paid on June 10, 2005, and was accounted for in equity as an appropriation of retained earnings in the year ended December 31, 2005. (iv) As authorized by shareholders in the Annual General Meeting on May 26, 2005, the Board of Directors, in a meeting held on August 24, 2005, resolved to distribute an interim dividend attributable to equity holders of the Company in respect of 2005 of RMB 0.157719 per share amounting to a total of RMB 27,731. The interim dividend was paid on September 30, 2005, and was accounted for in equity as an appropriation of retained earnings in the year ended December 31, 2005. (v) At the meeting on March 20, 2006, the Board of Directors proposed a final dividend attributable to equity holders of the Company in respect of 2005 of RMB 0.180325 per share amounting to a total of RMB 32,282. These financial statements do not reflect this dividend payable, which will be accounted for in equity as an appropriation of retained earnings in the year ended December 31, 2006. 109 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) 15 PROPERTY, PLANT AND EQUIPMENT GROUP OIL YEAR ENDED DECEMBER AND GAS PLANT AND MOTOR CONSTRUCTION 31, 2004 BUILDINGS PROPERTY EQUIPMENT VEHICLES OTHER IN PROGRESS TOTAL ----- RMB RMB RMB RMB RMB RMB RMB RMB COST OR VALUATION At beginning of the year 56,385 385,693 225,124 8,366 6,135 34,119 715,822 Additions 974 473 2,143 1,263 196 93,945 98,994 Transfers 9,586 50,039 29,021 -- 376 (89,022) -- Disposals or write off (2,181) (9,045) (5,565) (280) (85) -- (17,156) Exchange difference 60 1,417 117 48 83 95 1,820 ----- At end of the year 64,824 428,577 250,840 9,397 6,705 39,137 799,480 ----- ACCUMULATED DEPRECIATION AND IMPAIRMENT At beginning of the year (11,625) (157,267) (98,139) (4,164) (2,316) -- (273,511) Charge for the year (2,121) (26,287) (16,793) (867) (741) (202) (47,011) Disposals or write off 856 3,214 2,971 235 53 -- 7,329 Exchange difference (15) (586) (39) (14) (21) -- (675) ----- At end of the year (12,905) (180,926) (112,000) (4,810) (3,025) (202) (313,868) ----- NET BOOK VALUE At end of the year 51,919 247,651 138,840 4,587 3,680 38,935 485,612 ===== ANALYSIS OF COST OR VALUATION At valuation (i) 23,270 203,870 157,446 2,898 1,334 -- 388,818 At cost (ii) 41,554 224,707 93,394 6,499 5,371 39,137 410,662 ----- 64,824 428,577 250,840 9,397 6,705 39,137 799,480 =====

===== Carrying value of the property, plant and equipment had they been stated at cost less accumulated depreciation 47,422 238,364 120,119 4,069 3,108 38,935 452,017 =====												
===== 110 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) GROUP (CONTINUED) OIL AND GAS PLANT AND MOTOR CONSTRUCTION YEAR ENDED DECEMBER 31, 2005 BUILDINGS PROPERTY EQUIPMENT VEHICLES OTHER IN PROGRESS TOTAL -----												
----- RMB RMB RMB RMB RMB RMB RMB RMB COST OR VALUATION At beginning of the year 64,824 428,577 250,840 9,397 6,705 39,137 799,480 Additions 1,394 14,308 1,292 1,744 122 119,199 138,059 Transfers 7,661 67,223 27,451 -- 362 (102,697) -- Disposals or write off (714) (11,817) (2,152) (286) (95) -- (15,064) Exchange difference (32) (659) (67) (26) (43) (42) (869) -----												
----- At end of the year 73,133 497,632 277,364 10,829 7,051 55,597 921,606 -----												
----- ACCUMULATED DEPRECIATION AND IMPAIRMENT At beginning of the year (12,905) (180,926) (112,000) (4,810) (3,025) (202) (313,868) Charge for the year (3,454) (25,819) (18,234) (955) (749) -- (49,211) Disposals or write off 329 3,054 1,279 200 76 104 5,042 Exchange difference 1 275 23 10 12 -- 321 -----												
----- At end of the year (16,029) (203,416) (128,932) (5,555) (3,686) (98) (357,716) -----												
----- NET BOOK VALUE At end of the year 57,104 294,216 148,432 5,274 3,365 55,499 563,890 =====												
ANALYSIS OF COST OR VALUATION At valuation (i) 22,574 192,643 155,347 2,625 1,261 -- 374,450 At cost (ii) 50,559 304,989 122,017 8,204 5,790 55,597 547,156 ----- 73,133 497,632 277,364 10,829 7,051 55,597 921,606 =====												
Carrying value of the property, plant and equipment had they been stated at cost less accumulated depreciation 52,779 289,820 131,411 4,787 2,810 55,499 537,106 =====												
===== 111 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) COMPANY OIL AND GAS PLANT AND MOTOR CONSTRUCTION YEAR ENDED DECEMBER 31, 2004 BUILDINGS PROPERTY EQUIPMENT VEHICLES OTHER IN PROGRESS TOTAL -----												
----- RMB RMB RMB RMB RMB RMB RMB RMB COST OR VALUATION At beginning of the year 38,833 245,547 180,332 4,935 4,861 29,468 503,976 Additions 258 135 2,737 808 19 62,569 66,526 Transfers 6,729 36,247 23,239 -- 243 (66,458) -- Disposals or write off (1,205) (7,187) (5,189) (226) (68) -- (13,875) -----												
----- At end of the year 44,615 274,742 201,119 5,517 5,055 25,579 556,627 -----												
----- ACCUMULATED DEPRECIATION AND IMPAIRMENT At beginning of the year (9,274) (99,683) (78,509) (2,723) (1,602) -- (191,791) Charge for the year (1,718) (17,973) (13,564) (583) (429) (189) (34,456) Disposals or write off 808 2,395 2,619 192 44 -- 6,058 -----												
----- At end of the year (10,184) (115,261) (89,454) (3,114) (1,987) (189) (220,189) -----												
NET BOOK VALUE At end of the year 34,431 159,481 111,665 2,403 3,068 25,390 336,438 =====												
===== ANALYSIS OF COST OR VALUATION At valuation (i) 16,138 115,529 128,142 2,011 1,321 -- 263,141 At cost (ii) 28,477 159,213 72,977 3,506 3,734 25,579 293,486 -----												
----- 44,615 274,742 201,119 5,517 5,055 25,579 556,627 =====												
===== Carrying value of the property, plant and equipment had they been stated at cost less accumulated depreciation 32,862 150,773 94,116 2,101 2,466 25,390 307,708 =====												
===== 112 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) COMPANY (CONTINUED) OIL AND GAS PLANT AND MOTOR CONSTRUCTION YEAR ENDED DECEMBER 31, 2005 BUILDINGS PROPERTY EQUIPMENT VEHICLES OTHER IN PROGRESS TOTAL -----												
----- RMB RMB RMB RMB RMB RMB RMB RMB COST OR VALUATION At beginning of the year 44,615 274,742 201,119 5,517 5,055 25,579 556,627 Additions 1,381 8,641 4,121 1,211 36 91,904 107,294 Transfers 5,995 49,836 16,659 -- 292 (72,782) -- Disposals or write off (485) (10,054) (1,757) (272) (60) -- (12,628) -----												
----- At end of the year 51,506 323,165 220,142 6,456 5,323 44,701 651,293 -----												
ACCUMULATED DEPRECIATION AND IMPAIRMENT At beginning of the year (10,184) (115,261) (89,454) (3,114) (1,987) (189) (220,189) Charge for the year (2,042) (17,686) (14,718) (596) (428) -- (35,470) Disposals or												



write off 125 2,654 1,122 189 48 104 4,242 ----- At end of the year (12,101)  
(130,293) (103,050) (3,521) (2,367) (85) (251,417) ----- NET BOOK  
VALUE At end of the year 39,405 192,872 117,092 2,935 2,956 44,616 399,876 =====  
===== ANALYSIS OF COST OR VALUATION At valuation (i) 15,653 105,475  
126,385 1,739 1,261 -- 250,513 At cost (ii) 35,853 217,690 93,757 4,717 4,062 44,701 400,780 -----  
----- 51,506 323,165 220,142 6,456 5,323 44,701 651,293 =====  
===== Carrying value of the property, plant and equipment had they been stated at  
cost less accumulated depreciation 37,962 186,148 100,937 2,648 2,365 44,616 374,676 =====  
===== (i) Amount for which revaluations have been undertaken by  
independent valuers. (ii) Cost of property, plant and equipment acquired or constructed since the applicable  
revaluation. 113 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL  
STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) The additions of the oil  
and gas properties of the Group for the year ended December 31, 2005 included RMB 13,258 (2004: RMB 48)  
relating to the asset retirement obligations recognised during the year (see Note 32). The depreciation charge of the  
Group for the year ended December 31, 2005 included RMB 3,019 (2004: RMB 4,020) relating to impairment  
provision for property, plant and equipment held for use. Of this amount, RMB1,955 (2004: RMB 798) was related to  
the Chemicals and Marketing segment, RMB 372 (2004: RMB 1,423) was for the Refining and Marketing segment  
and RMB 692 (2004: RMB 1,799) was for the Exploration and Production segment. The Refinery and Marketing  
segment incurred a loss of RMB 19,810 million during the year ended December 31, 2005, principally as a result of  
increases in input crude prices and insufficient corresponding increases in refined product prices. Management  
believes that the allowed pricing mechanism of the refined products will be amended and result in a cost-plus method  
with a margin not less than 5%. In the event the anticipated change in the refined product pricing mechanism does not  
materialize prior to June 30, 2006, impairment of the carrying value of the refining related fixed assets will become  
necessary. The following table indicates the changes to the Group's exploratory well costs, which are included in  
construction in progress, for the years ended December 31, 2005 and 2004. 2005 2004 ----- RMB RMB  
Beginning balance at January 1 5,751 4,335 Additions to capitalized exploratory well costs pending the determination  
of proved reserves 16,181 10,913 Reclassified to wells, facilities, and equipment based on the determination of proved  
reserves (7,089) (4,756) Capitalized exploratory well costs charged to expense (6,547) (4,741) ----- Ending  
balance at December 31 8,296 5,751 ===== Number of wells at year end 993 783 ===== The  
following table provides an aging of capitalized exploratory well costs based on the date the drilling was completed.  
2005 2004 ----- RMB RMB One year or less 8,023 5,283 Over one year 273 468 ----- Balance at December  
31 8,296 5,751 ===== The RMB 273 at December 31, 2005 for capitalized exploratory well costs over one  
year are principally related to wells that are under further evaluation of drilling results or pending completion of  
development planning. In 2005, cash payment of RMB 25,099 (2004:RMB 17,716) have been incurred in connection  
with exploration activities, including RMB 9,019 (2004:RMB 7,349) related to operating activities and RMB 16,080  
(2004:RMB 10,367) related to investing activities. 114 PETROCHINA COMPANY LIMITED NOTES TO THE  
CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise  
stated) Buildings owned by the Group are on leased land. The net book values of the buildings owned by the Group  
analysed by the following categories of lease terms: GROUP COMPANY ----- 2005 2004 2005  
2004 ----- RMB RMB RMB RMB Short-term lease (less than 10 years) 336 335 333 331  
Medium-term lease (10 to 50 years) 56,768 51,584 39,072 34,100 ----- 57,104 51,919 39,405 34,431  
===== Substantially all the buildings of the Group are located in the PRC. Property, plant  
and equipment under finance leases at the end of year are as follows: GROUP COMPANY -----  
2005 2004 2005 2004 ----- RMB RMB RMB RMB Exploration and Production 45 45 45 45  
Refining and Marketing -- 94 -- 94 Chemicals and Marketing -- 110 -- 110 Accumulated depreciation (12) (74) (12)  
(74) --- --- --- 33 175 33 175 === Finance leases are principally related to plant and equipment and  
generally contain purchase options at the end of the lease terms. A valuation of the Group's property, plant and  
equipment, excluding oil and gas reserves, was carried out during 1999 by independent valuers. The valuation was  
based on depreciated replacement costs. As at September 30, 2003, a revaluation of the Group's refining and chemical  
production equipment was undertaken by a firm of independent valuers, China United Assets Appraiser Co., Ltd, in  
the PRC on a depreciated replacement cost basis. The June 1999 revaluation resulted in RMB 80,549 in excess of the

prior carrying value and a revaluation loss of RMB 1,122 on certain property, plant and equipment. The September 2003 revaluation resulted in RMB 872 in excess of the carrying value of certain property, plant and equipment immediately prior to the revaluation and a revaluation loss of RMB 1,257. Bank borrowings are secured on property, plant and equipment at net book value of RMB 75 (2004: RMB 246) at December 31, 2005. 115 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) 16 INVESTMENTS IN ASSOCIATES The Group's interests in its principal associates, all of which are unlisted, were as follows: COUNTRY OF INTEREST TYPE OF NAME INCORPORATION ASSETS LIABILITIES REVENUES PROFIT HELD % SHARE -----

COUNTRY OF INTEREST	TYPE OF NAME	INCORPORATION	ASSETS	LIABILITIES	REVENUES	PROFIT	HELD	% SHARE
2005 DaLian West Pacific PRC	10,964	7,861	30,153	477	28.4	ordinary	Petrochemical Co., Ltd.	
China Marine Bunker PRC	6,419	4,196	28,042	254	50.0	ordinary	(PetroChina) Co., Ltd.	
Other	41,528	27,757	62,559	4,465	20.0-50.0	ordinary		
2004 Dalian West Pacific PRC	10,182	6,704	21,115	1,314	28.4	ordinary	Petrochemical Co., Ltd.	
China Marine Bunker PRC	4,095	2,146	18,356	132	50.0	ordinary	(PetroChina) Co., Ltd.	
Other	22,626	15,898	74,872	2,397	20.0-50.0	ordinary		

Share of profit of associates included in the profit and loss account of the Group was RMB 2,401 (2004: RMB 1,621) in 2005. Share of net profit of associates included in retained earnings of the Group was RMB 3,597 (2004: RMB 1,943) at December 31, 2005. Dividends received and receivable from associates were RMB 634 (2004: RMB 671) in 2005. In 2005, investments in associates of RMB 1,104 (2004: RMB 60) were disposed of with a loss of RMB 2 (2004: RMB 33) incurred. 17 AVAILABLE-FOR-SALE INVESTMENTS GROUP COMPANY

COUNTRY OF INTEREST	TYPE OF NAME	INCORPORATION	ASSETS	LIABILITIES	REVENUES	PROFIT	HELD	% SHARE
2005 2004 2005 2004								
RMB RMB RMB RMB								
Unlisted available-for-sale								
investments	1,907	2,361	1,638	2,109	Less: Impairment provision	(677) (755) (665) (745)		
	1,606	973	1,364					

116 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) Available-for-sale investments, comprising principally unlisted equity securities, are classified as non-current assets, unless they are expected to be realised within twelve months of the balance sheet date or unless they will need to be sold to raise operating capital. Dividend income from available-for-sale investments was RMB 109 (2004: RMB 113) in 2005. In 2005, available-for-sale investments of RMB 1,003 (2004: RMB 89) were disposed of with a loss of RMB 27 (2004: RMB 6) incurred. 18 SUBSIDIARIES Principal subsidiaries are: TYPE OF ATTRIBUTABLE COUNTRY OF PAID-UP LEGAL EQUITY COMPANY NAME INCORPORATION CAPITAL RMB ENTITY INTEREST% PRINCIPAL ACTIVITIES -----

\*Daqing Oilfield Company PRC 47,500 309 100.00 Exploration, production Limited and the sale of crude oil and natural gas; production and sale of refined products \*Jinzhou Petrochemical PRC 788 375 95.87 Production and sale of Company Limited (i) oil and chemical products \*Jilin Chemical PRC 3,561 375 67.29 Production and sale of Industrial Company chemical products Limited (ii) Daqing Yu Shu Lin PRC 1,272 309 88.16 Exploration and Oilfield Company Limited production of crude oil and natural gas \*Liaohe Jinma Oilfield PRC 1,100 375 97.48 Exploration, production, Company Limited (iii) transportation and sale of crude oil and natural gas PetroChina International British Virgin USD 0.9 309 100.00 Exploration and Limited Islands production of crude oil and natural gas outside of PRC PetroChina International Bahamas USD 0.005 309 100.00 Exploration and Indonesia Limited production of crude oil and natural gas in Indonesia \*Zhong You Kan Tan Kai PRC 100 309 50.00 Exploration and Fa Company Limited production of crude oil and natural gas outside of PRC 309 -- Limited liability company. 375 -- Joint stock company with limited liability. \* -- Subsidiaries directly held by the Company as of December 31, 2005. 117 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) (i) Pursuant to the resolution passed at the Board of Directors' meeting held on October 26, 2005, the Company offered to acquire all of the 150,000,000 outstanding A shares of Jinzhou Petrochemical Company Limited ("JPCL") from minority shareholders at RMB 4.25 per share. As at December 31, 2005, the Company had paid total cash consideration of RMB 500 and acquired 117,486,753 A shares, representing approximately 14.92% of the total issued shares of JPCL. After this acquisition, the Company owns 95.87% of the outstanding share of JPCL. The excess of the cost of purchase over the carrying value of the underlying assets and liabilities acquired was recorded in equity. As approved by China Securities Regulatory Commission, JPCL ceased to be a publicly traded company on January 4, 2006. (ii) Pursuant to the resolution passed by the Board of Directors' meeting held on October 26, 2005, the Company offered to acquire all the outstanding 200,000,000 A

shares and 964,778,000 H shares (including ADS) of JiLin Chemical Industrial Company Limited ("JCIC") from the minority shareholders at RMB 5.25 per A share and HK\$2.80 per H share respectively. This offer period ended in February, 2006 and the effect of this acquisition will be reflected in the consolidated financial statements of the Group for the year ending December 31, 2006. (iii) Pursuant to the resolution passed by the Board of Directors' meeting held on October 26, 2005, the Company offered to acquire all of the 200,000,000 outstanding A shares of Liaohe Jinma Oilfield Company Limited ("LJOCL") from minority shareholders at RMB 8.80 per share. As at December 31, 2005, the Company had paid total cash consideration of RMB 1,519 and acquired 172,315,428 A shares, representing approximately 15.67% of the total issued share of LJOCL. After this acquisition, the Company owns 97.48% of the outstanding share of LJOCL. The excess of the cost of purchase over the carrying value of the underlying assets and liabilities acquired was recorded in equity. As approved by China Securities Regulatory Commission, LJOCL ceased to be a publicly traded company on January 4, 2006. 19 ADVANCE OPERATING LEASE PAYMENTS GROUP

COMPANY ----- 2005 2004 2005 2004 ----- RMB RMB RMB RMB Land use rights 9,786 8,011 7,000 5,718 Advance lease payments 6,449 4,296 4,933 3,148 ----- 16,235 12,307 11,933 8,866 ===== Land use rights have terms up to 50 years. Advance lease payments are principally for use of land sub-leased from entities other than PRC land authorities. These advance operating lease payments are amortised over the related lease periods using the straight-line-method. 118 PETROCHINA

COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) 20 INTANGIBLE AND OTHER ASSETS GROUP 2005 2004

----- ACCUMULATED ACCUMULATED COST AMORTISATION NET COST AMORTISATION NET ----- RMB RMB RMB RMB RMB RMB Patents 2,166 (1,140) 1,026 1,873 (958) 915 Technical know-how 325 (209) 116 248 (181) 67 Other 2,664 (684) 1,980 1,454 (396) 1,058 ----- Intangible assets 5,155 (2,033) 3,122 3,575 (1,535) 2,040 ===== Other assets 1,889 980 ----- 5,011 3,020 =====

COMPANY 2005 2004 ----- ACCUMULATED ACCUMULATED COST AMORTISATION NET COST AMORTISATION NET ----- RMB RMB RMB RMB RMB RMB Patents 1,505 (810) 695 1,213 (694) 519 Technical know-how 101 (15) 86 28 (9) 19 Other 2,109 (502) 1,607 1,078 (297) 781 ----- Intangible assets 3,715 (1,327) 2,388 2,319 (1,000) 1,319 ===== Other assets 1,595 834 ----- 3,983 2,153 =====

Patents principally represent expenditure incurred in acquiring processes and techniques that are generally protected by relevant government authorities. Technical know-how amounts are attributable to operational technology acquired in connection with purchase of equipment. The technical know-how costs are included as part of the purchase price by contracts and are distinguishable. 119 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) 21

INVENTORIES GROUP COMPANY ----- 2005 2004 2005 2004 ----- RMB RMB RMB RMB Crude oil and other raw materials 22,396 14,903 17,888 9,725 Work in progress 5,933 5,417 5,157 4,527 Finished goods 35,131 27,913 28,880 23,944 Spare parts and consumables 43 70 32 47 ----- 63,503 48,303 51,957 38,243 Less: Write down in inventories (770) (926) (419) (569) ----- 62,733 47,377 51,538 37,674 ===== Inventories of the Group carried at net realisable value

amounted to RMB 2,236 (2004: RMB 3,282) at December 31, 2005. 22 ACCOUNTS RECEIVABLE GROUP COMPANY ----- 2005 2004 2005 2004 ----- RMB RMB RMB RMB Accounts receivable due from third parties 6,483 4,605 3,209 3,929 Accounts receivable due from related parties 2,145 4,085 1,465 1,883 Less: Impairment provision (3,998) (4,848) (3,203) (3,833) ----- 4,630 3,842 1,471 1,979 ===== Amounts due from related parties are interest free and unsecured. The aging

analysis of accounts receivable at December 31, 2005 is as follows: GROUP COMPANY ----- 2005 2004 2005 2004 ----- RMB RMB RMB RMB Within 1 year 4,280 3,506 1,276 1,770 Between 1 to 2 years 70 89 41 49 Between 2 to 3 years 46 173 36 135 Over 3 years 4,232 4,922 3,321 3,858 ----- 8,628 8,690 4,674 5,812 ===== The Group offers its customers the credit terms of no more

than 180 days, except for certain selected customers. 120 PETROCHINA COMPANY LIMITED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) 23 PREPAID EXPENSES AND OTHER CURRENT ASSETS GROUP COMPANY -----

----- 2005 2004 2005 2004 ----- RMB RMB RMB RMB Other receivables 9,404 9,777

5,420 5,079 Amounts due from related parties -Subsidiaries -- -- 14,689 15,026 -Other 13,524 11,461 8,270 9,575  
Less: Impairment provision (6,814) (7,255) (4,197) (4,473) ----- 16,114 13,983 24,182 25,207  
Advances to suppliers 5,819 5,448 4,492 4,413 Prepaid expenses 279 248 195 175 Other current assets 461 187 390  
132 ----- 22,673 19,866 29,259 29,927 ===== Other receivables consist  
primarily of taxes other than income taxes refund receivables, subsidies receivable, and receivables for the sale of  
materials and scrap. Except for loans to related parties (Note 39 (g)), amounts due from related parties are interest  
free, unsecured and with no fixed terms of repayment. 24 NOTES RECEIVABLE Notes receivable represent mainly  
the bills of acceptance issued by banks for sale of goods and products. All notes receivable are due within one year. 25  
INVESTMENTS IN COLLATERALIZED LOANS Securities, in the form of loans collateralized by principally PRC  
government bonds, purchased by the Group are recorded as investments in collateralized loans. These securities have  
terms ranging from 3 days to 182 days. The difference between the purchase price and the amount that the Company  
can receive upon the maturity of these securities is treated as interest income and accrued over the life of these  
securities using the effective yield method. Investments in collateralized loans are accounted for as collateralized  
financing transactions and are recorded at their contractual amounts plus interest accrued. The weighted average  
effective interest rate on investments in collateralized loans was 2.23% (2004: 2.36%) for the year ended December  
31, 2005. 121 PETROCHINA COMPANY LIMITED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Amounts in millions except per share data or unless otherwise stated) 26 CASH AND CASH EQUIVALENTS  
GROUP COMPANY ----- 2005 2004 2005 2004 ----- RMB RMB RMB RMB  
Cash at bank and in hand 80,905 11,688 55,814 8,458 ===== The weighted average  
effective interest rate on bank deposits was 1.97% (2004: 1.25%) for the year ended December 31, 2005. 27  
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES GROUP COMPANY ----- 2005  
2004 2005 2004 ----- RMB RMB RMB RMB Trade payables 13,749 7,953 8,462 5,407 Advances  
from customers 7,698 6,002 6,347 4,716 Salaries and welfare payable 7,353 5,926 6,020 4,912 Accrued expenses 4 7  
-- 7 Dividends payable by subsidiaries to minority shareholders 93 11 -- -- Interest payable 27 6 26 4 Construction fee  
and equipment cost payables 16,420 9,366 13,119 8,863 One-time employee housing remedial payment payable 1,174  
1,740 1,174 1,740 Other payables 12,158 8,170 11,250 6,769 Amounts due to related parties -Subsidiaries -- -- 39,590  
30,652 -Other 41,082 33,891 27,245 21,842 ----- 99,758 73,072 113,233 84,912 =====  
===== Other payables consist primarily of customer deposits. Amounts due to related parties are  
interest-free, unsecured and with no fixed terms of repayment. The aging analysis of trade payables at December 31,  
2005 is as follows: GROUP COMPANY ----- 2005 2004 2005 2004 ----- RMB  
RMB RMB RMB Within 1 year 12,876 7,430 7,914 5,037 Between 1 to 2 years 434 154 244 109 Between 2 to 3  
years 85 57 51 53 Over 3 years 354 312 253 208 ----- 13,749 7,953 8,462 5,407 =====  
===== 122 PETROCHINA COMPANY LIMITED NOTES TO CONSOLIDATED FINANCIAL  
STATEMENTS (Amounts in millions except per share data or unless otherwise stated) 28 BORROWINGS (A)  
SHORT-TERM BORROWINGS GROUP COMPANY ----- 2005 2004 2005 2004 -----  
----- RMB RMB RMB RMB Bank loans - secured 34 495 6 7 - unsecured 12,753 11,100 10,870 10,174 Loans  
from fellow CNPC subsidiary 520 4,351 120 40 Other 57 8 53 3 ----- 13,364 15,954 11,049 10,224  
Current portion of long-term borrowings 15,325 18,983 11,287 15,315 ----- 28,689 34,937 22,336  
25,539 ===== 123 PETROCHINA COMPANY LIMITED NOTES TO THE  
CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise  
stated) (B) LONG-TERM BORROWINGS GROUP COMPANY INTEREST RATE AND FINAL -----  
----- MATURITY 2005 2004 2005 2004 ----- RMB RMB RMB  
RMB RENMINBI - DENOMINATED BORROWINGS: Bank loans for the Majority variable interest development of  
oil rates ranging from 5.18% fields and construction to 6.12% per annum as of of refining plants December 31, 2005,  
with maturities through 2010 9,778 16,195 9,571 15,749 Bank loans for working Majority variable interest capital  
rates ranging from 5.18% to 5.27% per annum as of December 31, 2005, with maturities through 2008 6,030 6,044  
6,000 6,014 Loans from fellow CNPC Floating interest rates subsidiary for the ranging from 4.46% to development of  
oil 5.18% per annum as of fields and construction December 31, 2005, with of refining plants maturities through 2032  
16,462 15,610 16,462 15,610 Working capital loans Majority variable interest from fellow CNPC rates ranging from  
4.61% subsidiary to 4.67% per annum as of December 31, 2005, with maturities through 2007 4,335 5,043 4,330  
5,043 Working capital loans Fixed interest rates at 6.32% per annum with no fixed repayment term 5 9 5 9 Corporate

debenture for Fixed interest rate at the development of oil 4.50% per annum with fields and construction maturities through 2007 1,350 1,350 1,350 1,350 of refining plants Corporate debenture for Fixed interest rate at the development of oil 4.11% per annum with and gas properties maturities through 2013 1,500 1,500 1,500 1,500 124

PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Amounts in millions except for per share data or unless otherwise stated) GROUP COMPANY INTEREST RATE AND FINAL ----- MATURITY 2005 2004 2005 2004 -----

----- RMB RMB RMB RMB US DOLLAR - DENOMINATED BORROWINGS: Bank loans for the Fixed interest rates development of oil fields ranging from free to and construction of 9.00% per annum with refining plants maturities through 2038 1,404 1,883 424 721 Bank loans for the Floating interest rates development of oil fields ranging from 2.69% to and construction of 9.70% per annum as of refining plants December 31, 2005, with maturities through 2014 6,751 7,320 674 755 Bank loans for working Floating interest rates capital ranging from LIBOR plus 0.40% to LIBOR plus 3.00% per annum as of December 31, 2005, with maturities through 2006 1,362 492 -- -- Bank loans for acquisition Floating interest rate at of overseas oil and gas LIBOR plus 0.55% per properties annum as of December 31, 2005, with maturities through 2009 1,614 1,490 -- -- Loans from fellow CNPC Floating interest rates subsidiary for the ranging from LIBOR development of oil fields minus 0.25% to LIBOR and construction of plus 0.50% per annum as refining plants of December 31, 2005, with maturities through 2020 2,852 1,633 2,852 1,633 Loans from fellow CNPC Floating interest rate at subsidiary for acquisition LIBOR plus 0.40% per of overseas oil and gas annum as of December 31, properties 2005, with maturities through 2006 593 608 -- -- Loans from fellow CNPC Floating interest rates subsidiary for working from LIBOR plus 0.40% to capital LIBOR plus 1.00% per annum as of December 31, 2005, with maturities through 2008 2,557 2,687 -- -- 125

PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) GROUP COMPANY INTEREST RATE AND FINAL ----- MATURITY 2005 2004 2005 2004 -----

----- RMB RMB RMB RMB Loans for the development of Fixed interest rate at oil fields and construction 1.55% per annum with of refining plants maturities through 2022 509 554 509 554 Loans for working capital Floating interest rate at LIBOR plus 0.35% per annum as of December 31, 2005 with maturities through 2008. 668 64 -- -- Corporate debenture for the Fixed interest rate at development of oil fields 3.00% per annum with and construction of refining maturities through 2019 347 -- -- -- plants Corporate debenture for the Fixed interest rate at development of oil and gas 9.50% per annum with properties maturities through 2011 844 -- -- -- Corporate debenture for the Fixed interest rate at development of oil and gas 15.00% per annum with properties maturities through 2008 292 -- -- -- JAPANESE YEN -DENOMINATED BORROWINGS: Bank loans for the Fixed interest rates development of oil fields ranging from 4.10% to and construction of refining 5.30% per annum with plants maturities through 2010 226 430 134 269 EURO - DENOMINATED BORROWINGS: Bank loans for the Fixed interest rates development of oil fields ranging from 2.00% to and construction of refining 2.30% per annum with plants maturities through 2023 256 360 93 117 BRITISH POUND - DENOMINATED BORROWINGS: Bank loans for the Fixed interest rate at development of oil fields 2.85% per annum with and construction of refining maturities through 2007 plants 160 338 160 338 -----

----- 59,895 63,610 44,064 49,662 Finance lease obligations -- 21 -- 21 -----

----- Total long-term borrowings 59,895 63,631 44,064 49,683 Less: Current portion of long- term borrowings (15,325) (18,983) (11,287) (15,315) -----

----- 44,570 44,648 32,777 34,368 =====

126 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Amounts in millions except for per share data or unless otherwise stated) For loans denominated in RMB with floating rates, the rates are re-set annually on the respective anniversary dates based on rates announced by the People's Bank of China. For loans denominated in currencies other than RMB with floating rates, the rates are re-set quarterly or semi-annually as stipulated in the respective agreements. Other loans represent loans from independent third parties other than banks. Interest free loans amounted to RMB 110 (2004: RMB 88) at December 31, 2005. Borrowings of RMB 674 (2004: RMB 756) were guaranteed by CNPC and its subsidiaries at December 31, 2005. The Group's borrowings include secured liabilities (lease and bank borrowings) totalling RMB 1,108 (2004: RMB 2,269) at December 31, 2005. Bank borrowings are secured mostly over certain of the Group's property and time deposits with maturities over one year. GROUP COMPANY ----- 2005 2004 2005 2004 -----

----- RMB RMB RMB RMB Total borrowings: - at fixed rates 19,750 19,885 14,948 16,163 - at variable rates 53,509 59,700 40,165 43,744 -----

----- 73,259 79,585 55,113 59,907

===== Weighted average effective interest rates: - bank loans 5.26% 4.69% 5.03% 4.86% - loans from fellow CNPC subsidiary 4.90% 4.47% 4.85% 4.62% - other loans 3.38% 2.01% 1.58% 1.63% - corporate debentures 5.86% 4.30% 4.30% 4.30% - finance lease obligations -- 4.78% -- 4.78% The carrying amounts and fair values of long-term borrowings (excluding finance lease obligations) are as follows:

GROUP COMPANY	CARRYING AMOUNTS				2005	2004
2005 2004	RMB	RMB	RMB	RMB	Bank loans	27,581 34,552 17,056 23,963
Loans from fellow CNPC subsidiary	26,799	25,581	23,644	22,286	Corporate debentures	4,333 2,850 2,850 2,850
Other	1,182	627 514 563	59,895	63,610	44,064	49,662

===== 127 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) GROUP COMPANY

GROUP COMPANY	FAIR VALUES				2005	2004
2005 2004	RMB	RMB	RMB	RMB	Bank loans	27,397 34,394 17,060 23,982
Loans from fellow CNPC subsidiary	26,795	25,581	23,640	22,286	Corporate debentures	4,173 2,632 2,664 2,632
Other	1,049	469 381 405	59,414	63,076	43,745	49,305

===== The fair values are based on discounted cash flows using applicable discount rates based upon the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the balance sheet dates. Such discount rates ranged from 0.13% to 7.45% per annum as of December 31, 2005 depending on the type of the borrowings. The carrying amounts of short-term borrowings and finance lease obligations approximate their fair value. Maturities of long-term borrowings (excluding finance lease obligations) at the dates indicated below are as follows:

GROUP COMPANY	BANK LOANS				2005	2004
2005 2004	RMB	RMB	RMB	RMB	Within one year	5,378 10,233 3,512 7,836
Between one to two years	11,009	5,295 9,042 3,512	Between two to five years	10,417	17,951 4,111 11,998	
After five years	777 1,073 391 617	27,581	34,552	17,056	23,963	

===== 128 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) GROUP COMPANY

GROUP COMPANY	LOANS OTHER THAN BANK LOANS				2005	2004
2005 2004	RMB	RMB	RMB	RMB	Within one year	9,947 8,729 7,775 7,458
Between one to two years	7,364	4,850 6,381 3,676	Between two to five years	4,525 9,121 3,739 8,271	After five years	10,478 6,358 9,113 6,294
Future minimum payments on finance lease obligations at the dates indicated below are as follows:	32,314	29,058 27,008 25,699	Future minimum payments on finance lease obligations at the dates indicated below are as follows:	32,314	29,058 27,008 25,699	

===== GROUP COMPANY

GROUP COMPANY	Future minimum payments on finance lease obligations at the dates indicated below are as follows: <th>2005</th> <th>2004</th>				2005	2004
2005 2004	RMB	RMB	RMB	RMB	Within one year	-- 22 -- 22
Between one to two years	-- -- -- -- --	Future finance charges on finance lease obligations	-- (1) -- (1) -- -- -- --	Present value of finance lease obligations	-- 21 -- 21	== == == ==

===== The present value of finance lease obligations can be analysed as follows: - Within one year -- 21 -- 21 - Between one to two years -- -- -- -- -- 21 -- 21 == == == == 129

PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) 29 SHARE CAPITAL GROUP COMPANY

GROUP COMPANY	2005 2004 2005 2004				RMB	RMB	RMB	RMB
Registered, issued and fully paid: State-owned shares	157,922	158,242	157,922	158,242	H shares	21,099	17,582	21,099 17,582
179,021 175,824 179,021 175,824	179,021	175,824	179,021	175,824	=====	=====	=====	=====

NUMBER OF SHARES OF THE COMPANY (MILLION) 2005 2004

2005 2004	Beginning balance	175,824 175,824	Issue of Share	3,197 --	Ending balance	179,021 175,824
At its formation in November, 1999, the registered capital of the Company was RMB 160,000 consisting of 160 billion state-owned shares of RMB 1.00 each issued to CNPC in accordance with the restructuring agreement between the Company and CNPC in exchange for certain assets and liabilities. On April 7, 2000, the Company completed a global initial public offering ("Global Offering") pursuant to which 17,582,418,000 shares of RMB 1.00 each, representing 13,447,897,000 H shares and 41,345,210 American Depositary Shares ("ADSs", each representing 100 H shares), were issued at prices of HK\$ 1.28 per H share and US\$ 16.44 per ADS, respectively, for which the net proceeds to the Company were approximately RMB 20 billion. The shares issued pursuant to the Global Offering rank equally with existing shares. The H shares and ADSs are listed on The Stock Exchange of Hong Kong Limited and the New York Stock Exchange respectively. In September 2005, the Company issued 3,196,801,818 new H shares at HK\$ 6.00 per share and net proceed to the Company was approximately RMB 19,692. CNPC also sold 319, 680,182 state-owned shares it held concurrently with PetroChina's sale of new H shares in September 2005.						

Shareholders' rights are governed by the PRC Company Law that requires an increase in registered capital to be approved by the shareholders in general meeting and the relevant PRC Government and regulatory authorities. 130 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in millions except for per share data or unless otherwise stated) 30 RESERVES GROUP COMPANY  
----- 2005 2004 2005 2004 ----- RMB RMB RMB RMB  
REVALUATION RESERVE Beginning balance 79,946 79,946 79,946 79,946 ----- ENDING  
BALANCE 79,946 79,946 79,946 79,946 CAPITAL RESERVE Beginning balance (25,376) (25,376) (28,003)  
(28,003) Issue of shares (Note 29) 16,495 -- 16,495 -- ----- ENDING BALANCE (8,881)  
(25,376) (11,508) (28,003) STATUTORY COMMON RESERVE FUND (Note a) Beginning balance 36,071 26,370  
28,636 18,935 Transfer from retained earnings 12,665 9,701 12,665 9,701 ----- ENDING  
BALANCE 48,736 36,071 41,301 28,636 STATUTORY COMMON WELFARE FUND (Note b) Beginning balance  
21,504 16,653 17,839 12,988 Transfer from retained earnings 6,333 4,851 6,333 4,851 -----  
ENDING BALANCE 27,837 21,504 24,172 17,839 CURRENCY TRANSLATION DIFFERENCES Beginning  
balance (111) (441) -- -- Currency translation adjustments (268) 330 -- -- ----- ENDING  
BALANCE (379) (111) -- -- OTHER RESERVES Beginning balance (3,200) (3,200) (3,256) (3,256) Payment to  
CNPC for the acquisition of the refinery and petrochemical business (9) -- (9) -- Purchase from minority interests of  
listed subsidiaries (Note 18) (1,438) -- (1,438) -- Paid-in capital to Zhong You Kan Tan Kai Fa Company Limited  
(10,056) -- -- ----- ENDING BALANCE (14,703) (3,200) (4,703) (3,256) -----  
----- 132,556 108,834 129,208 95,162 ===== 131 PETROCHINA COMPANY

LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) (a) Pursuant to PRC regulations and the Company's Articles of Association, the Company is required to transfer 10% of its net profit, as determined under the PRC accounting regulations, to statutory common reserve fund until the fund aggregates to 50% of the Company's registered capital. The transfer to this reserve must be made before distribution of dividends to shareholders. The statutory common reserve fund shall only be used to make good previous years' losses, to expand the Company's production operations, or to increase the capital of the Company. Upon approval by a resolution of shareholders' general meeting, the Company may convert its statutory common reserve fund into share capital and issue bonus shares to existing shareholders in proportion to their original shareholdings or to increase the nominal value of each share currently held by them, provided that the balance of the reserve fund after such issue is not less than 25% of the registered capital. (b) Pursuant to the PRC regulations and the Company's Articles of Association, the Company is required to transfer 5% to 10% of its net profit, as determined under the PRC accounting regulations, to the statutory common welfare fund. This fund can only be used to provide common facilities, of which the Group retains the titles, and other collective benefits to the Company's employees. This fund is non-distributable other than in liquidation. The directors have proposed to transfer 5% (2004: 5%) of the net profit, as determined under the PRC accounting regulations, for the year ended December 31, 2005 to the statutory common welfare fund. (c) The Company's distributable reserve is the retained earnings computed under the PRC accounting regulations, which amounted to RMB 142,883 (2004: RMB 95,248) as of December 31, 2005. The distributable reserve computed under the PRC accounting regulations at December 31, 2005 has been arrived at after the accrual for the proposed final dividend in respect of year 2005 of RMB 32,282 (Note 14 (v)). (d) As of December 31, 2005, revaluation surplus relating to depreciation and disposals amounted to approximately RMB 53,717 (2004: RMB 46,757). 31 DEFERRED TAXATION Deferred taxation is calculated on temporary differences under the liability method using a principal tax rate of 33%. The movements in the deferred taxation account are as follows: GROUP COMPANY ----- 2005 2004 2005 2004 ----- RMB RMB RMB RMB

RMB At beginning of year 16,902 13,436 7,489 6,388 Transfer to profit and loss account (Note 11) 3,959 3,267 1,636  
1,101 Exchange difference (102) 199 -- -- ----- At end of year 20,759 16,902 9,125 7,489 =====

===== 132 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) Deferred tax  
balances are attributable to the following items: GROUP COMPANY ----- 2005 2004 2005 2004  
----- RMB RMB RMB RMB Deferred tax assets: Current: Provisions, primarily for receivables and  
inventories 4,767 4,558 3,641 3,482 Tax losses of subsidiaries 1,014 9 -- -- Non current: Shut down of manufacturing  
assets and impairment of long-term assets 4,022 2,454 3,524 2,190 Other 796 802 449 489 -----  
Total deferred tax assets 10,599 7,823 7,614 6,161 ----- Deferred tax liabilities: Current: Sales (Note

(i) 4,401 4,401 4,401 4,401 Non current: Accelerated tax depreciation 26,615 20,070 12,116 8,999 Other 342 254  
 222 250 ----- Total deferred tax liabilities 31,358 24,725 16,739 13,650 ----- Net  
 deferred tax liabilities 20,759 16,902 9,125 7,489 ===== (i) Prior to the formation of the  
 Company in November 1999, certain crude oil sales were exempted from income tax. Upon formation of the  
 Company, such exemption ceased to be available. A portion of the previously exempted items may become taxable at  
 a later date in certain circumstances at the discretion of the tax authorities. (ii) There were no material unrecognised  
 tax losses at December 31, 2005. 32 ASSET RETIREMENT OBLIGATIONS GROUP COMPANY -----  
 ----- 2005 2004 2005 2004 ----- RMB RMB RMB RMB At beginning of year 919 735 -- --  
 Liabilities incurred 13,258 48 8,068 -- Liabilities settled (1) -- -- -- Accretion expense 60 54 -- -- Currency translation  
 differences (49) 82 -- -- -- At end of year 14,187 919 8,068 -- ===== 133  
 PETROCHINA COMPANY LIMITED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Amounts in  
 millions except for per share data or unless otherwise stated) Asset retirement obligations are related to oil and gas  
 properties (see Note 15). The ending balance of 2004 represented the obligation recognised by Zhong You Kan Tan  
 Kai Fa Company Limited (see Note 2). The increase in 2005 arose principally from the new legal requirements  
 enacted in China after December 31, 2004, that set forth specific abandonment and disposal processes for energy  
 production operation including oil and gas exploration and production activities. See Note 4(c) for a description of the  
 factors that may affect the estimation of asset retirement obligations. 33 CASH FLOWS FROM OPERATING  
 ACTIVITIES NOTES 2005 2004 ----- RMB RMB Profit for the year 139,642 107,646 Adjustments for:  
 Taxation 11 54,180 43,598 Depreciation, depletion and amortisation 51,305 48,362 Provision for shutting down  
 manufacturing asset 8 -- 220 Dry hole costs 15 6,547 4,741 Share of profit of associates 16 (2,401) (1,621)  
 Impairment of receivables, net 6 (455) 676 Write down in inventories, net 6 (139) 147 Impairment of  
 available-for-sale investments, net 6 (23) 26 Loss on disposal of property, plant and equipment 6 2,026 2,818 Loss on  
 disposal of associates 2 33 Loss on disposal of available-for-sale investment 27 6 Loss on disposal of intangible and  
 other asset 106 50 Dividend income 17 (109) (113) Interest income (1,924) (1,373) Interest expense 9 2,762 2,896  
 Advance payments on long-term operating leases (5,170) (5,624) Changes in working capital: Accounts receivable  
 and prepaid expenses and other current assets 165 (6,195) Inventories (15,896) (17,460) Accounts payable and  
 accrued liabilities 22,089 398 ----- CASH GENERATED FROM OPERATIONS 252,734 179,231 Interest  
 received 1,917 1,373 Interest paid (3,628) (3,998) Income taxes paid (47,138) (34,915) ----- NET CASH  
 PROVIDED BY OPERATING ACTIVITIES 203,885 141,691 ===== 134 PETROCHINA COMPANY  
 LIMITED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share  
 data or unless otherwise stated) 34 PENSIONS The Group participates in various retirement benefit plans organised  
 by Chinese municipal and provincial governments under which it is required to make monthly contributions to these  
 plans at rates ranging from 16% to 22% of the employees' basic salary for the relevant periods. The Group currently  
 has no additional material obligations for the payment of retirement and other post-retirement benefits of employees in  
 China or overseas other than the monthly contributions described above. Expenses incurred by the Group in  
 connection with the retirement benefit plans were RMB 3,104 (2004: RMB 2,476) for the year ended December 31,  
 2005. 35 FINANCIAL INSTRUMENTS The Group holds or issues various financial instruments which expose it to  
 credit, interest rate, foreign exchange rate and fair value risks. In addition, the Group's operations are affected by  
 certain commodity price movements. The Group historically has not used derivative instruments for hedging or  
 trading purposes. Such activities are subject to policies approved by the Group's senior management. Substantially all  
 of the financial instruments the Group holds are for purposes other than trading. The Group regards an effective  
 market risk system as an important element of the Group's treasury function and is continuously enhancing its  
 systems. A primary objective is to implement certain methodologies to better measure and monitor risk exposures. (A)  
 CREDIT RISK The carrying amounts of accounts receivable included in the balance sheet represent the Group's  
 maximum exposure to credit risk in relation to its financial assets. No other financial assets carry a significant  
 exposure to credit risk. The Group has no significant concentration of credit risk. Majority of cash is placed with  
 state-owned banks and financial institutions. (B) INTEREST RATE RISK The Group is exposed to the risk arising  
 from changing interest rates. A detailed analysis of the Group's borrowings, together with their respective interest  
 rates and maturity dates, are included in Note 28. (C) FOREIGN EXCHANGE RATE RISK From July 21, 2005, the  
 PRC government has reformed the Renminbi exchange rate regime and 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 developments and political changes, and supply and demand for Renminbi. Future exchange rates of Renminbi against other currencies could vary significantly from the current exchange rates. As Renminbi is the base currency of the Company and most of its consolidated entities, the fluctuation of the exchange rate of Renminbi may have positive or negative impacts on the results of operations of the Group. An appreciation of Renminbi against United States Dollar may decrease the Group's turnover, but the cost of acquiring imported materials and equipment may be reduced. A devaluation of Renminbi against United States Dollar may not have a negative impact on the Group's turnover but may increase the cost for acquiring imported materials and equipment as well as the debt obligations denominated in foreign currencies of the Group. The results of operations and financial position of the Group may also be affected by fluctuations in exchange rates of a number of other foreign currencies against Renminbi.

**135 PETROCHINA COMPANY LIMITED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** (Amounts in millions except for per share data or unless otherwise stated) **(D) COMMODITY PRICE RISK** The Group is engaged in a broad range of petroleum related activities. The hydrocarbon commodity markets are influenced by global as well as regional supply and demand conditions. The prices of onshore crude oil are determined with reference to international benchmark crude oil prices. A decline in prices of crude oil and refined products could adversely affect its financial performance. The Group historically has not used commodity derivative instruments to hedge the potential price fluctuations of crude oil and other refined products. Therefore, during 2005 and 2004, the Group was exposed to the general price fluctuations of broadly traded oil and gas commodities. **(E) FAIR VALUES** The carrying amounts of the following financial assets and financial liabilities approximate their fair value as all of them are in short-term nature: cash, short-term investments, trade receivables and payables, other receivables and payables, lease obligations, short-term borrowings and floating rate long-term borrowings. The fair value of the fixed rate long-term borrowings is likely to be different from their carrying amounts. As the majority of the borrowings are at variable rates, the difference between fair value and carrying amounts is likely to be immaterial. Analysis of the fair value and carrying amounts of long-term borrowings are presented in Note 28.

**36 CONTINGENT LIABILITIES (A) BANK AND OTHER GUARANTEES** At December 31, 2005, the Group had contingent liabilities in respect of guarantees made to China Petroleum Finance Company Limited ("CP Finance"), a subsidiary of CNPC, from which it is anticipated that no material liabilities will arise. 2005 2004 ---- RMB RMB Guarantee of borrowings of associates 187 203 ===

**=== (B) ENVIRONMENTAL LIABILITIES** CNPC and the Group have operated in China for many years. China has adopted extensive environmental laws and regulations that affect the operation of the oil and gas industry. The outcome of environmental liabilities under proposed or future environmental legislation cannot reasonably be estimated at present, and could be material. Under existing legislation, however, management believes that there are no probable liabilities, except for the amounts which have already been reflected in the financial statements, that will have a material adverse effect on the financial position of the Group. On November 13, 2005, explosions occurred at a manufacturing facility of a branch of the Company located in the Jilin Province. The impact of the accident is undergoing government investigation. The Company is presumed to bear related liability according to the investigation results.

**136 PETROCHINA COMPANY LIMITED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS** (Amounts in millions except for per share data or unless otherwise stated) **(C) LEGAL CONTINGENCIES** The Group is the named defendant in certain insignificant lawsuits as well as the named party in other proceedings arising in the ordinary course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, management believes that any resulting liabilities will not have a material adverse effect on the financial position of the Group. **(D) LEASING OF ROADS, LAND AND BUILDINGS** According to the Restructuring Agreement entered into between the Company and CNPC in 1999 upon the formation of the Company, CNPC has undertaken to the Company the following: - CNPC will use its best endeavours to obtain formal land use right certificates to replace the entitlement certificates in relation to the 28,649 parcels of land which were leased or transferred to the Company from CNPC, within one year from August, September and October 1999 when the relevant entitlement certificates were issued; - CNPC will complete, within one year from November 5, 1999, the necessary governmental procedures for the requisition of the collectively-owned land on which 116 service stations owned by the Company are located; and - CNPC will obtain individual building ownership certificates in the name of the Company for all of the 57,482 buildings transferred to the Company by CNPC, before November 5, 2000. As at December 31, 2005, CNPC has obtained formal land use right certificates in relation to 27,400 out of the above-mentioned 28,649 parcels of land, some building ownership certificates for the above-mentioned buildings, but

has completed none of the necessary governmental procedures for the above-mentioned service stations located on collectively-owned land. The Directors of the Company confirm that the use of and the conduct of relevant activities at the above-mentioned parcels of land, service stations and buildings are not affected by the fact that the relevant land use right certificates or individual building ownership certificates have not been obtained or the fact that the relevant governmental procedures have not been completed. In management's opinion, the outcome of the above events will not have a material adverse effect on the results of operations or the financial position of the Group. (E) GROUP INSURANCE Except for limited insurance coverage for vehicles and certain assets subject to significant operating risks, the Group does not carry any other insurance for property, facilities or equipment with respect to its business operations. In addition, the Group does not carry any third-party liability insurance against claims relating to personal injury, property and environmental damages or business interruption insurance since such insurance coverage is not customary in China. While the effect of under-insurance on future incidents cannot be reasonably assessed at present, management believes that it may have a material impact on the operating results but will not have a material adverse effect on the financial position of the Group.

137 PETROCHINA COMPANY LIMITED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated)

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

	2005	2004
First year	3,208	2,701
Second year	2,595	2,473
Third year	2,558	2,452
Fourth year	2,437	2,434
Fifth year	2,926	2,356
Thereafter	81,266	83,035
<b>Total</b>	<b>94,990</b>	<b>95,451</b>

Operating lease expenses for land and buildings and equipment were RMB 4,850 (2004: RMB 3,873) for the year ended December 31, 2005. (B) CAPITAL COMMITMENTS 2005 2004 ----- RMB RMB Contracted but not provided for Oil and gas properties 847 728 Plant and equipment 12,496 4,650 Other 22 169 ----- 13,365 5,547 ----- (C) LONG-TERM NATURAL GAS SUPPLY COMMITMENTS The Group markets a portion of its natural gas production under long-term take-or-pay contracts. Under these contracts, the customers are required to take or pay, and the Group is obligated to deliver, minimum quantities of natural gas annually. The prices for the natural gas are based on those approved by the PRC State Development and Reform Commission at the time of deliveries.

138 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) At December 31, 2005, future minimum delivery commitments under the contracts are as follows:

DECEMBER 31, 2005 QUANTITIES (BILLION OF CUBIC FEET)	2006	2007	2008	2009	2010	2011 and thereafter
	451	583	639	704	583	5,528
<b>Total</b>	<b>451</b>	<b>583</b>	<b>639</b>	<b>704</b>	<b>583</b>	<b>5,528</b>

8,488 (D) EXPLORATION AND PRODUCTION LICENSES The Company is obligated to make annual payments with respect to its exploration and production licenses to the Ministry of Land and Resources. Payments incurred were approximately RMB 534 (2004: RMB 444) for the year ended December 31, 2005. Estimated annual payments for the next five years are as follows:

	2006	2007	2008	2009	2010
	681	712	712	712	850
<b>Total</b>	<b>681</b>	<b>712</b>	<b>712</b>	<b>712</b>	<b>850</b>

38 MAJOR CUSTOMERS The Group's major customers are as follows:

	2005	2004	% TO TOTAL REVENUE	% TO TOTAL REVENUE
Sinopec	35,848	36,977	6%	9%
CNPC	19,823	10,720	3%	3%
<b>Total</b>	<b>55,671</b>	<b>47,697</b>	<b>10%</b>	<b>12%</b>

139 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) 39 RELATED PARTY TRANSACTIONS CNPC, the immediate parent of the Company, is a state-controlled enterprise directly controlled by the PRC government. The PRC government is the Company's ultimate controlling party. State-controlled enterprises and their subsidiaries, in addition to CNPC group companies, directly or indirectly controlled by the PRC government are also related parties of the Group. Neither CNPC nor the PRC government publishes financial statements available for public use. The Group has extensive transactions with other members of the CNPC group. Because of the relationship, it is possible that the terms of the transactions between the Group and other members of the CNPC group are not the same as those that would result from transactions with other related parties or wholly unrelated parties. As a result of the restructuring of CNPC to form the Company in 1999, the Company and CNPC entered into a Comprehensive Products and Services Agreement for a range of products and services which may be required and requested by either party; a Land Use Rights Leasing Contract under which CNPC leases 42,476 parcels of land located throughout the PRC to the Company; and a Buildings Leasing Contract under which CNPC leases 191 buildings located throughout the PRC to the Company. The

term of the current Comprehensive Products and Services Agreement were amended during 2005 and the agreement is effective through December 31, 2008. The products and services to be provided by the CNPC group to the Company under the Comprehensive Products and Services Agreement include construction and technical services, production services, supply of material services, social services, ancillary services and financial services. The products and services are provided in accordance with (1) state-prescribed prices; or (2) where there is no state-prescribed price, relevant market prices; or (3) where neither (1) nor (2) is applicable, actual cost incurred; or the agreed contractual price, being the actual cost plus a margin of no more than 15% for certain construction and technical services, and 3% for all other types of services. The Land Use Rights Leasing Contract provides for the lease of an aggregate area of approximately 1,145 million square meters of land located throughout the PRC to business units of the Group for a term of 50 years at an annual fee of RMB 2,000. The total fee payable for the lease of all such property may, after the expiration of 10 years, be adjusted by agreement between the Company and CNPC. Under the Buildings Leasing Contract, 191 buildings covering an aggregate area of 269,770 square meters located throughout the PRC are leased at an aggregate annual fee of RMB 39 for a term of 20 years. The Company also entered into a Supplemental Buildings Leasing Agreement with CNPC in September 2002 to lease an additional 404 buildings covering approximately 442,730 square meters at an annual rental of RMB 157. The Supplemental Buildings Leasing Agreement will expire at the same time as the Building Leasing Agreement. In addition to the related party information shown elsewhere in the financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the years and balances arising from related party transactions at the end of the years indicated below: 140 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) (A) BANK DEPOSITS DECEMBER DECEMBER NOTE 31, 2005 31, 2004 ----- RMB RMB Bank deposits balance at the end of the year CP Finance (i) 24,356 1,827 State-controlled banks and other financial institutions 55,139 10,614 ----- 79,495 12,441 ===== YEAR ENDED DECEMBER 31 ----- NOTE 2005 2004 ----- RMB RMB Interest income from bank deposits CP Finance (i) 33 29 State-controlled banks and other financial institutions 1,582 132 ----- 1,615 161 ===== (i) CP Finance is a subsidiary of CNPC and a non-bank financial institution approved by the People's Bank of China. The deposits yield interest at prevailing saving deposit rates. (B) SALES OF GOODS AND SERVICES YEAR ENDED DECEMBER 31 ----- 2005 2004 ----- RMB RMB Sales of goods Associates - Crude Oil 883 2,597 - Refined Products 9,766 6,397 - Chemical Products 308 153 Fellow subsidiaries (CNPC Group) - Crude Oil 155 100 - Refined Products 12,364 5,720 - Chemical Products 4,805 2,927 - Natural Gas 820 737 - Other 650 320 Other state-controlled enterprises - Crude Oil 37,168 34,212 - Refined Products 86,505 61,138 - Chemical Products 18,275 14,155 - Natural Gas 8,127 5,093 ----- 179,826 133,549 ===== Sales of goods to related parties are conducted at market prices. 141 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) YEAR ENDED DECEMBER 31 ----- 2005 2004 ----- RMB RMB Sales of services Fellow subsidiaries (CNPC Group) 1,029 916 Other state-controlled enterprises 3,592 3,047 ----- 4,621 3,963 ===== Sales of services principally represent the provision of the services in connection with the transportation of crude oil and natural gas at market prices. (C) PURCHASES OF GOODS AND SERVICES YEAR ENDED DECEMBER 31 ----- NOTES 2005 2004 ----- RMB RMB Purchases of goods (i) Associates 4,220 2,185 Other state-controlled enterprises 59,719 36,048 Purchases of services Associates 43 29 Fellow subsidiaries (CNPC Group) - Fees paid for construction and technical services (ii) - exploration and development services (iii) 39,653 30,058 - other construction and technical services (iv) 25,010 18,673 - Fees for production services (v) 23,344 16,313 - Social services charges (vi) 2,153 1,289 - Ancillary services charges (vii) 2,345 1,717 - Commission expense and other charges (viii) 1,612 884 Other state-controlled enterprises (ix) 6,390 4,752 ----- 164,489 111,948 ===== (i) Purchases of goods principally represent the purchases of raw materials, spare parts and low cost consumables at market prices. (ii) Under the Comprehensive Products and Services Agreement entered into between CNPC and the Company, certain construction and technical services provided by CNPC are charged at cost plus an additional margin of no more than 15%, including exploration and development services and oilfield construction services. (iii) Direct costs for exploration and development services comprise geophysical survey, drilling, well cementing, logging and well testing. 142 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise

stated) (iv) The fees paid for other construction and technical services comprise fees for construction of refineries and chemical plants and technical services in connection with oil and gas exploration and production activities such as oilfield construction, technology research, engineering and design, etc.. (v) The fees paid for production services comprise fees for the repair of machinery, supply of water, electricity and gas at the state-prescribed prices, provision of services such as communications, transportation, fire fighting, asset leasing, environmental protection and sanitation, maintenance of roads, manufacture of replacement parts and machinery at cost or market prices. (vi) These represent expenditures for social welfare and support services which are charged at cost. (vii) Ancillary services charges represent mainly fees for property management, the provision of training centers, guesthouses, canteens, public shower rooms, etc.. at market prices. (viii) CNPC purchases materials on behalf of the Company and charges commission thereon. The commission is calculated at rates ranging from 1% to 5% of the goods purchased. (ix) Purchases of services from other state-controlled enterprises principally represent the purchases of the construction and technical services at market prices. (D) PURCHASES OF ASSETS YEAR ENDED DECEMBER 31

----- 2005 2004 ----- RMB RMB Purchases of assets Associates 11 9 Fellow subsidiaries (CNPC Group) 5,870 4,018 Other state-controlled enterprises 6,813 3,480 ----- 12,694 7,507 ===== Purchases of assets principally represent the purchases of manufacturing equipments, office equipments, transportation equipments, etc. at market prices. 143 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) (E)

YEAR-END BALANCES ARISING FROM SALES/PURCHASES OF GOODS/SERVICES/ASSETS DECEMBER 31, DECEMBER 31, 2005 2004 ----- RMB RMB Accounts receivable from related parties at the end of the year Associates 12 138 Fellow subsidiaries (CNPC Group) 337 477 Other state-controlled enterprises 1,796 3,470 ----- 2,145 4,085 Less: Impairment provision Associates -- -- Fellow subsidiaries (CNPC Group) (246) (399) Other state-controlled enterprises (924) (1,451) ----- (1,170) (1,850) ----- 975 2,235 ===== Prepayment and other receivables from related parties at the end of the year Associates 3,634 1,332 Parent (CNPC) 103 3,385 Fellow subsidiaries (CNPC Group) 7,430 3,573 Other state-controlled enterprises 2,357 3,171 ----- 13,524 11,461 Less: Impairment provision Associates (240) (295) Fellow subsidiaries (CNPC Group) (70) (20) Other state-controlled enterprises (330) (365) ----- (640) (680) ----- 12,884 10,781 ===== Accounts payable and accrued liabilities to related parties at the end of the year Associates 3,118 572 Parent (CNPC) 2,516 2,681 Fellow subsidiaries (CNPC Group) 20,285 13,083 Other state-controlled enterprises 15,163 17,555 ----- 41,082 33,891 ===== 144 PETROCHINA COMPANY LIMITED NOTES TO THE

CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) YEAR ENDED DECEMBER 31 ----- 2005 2004 ----- RMB RMB Impairment provision of accounts receivable from related parties charged to the profit and loss account Associates -- -- Fellow subsidiaries (CNPC Group) 24 42 Other state-controlled enterprises (62) (36) --- --- (38) 6 === Impairment provision of prepayment and other receivables from related parties charged to the profit and loss account Associates (55) 49 Fellow subsidiaries (CNPC Group) 55 47 Other state-controlled enterprises (35) 82 --- --- (35) 178 === (F) LEASES YEAR ENDED DECEMBER 31 ----- NOTES 2005 2004 ----- RMB RMB Advance operating

lease payments paid to related parties (i) Parent (CNPC) 232 186 Other state-controlled enterprises 33 15 ----- 265 201 ===== Other operating lease payments paid to related parties Parent (CNPC) (ii) 2,192 2,106 Other state-controlled enterprises 5 5 ----- 2,197 2,111 ===== (i) Advance operating lease payments principally represent the advance payment paid for the long-term operating lease of land and gas stations at prices prescribed by local governments or market prices. (ii) Other operating lease payments to CNPC principally represent the rental paid for the operating lease of land and buildings at the prices prescribed in the Land Use Rights Leasing Contract, the Building Leasing Contract and Supplemental Buildings Leasing Agreement with CNPC. 145 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) DECEMBER 31, 2005 DECEMBER 31, 2004 -----

----- RMB RMB Operating lease payable to related parties Parent (CNPC) 2 52 Other state-controlled enterprises 1 33 --- --- 3 85 === (G) LOANS YEAR ENDED DECEMBER 31 ----- LOANS TO RELATED PARTIES 2005 2004 ----- RMB RMB Loans to associates: Beginning of the

year 569 1,718 Loans advanced during year 1,392 235 Loans repayments received (321) (1,384) Interest charged 29 41 Interest received (29) (41) ----- End of the year 1,640 569 ===== Loans to associates are included in prepaid expenses and other current assets (see Note 23). The loans to related parties are mainly with interest rates

ranging from 5.26% to 8.54% per annum as of December 31, 2005. 146 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) YEAR ENDED DECEMBER 31 ----- LOANS FROM RELATED PARTIES NOTES 2005 2004 ----- RMB RMB Loans from CP Finance: (i) Beginning of the year 29,932 29,575 Loan received during year 10,187 12,003 Loan repayments paid (12,803) (11,646) Interest charged 1,297 1,234 Interest paid (1,294) (1,234) ----- End of the year 27,319 29,932 ===== Loans from state-controlled banks and other financial (ii) institutions: Beginning of the year 36,562 38,341 Loan received during year 24,715 24,990 Loan repayments paid (30,105) (26,739) Interest charged 1,670 1,847 Interest paid (1,664) (1,877) ----- End of the year 31,178 36,562 ===== Loans from other related parties: (iii) Beginning of the year 16 13 Loan received during year 51 5 Loan repayments paid (5) (2) Interest charged 1 -- Interest paid (1) -- ----- End of the year 62 16 ===== (i) The loans from CP Finance are mainly with interest rates ranging from 4.45% to 5.70% per annum as of December 31, 2005, with maturities through 2032; (ii) The loans from state-controlled banks and other financial institutions are mainly with interest rates ranging from free to 8.66% per annum as of December 31, 2005, with maturities through 2038; (iii) The loans from other related parties are mainly with interest rates ranging from free to 6.32% per annum as of December 31, 2005, with no fixed repayment term. The secured loans from related parties amounts RMB 54 at December 31, 2005 (December 31, 2004: RMB 39). The guaranteed loans amounts RMB 674 at December 31, 2005 (December 31, 2004: RMB 756). All these guaranteed loans are from non-related parties, long-term and guaranteed by CNPC. 147 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) (H) KEY MANAGEMENT COMPENSATION YEAR ENDED DECEMBER 31 ----- 2005 2004 ----- RMB'000 RMB'000 Fee for key management personnel - Directors and supervisors 897 120 Salaries, allowances and other benefits - Directors and supervisors 4,031 2,012 - Other key management 2,207 1,330 Pension costs-defined contribution plans - Directors and supervisors 57 43 - Other key management 37 31 ----- 7,229 3,536 ===== As at December 31, 2005, none of the key management personnel has exercised the stock appreciation rights. The liability for the units awarded to key management personnel amounted to approximately RMB 177 (December 31, 2004: RMB 103) at December 31, 2005. (I) CONTINGENT LIABILITIES The Group has disclosed in Note 36 in respect of the contingent liabilities arising from the guarantees made for related parties. (J) COLLATERAL FOR BORROWINGS The Group pledged time deposits with maturities over one year as collateral with Citibank, N.A, Singapore Branch for the borrowings of subsidiaries and associates. As at December 31, 2005, the balance of these time deposits amounted to RMB 3,428 (December 31, 2004: RMB 3,744), including RMB 968 (December 31, 2004: RMB 1,738) for the borrowings of subsidiaries and RMB 2,460 (December 31, 2004: RMB 2,006) for the borrowings of associates. 148 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) 40 SEGMENT INFORMATION The Group is engaged in a broad range of petroleum related activities through its four major business segments: Exploration and Production, Refining and Marketing, Chemicals and Marketing and Natural Gas and Pipeline. The Exploration and Production segment is engaged in the exploration, development, production and sales of crude oil and natural gas. The Refining and Marketing segment is engaged in the refining, transportation, storage and marketing of crude oil and petroleum products. The Chemicals and Marketing segment is engaged in the production and sale of basic petrochemical products, derivative petrochemical products, and other chemical products. The Natural Gas and Pipeline segment is engaged in the transmission of natural gas, crude oil and refined products and the sale of natural gas. In addition to these four major business segments, the Other segment includes the assets, income and expenses relating to cash management, financing activities, the corporate center, research and development, and other business services to the operating business segments of the Group. Most assets and operations of the Group are located in the PRC, which is considered as one geographic location in an economic environment with similar risks and returns. In addition to its operations in the PRC, the Group also has overseas operations through subsidiaries engaging in the exploration and production of crude oil and natural gas. The accounting policies of the operating segments are the same as those described in Note 3 - "Summary of Principal Accounting Policies". Operating segment information for the years ended December 31, 2004 and 2005 is presented below: 149 PETROCHINA COMPANY LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per share data or unless otherwise stated) PRIMARY REPORTING FORMAT -BUSINESS SEGMENTS EXPLORATION REFINING

CHEMICALS NATURAL YEAR ENDED AND AND AND GAS AND DECEMBER 31, 2004 PRODUCTION  
MARKETING MARKETING PIPELINE OTHER TOTAL -----

----- RMB RMB RMB RMB RMB RMB RMB Turnover (including intersegment) 233,948 296,427 57,179 18,255 --  
605,809 Less: Intersegment sales (180,129) (21,862) (2,679) (3,785) -- (208,455) -----  
----- Turnover from external customers 53,819 274,565 54,500 14,470 -- 397,354 =====  
===== Depreciation, depletion and amortisation (30,915) (8,957) (5,741) (2,645) (104)  
(48,362) Segment result 138,129 28,445 11,025 2,475 (518) 179,556 Other costs (7,916) (16,554) (3,370) 60 (638)  
(28,418) ----- Profit/(loss) from operations 130,213 11,891 7,655 2,535 (1,156)  
151,138 ----- Finance costs (1,515) Share of profit of associates 225 75 211 16  
1,094 1,621 ----- Profit before taxation 151,244 Taxation (43,598) ----- Profit for the year 107,646 =====  
Interest income (including intersegment) 2,598 895 205 27 4,723 8,448 Less: Intersegment interest income (7,075)  
----- Interest income from external entities 1,373 ===== Interest expense (including intersegment) (3,096)  
(1,777) (502) (693) (3,903) (9,971) Less: Intersegment interest expense 7,075 ----- Interest expense to external  
entities (2,896) ===== Segment assets 364,477 142,480 55,568 61,631 507,164 1,131,320 Elimination of  
intersegment balances (502,771) Investments in associates 3,352 2,862 280 192 3,212 9,898 ----- Total assets  
638,447 ===== Segment capital expenditure - for property, plant and equipment 62,868 17,684 4,319 13,901  
174 98,946 Segment liabilities 109,602 75,664 18,484 35,385 99,711 338,846 Other liabilities 39,440 Elimination of  
intersegment balances (182,811) ----- Total liabilities 195,475 ===== 150 PETROCHINA COMPANY  
LIMITED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Amounts in millions except for per  
share data or unless otherwise stated) PRIMARY REPORTING FORMAT -BUSINESS SEGMENTS  
(CONTINUED) EXPLORATION REFINING CHEMICALS NATURAL YEAR ENDED AND AND AND GAS  
AND DECEMBER 31, 2005 PRODUCTION MARKETING MARKETING PIPELINE OTHER TOTAL

----- RMB RMB RMB RMB RMB RMB RMB Turnover  
(including intersegment) 337,208 428,494 73,978 26,214 -- 865,894 Less: Intersegment sales (270,943) (33,019)  
(4,754) (4,949) -- (313,665) ----- Turnover from external customers 66,265 395,475  
69,224 21,265 -- 552,229 ===== Depreciation, depletion and  
amortisation (30,896) (8,964) (6,869) (4,478) (98) (51,305) Segment result 220,452 2,116 6,896 3,639 (1,357)  
231,746 Other costs (12,372) (21,926) (3,620) (456) (1,201) (39,575) -----  
Profit/(loss) from operations 208,080 (19,810) 3,276 3,183 (2,558) 192,171 -----  
Finance costs (750) Share of profit of associates 1,851 165 15 -- 370 2,401 ----- Profit before taxation 193,822  
----- Taxation (54,180) ----- Profit for the year 139,642 ===== Interest income (including intersegment)  
3,912 998 387 100 5,763 11,160 Less: Intersegment interest income (9,236) ----- Interest income from external  
entities 1,924 ===== Interest expense (including intersegment) (3,631) (2,659) (636) (1,105) (3,967) (11,998)  
Less: Intersegment interest expense 9,236 ----- Interest expense to external entities (2,762) ===== Segment  
assets 460,814 207,724 76,439 69,232 631,696 1,445,905 Elimination of intersegment balances (680,216) Investments  
in associates 5,470 4,531 250 -- 2,127 12,378 ----- Total assets 778,067 ===== Segment capital expenditure -  
for property, plant and equipment 83,214 16,454 13,569 11,137 427 124,801 Segment liabilities 146,616 97,918  
30,559 40,847 161,753 477,693 Other liabilities 47,731 Elimination of intersegment balances (291,024) ----- Total  
liabilities 234,400 ===== 151 PETROCHINA COMPANY LIMITED NOTES TO CONSOLIDATED

FINANCIAL STATEMENTS (Amounts in millions except per share data or unless otherwise stated) Note (a) -  
Intersegment sales are conducted principally at market price. Note (b) - Segment result is profit from operations before  
other costs. Other costs include selling, general and administrative expenses and other net expense. Note (c) - Segment  
results for the years ended December 31, 2004 and 2005 included impairment provision for property, plant and  
equipment (Note 15) and shut down of manufacturing assets (Note 8). Note (d) - Other liabilities mainly include  
income tax payable, other taxes payable and deferred taxation. Note (e) - Elimination of intersegment balances  
represents elimination of intersegment current accounts and investments. SECONDARY REPORTING FORMAT -  
GEOGRAPHICAL SEGMENTS CAPITAL TURNOVER TOTAL ASSETS EXPENDITURE -----

----- YEAR ENDED DECEMBER 31 2005 2004 2005 2004 2005 2004 -----  
----- RMB RMB RMB RMB RMB RMB RMB PRC 531,520 384,717 717,934 607,566  
119,505 94,452 Other (Exploration and Production) 20,709 12,637 60,133 30,881 5,296 4,494 -----  
----- 552,229 397,354 778,067 638,447 124,801 98,946 =====

===== 41 SUBSEQUENT EVENT As described in Note 18, the Company offered to acquire all the outstanding A shares and H shares (including ADS) of JCIC. Subsequent to the end of the respective offering periods in February 2006, the Company paid total cash consideration of RMB 3,372 and acquired from tendering minority shareholders 908,113,053 H shares (including ADS) and 157,700,200 A shares of JCIC, representing totally 29.93% of the total issued share capital. As approved by the related authorities, JCIC ceased its listing on The Stock Exchange of Hong Kong Limited, New York Stock Exchange and Shenzhen Stock Exchange on January 23, 2006, February 15, 2006 and February 20, 2006 respectively. 42 APPROVAL OF FINANCIAL STATEMENTS The financial statements were approved by the board of directors on March 20, 2006 and will be submitted to the shareholders for approval at the annual general meeting to be held on May 26, 2006. 152 PETROCHINA COMPANY LIMITED SUPPLEMENTARY INFORMATION ON OIL AND GAS EXPLORATION AND PRODUCTION ACTIVITIES (UNAUDITED) (Amounts in millions except for per share data or unless otherwise stated) RESULTS OF OPERATIONS YEAR ENDED DECEMBER 31 ----- 2005 2004 ----- RMB RMB Sales and other operating revenues Sales to third parties 66,265 53,819 Intersegment sales 261,558 176,894 ----- 327,823 230,713 Production costs excluding taxes (41,713) (34,821) Exploration expenses (15,566) (12,090) Depreciation, depletion and amortisation (25,819) (26,287) Taxes other than income taxes (10,239) (7,712) ----- Accretion expense (60) (54) ----- Profit before taxation 234,426 149,749 Taxation (64,816) (42,089) ----- Results of operations from producing activities 169,610 107,660 ===== Profit from associates' results of operations from producing activities 1,878 767 ===== CAPITALISED COSTS DECEMBER 31, 2005 DECEMBER 31, 2004 ----- RMB RMB Property costs -- -- Producing assets 359,539 303,784 Support facilities 138,093 124,793 Construction-in-progress 19,394 15,856 ----- Total capitalised costs 517,026 444,433 Accumulated depreciation, depletion and amortisation (203,416) (180,926) ----- Net capitalised costs 313,610 263,507 ===== Share of associates' net capitalised costs 1,996 1,632 ===== 153 PETROCHINA COMPANY LIMITED SUPPLEMENTARY INFORMATION ON OIL AND GAS EXPLORATION AND PRODUCTION ACTIVITIES (UNAUDITED) (Amounts in millions except per share data or unless otherwise stated) COSTS INCURRED IN PROPERTY ACQUISITIONS, EXPLORATION AND DEVELOPMENT ACTIVITIES YEAR ENDED DECEMBER 31 ----- 2005 2004 ----- RMB RMB Property acquisition costs -- -- Exploration costs 25,335 18,338 Development costs 72,551 47,508 ----- Total 97,886 65,846 ===== Share of associates' costs of property acquisition, exploration, and development 2,394 1,143 ===== PROVED RESERVE ESTIMATES Oil and gas proved reserves cannot be measured exactly. Reserve estimates are based on many factors related to reservoir performance that require evaluation by the engineers interpreting the available data, as well as price and other economic factors. The reliability of these estimates at any point in time depends on both the quality and quantity of the technical and economic data, and the production performance of the reservoirs as well as engineering judgement. Consequently, reserve estimates are subject to revision as additional data become available during the producing life of a reservoir. When a commercial reservoir is discovered, proved reserves are initially determined based on limited data from the first well or wells. Subsequent data may better define the extent of the reservoir and additional production performance, well tests and engineering studies will likely improve the reliability of the reserve estimate. The evolution of technology may also result in the application of improved recovery techniques such as supplemental or enhanced recovery projects, or both, which have the potential to increase reserves beyond those envisioned during the early years of a reservoir's producing life. Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions. Proved developed reserves are those reserves, which can be expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are those reserves which are expected to be recovered from new wells on undrilled acreage or from existing wells where relatively major expenditure is required. The Ministry of Land and Resources in China issues production licenses to applicants on the basis of the reserve reports approved by relevant authorities. Administrative rules issued by the State Council provide that the maximum term of a production license is 30 years. However, in accordance with a special approval from the State Council, the Ministry of Land and Resources has issued production licenses effective March 2000 to the Group for all of its crude oil and

natural gas reservoirs with terms coextensive with the projected productive life of those reservoirs, ranging up to 55 years. Production licenses to be issued to the Group in the future will be subject to the 30-year maximum unless additional special approvals can be obtained from the State Council. Each of the Group's production licenses is renewable upon application by the Group 30 days prior to expiration. Oil and gas price increases may extend the productive lives of crude oil and natural gas reservoirs beyond the current terms of the relevant production licenses.

#### 154 PETROCHINA COMPANY LIMITED SUPPLEMENTARY INFORMATION ON OIL AND GAS

EXPLORATION AND PRODUCTION ACTIVITIES (UNAUDITED) (Amounts in millions except per share data or unless otherwise stated) Proved reserve estimates as of December 31, 2004 and 2005 were based on reports prepared by DeGolyer and MacNaughton and Gaffney, Cline & Associates, independent engineering consultants. These reserve estimates were prepared for each oil and gas region (as opposed to individual fields within a region) and adjusted for the estimated effects of using prices and costs prevailing at the end of the period. The Company's reserve estimates include only crude oil and natural gas, which the Company believes can be reasonably produced within the current terms of production licenses. Estimated quantities of net proved oil and condensate and natural gas reserves and of changes in net quantities of proved developed and undeveloped reserves for each of the period indicated are as follows: CRUDE OIL AND CONDENSATE NATURAL GAS ----- (MILLIONS

OF BARRELS) (BILLIONS OF CUBIC FEET) Proved developed and undeveloped Reserves at January 1, 2004 11,495 41,787 Changes resulting from: Revisions of previous estimates 141 83 Improved recovery 109 43 Extensions and discoveries 573 4,405 Production (817) (1,069) ----- Reserves at December 31, 2004 11,501 45,249 Changes resulting from: Revisions of previous estimates 157 213 Improved recovery 101 -- Extensions and discoveries 606 4,005 Production (829) (1,344) ----- Reserves at December 31, 2005 11,536 48,123 ===== Proved developed reserves at: December 31, 2004 9,068 17,255 December 31, 2005 9,195 19,858

Proportional interest in proved reserves of associates December 31, 2004 439 100 December 31, 2005 426 102 At December 31, 2005, 10,935 million barrels of crude oil and condensate and 47,323.3 billion cubic feet of natural gas proved developed and undeveloped reserves are located within China, and 601 million barrels of crude oil and condensate and 799.8 billion cubic feet of natural gas proved developed and undeveloped reserves are located overseas.

#### 155 PETROCHINA COMPANY LIMITED SUPPLEMENTARY INFORMATION ON OIL AND GAS

EXPLORATION AND PRODUCTION ACTIVITIES (UNAUDITED) (Amounts in millions except per share data or unless otherwise stated) STANDARDISED MEASURE The following disclosures concerning the standardised measure of future cash flows from proved oil and gas reserves are presented in accordance with the US Statement of Financial Accounting Standards No. 69. The amounts shown are based on prices and costs at the end of each period, currently enacted tax rates and a 10 percent annual discount factor. Since prices and costs do not remain static, and no price or cost changes have been considered, the results are not necessarily indicative of the fair market value of estimated proved reserves, but they do provide a common benchmark which may enhance the users' ability to project future cash flows. The standardised measure of discounted future net cash flows related to proved oil and gas reserves at the end of each of the two years in the period ended December 31, 2004 and 2005 is as follows (in millions of RMB): At December 31, 2004 Future cash inflows 4,046,151 Future production costs (912,881) Future development costs (106,332) Future income tax expense (934,068) ----- Future net cash flows 2,092,870 Discount at 10% for estimated timing of cash flows (1,092,412) ----- Standardised measure of discounted future net cash flows 1,000,458 ===== At December 31, 2005 Future cash inflows 5,337,329 Future production costs (1,043,358) Future development costs (156,575) Future income tax expense (1,279,133) ----- Future net cash flows 2,858,263 Discount at 10% for estimated timing of cash flows (1,472,069) ----- Standardised measure of discounted future net cash flows 1,386,194 ===== Share of associates' standardised measure of discounted future net cash flows

At December 31, 2004 10,851 At December 31, 2005 15,288 Future net cash flows were estimated using period-end prices and costs, and currently enacted tax rates. 156 PETROCHINA COMPANY LIMITED SUPPLEMENTARY INFORMATION ON OIL AND GAS EXPLORATION AND PRODUCTION ACTIVITIES (UNAUDITED)

(Amounts in millions except per share data or unless otherwise stated) Changes in the standardised measure of discounted net cash flows for the Group for each of the two years ended December 31, 2004 and 2005 are as follows: YEAR ENDED DECEMBER 31 ----- 2005 2004 ----- RMB RMB CHANGES IN

STANDARDISED MEASURE OF DISCOUNTED FUTURE CASH FLOWS Beginning of year 1,000,458 715,114 Sales and transfers of oil and gas produced, net of production costs (274,921) (187,020) Net changes in prices and production costs and other 523,089 366,417 Extensions, discoveries and improved recovery 157,343 119,790



Development costs incurred (11,282) 14,829 Revisions of previous quantity estimates 21,678 13,420 Accretion of discount 144,709 101,787 Net change in income taxes (174,880) (143,879) ----- End of year 1,386,194 1,000,458 =====

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SIGNIFICANT DIFFERENCES BETWEEN IFRS AND US GAAP (UNAUDITED) (Amounts in millions except for per share data or unless otherwise stated) SIGNIFICANT DIFFERENCES BETWEEN IFRS AND US GAAP The consolidated financial statements of the Group appearing on pages 87 to 152 have been prepared in accordance with International Financial Reporting Standards (IFRS), which differ in certain material respects from the accounting principles generally accepted in the United States of America (US GAAP). Such differences involve methods for measuring the amounts shown in the financial statements, as well as additional disclosures required by US GAAP. Effect on income of significant differences between IFRS and US GAAP is as follows: YEAR ENDED DECEMBER 31 ----- 2005 2004 ----- RMB RMB Profit for the year under IFRS 139,642 107,646 US GAAP adjustments: Depreciation charges on property, plant and equipment revaluation gain 6,528 8,170 Depreciation charges on property, plant and equipment revaluation loss (149) (830) Loss on disposal of revalued property, plant and equipment 432 523 Income tax effect (2,248) (2,595) Minority interests (6,340) (3,863) ----- Net income under US GAAP 137,865 109,051 ===== Basic and diluted net income per share under US GAAP (RMB) 0.78 0.62 ===== Effect on equity of significant differences between IFRS and US GAAP is as follows: DECEMBER 31, 2005 DECEMBER 31, 2004 ----- RMB RMB Equity under IFRS 543,667 442,972 US GAAP adjustments: Reversal of property, plant and equipment revaluation gain (80,555) (80,555) Depreciation charges on property, plant and equipment revaluation gain 51,971 45,443 Reversal of property, plant and equipment revaluation loss 1,513 1,513 Depreciation charges on property, plant and equipment revaluation loss (1,459) (1,310) Loss on disposal of revalued property, plant and equipment 1,746 1,314 Deferred tax assets on revaluation 8,843 11,091 Minority interests (28,034) (14,895) Effect on the retained earnings from the one-time remedial payments for staff housing borne by the state shareholder of the Company (2,553) (2,553) Effect on the other reserves of the shareholders' equity from the one-time remedial payments for staff housing borne by the state shareholder of the Company 2,553 2,553 ===== Purchase from minority interests of listed subsidiaries (Note 18 to the consolidated financial statements) 1,438 -- ----- Shareholders' equity under US GAAP 499,130 405,573 =====

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SIGNIFICANT DIFFERENCES BETWEEN IFRS AND US GAAP (UNAUDITED) (Amounts in millions except for per share data or unless otherwise stated) Changes in shareholders' equity under US GAAP for each of the years ended December 31, 2005 and 2004 are as follows: YEAR ENDED DECEMBER 31 ----- 2005 2004 ----- RMB RMB Balance at beginning of year 405,573 330,520 Net income for the year 137,865 109,051 Final dividend for year 2003 -- (13,947) Interim dividend for year 2004 -- (20,381) Final dividend for year 2004 (25,936) -- Interim dividend for year 2005 (27,731) -- Payment to CNPC for acquisition of refinery and petrochemical businesses (Note 2 to the consolidated financial statements) (9) -- Issue of shares (Note 29 and 30 to the consolidated financial statements) 19,692 -- Capital contribution to Zhong You Kan Tan Kai Fa Company Limited (Note 2 to the consolidated financial statements) (10,056) -- Currency translation differences (268) 330 ----- Balance at end of year 499,130 405,573 ===== In preparing the summary of differences between IFRS and US GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the estimates of revenues and expenses. Accounting estimates have been employed in these financial statements to determine reported amounts, including realisability, useful lives of tangible and intangible assets, income taxes and other factors. Actual results may differ from those estimates. A summary of the principal differences and additional disclosures applicable to the Group is set out below: (A) REVALUATION OF PROPERTY, PLANT AND EQUIPMENT As described in Note 15 to the consolidated financial statements on pages 110 to 115, the property, plant and equipment, excluding oil and gas reserves, transferred to the Company by CNPC were appraised as of June 30, 1999, as required by the relevant PRC regulations, by a firm of independent valuers registered in the PRC, China Enterprise Appraisal. As at September 30, 2003, a revaluation of the Group's refining and chemical production equipment was undertaken by a firm of independent valuers registered in the PRC, China United Assets Appraiser Co., Ltd, on a depreciated replacement cost basis. The June 1999 revaluation resulted in RMB 80,549 in excess of the prior carrying value and a revaluation loss of RMB 1,122 on certain property, plant and equipment. The September 2003 revaluation resulted in RMB 872 in excess of the carrying value of certain property, plant and equipment immediately prior to the revaluation and a

revaluation loss of RMB 1,257. The depreciation charge, which includes impairment charge, on the revaluation surplus from January 1, 2005 to December 31, 2005 was RMB 6,528, and from January 1, 2004 to December 31, 2004 was RMB 8,170. 159 PETROCHINA COMPANY LIMITED

**SIGNIFICANT DIFFERENCES BETWEEN IFRS AND US GAAP (UNAUDITED)** (Amounts in millions except for per share data or unless otherwise stated) The depreciation charge, which includes impairment charge, on the revaluation loss from January 1, 2005 to December 31, 2005 was RMB 149, and from January 1, 2004 to December 31, 2004 was RMB 830. The loss on disposal of revalued property, plant and equipment, which includes shut down of manufacturing assets, from January 1, 2005 to December 31, 2005 was RMB 432, and from January 1, 2004 to December 31, 2004 was RMB 523. For purposes of reconciling to the US GAAP financial data, the effect of the revaluation, the related depreciation charges and loss on disposal is reversed. A deferred tax asset relating to the reversal of the effect of revaluation in 1999 is established, together with a corresponding increase in the shareholders' equity. Under a special approval granted by the Ministry of Finance, the effect of the revaluation in 1999 is available as additional depreciation base for purposes of determining taxable income. (B) ONE-TIME REMEDIAL

**PAYMENTS FOR STAFF HOUSING** The Ministry of Finance of the PRC issued several public notices and regulations during the years ended December 31, 2000 and 2001 with respect to the one-time remedial payments for staff housing payable to certain employees who joined the workforce prior to December 31, 1998 and have housing conditions below local standards as determined in accordance with government regulations and guidelines. These Ministry of Finance notices and regulations also provided that the portion of remedial payments attributable to the periods prior to a restructuring of the employer enterprise from a wholly state-owned status to a less than wholly state-owned status is to be borne by the state shareholder of the enterprise. The restructuring that resulted in the formation of the Group took place in November 1999. As such, the one-time remedial housing payments payable to the eligible employees of the Group are to be borne by the state shareholder of the Group. Under IFRS, such direct payments to employees or reimbursements will not be recorded through the consolidated profit and loss account of the Group. US GAAP contains no such exemption but requires this principal shareholder's action on behalf of the Company to be recorded in the consolidated profit and loss account. In the last quarter of year 2002, the Group and CNPC completed the process of estimating the amount payable to qualified employees of the Group. This amount, RMB 2,553, was reflected in determining net income of the Group for the year ended December 31, 2002, under US GAAP. Since this amount is borne by CNPC, a corresponding amount has been included as an addition to the other reserves in the shareholders' equity of the Group. There were no significant changes in this estimate during 2004 and 2005. 160 PETROCHINA COMPANY LIMITED

**SIGNIFICANT DIFFERENCES BETWEEN IFRS AND US GAAP (UNAUDITED)** (Amounts in millions except for per share data or unless otherwise stated) (C) **MINORITY INTEREST** In accordance with the revised IAS 1 and IAS 27, minority interest becomes part of the profit for the year and total equity of the Group, whereas under US GAAP, it is respectively excluded from the net income and shareholders' equity of the Group. In addition, the reconciling item also includes the impact of minority interest's share of the revaluation gain and loss, on the property, plant and equipment of non-wholly owned subsidiaries, to net income and shareholders' equity under US GAAP. (D) **PURCHASE FROM MINORITY INTERESTS OF LISTED SUBSIDIARIES** As described in note 18 to the consolidated financial statements on pages 117 to 118, the Company acquired certain outstanding A shares from the minority interests of Jinzhou Petrochemical Company Limited ("JPCL") and Liaohe Jinma Oilfield Company Limited ("LJOCL"). Under IFRS, the Company applies a policy of treating transactions with minority interests as transactions with equity participants of the Group. Therefore, the assets and liabilities of JPCL and LJOCL additionally acquired by the company from minority interests were recorded by the Company at cost. The difference between the company's purchase cost and the book value of the interests in JPCL and LJOCL acquired by the Company from minority interests was recorded in equity. Under US GAAP, the acquisition of additional minority interest is accounted for under purchase method. Assets and liabilities additionally acquired were restated to fair value and the difference of purchase cost over fair value of the minority interests acquired and identified intangible assets was recorded as goodwill. (E) **RECENT US ACCOUNTING PRONOUNCEMENTS** In December 2004, the FASB revised FAS No. 123 (FAS 123R). FAS 123R, "Share-Based Payment", requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. Pro forma disclosure is no longer an alternative to financial statement recognition. FAS 123R is effective for interim periods beginning after June 15, 2005. The Group is evaluating the transition provisions allowed by FAS 123R. The Group

does not expect the adoption of FAS 123R to have a material impact on the Group's financial position or operational results. On November 24, 2004, the FASB issued Statement No. 151, "Inventory Costs", an amendment of ARB No. 43, Chapter 4 (FAS 151). FAS 151 requires that abnormal amounts of idle capacity and spoilage costs be excluded from the cost of inventory and expensed when incurred. The provisions of FAS 151 are applicable to inventory costs incurred during fiscal years beginning after June 15, 2005. The Group does not expect the adoption of FAS 151 to have a material impact on the Group's financial position or results of operation. 161 PETROCHINA COMPANY LIMITED SIGNIFICANT DIFFERENCES BETWEEN IFRS AND US GAAP (UNAUDITED) (Amounts in millions except for per share data or unless otherwise stated) On December 15, 2004, the FASB issued Statement No. 153, "Exchanges of Nonmonetary Assets", an amendment of APB Opinion No. 29 (FAS 153). FAS 153 requires exchanges of productive assets to be accounted for at fair value, rather than at carryover basis, unless (1) neither the asset received nor the asset surrendered has a fair value that is determinable within reasonable limits or (2) the transactions lack commercial substance. FAS 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The Group does not expect the adoption of FAS 153 to have a material impact on the Group's financial position or results of operation. In March 2005, the FASB issued Interpretation No. 47, "Accounting for Conditional Asset Retirement" (FIN 47), an Interpretation of FASB Statement No. 143. This Interpretation clarifies that the term conditional asset retirement obligation as used in FASB Statement No. 143, "Accounting for Asset Retirement Obligations", refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated when incurred. This Interpretation also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. The adoption of FIN 47 did not have a material impact on the Group's financial position or operational results. On March 29, 2005, the U.S. Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 107, "Share-Based Payment" (SAB 107). This bulletin provides guidance related to share-based payment transactions with nonemployees, the transition from nonpublic to public entity status, valuation methods (including assumptions such as expected volatility and expected term), the accounting for certain redeemable financial instruments issued under share-based payment arrangements, the classification of compensation expense, non-GAAP financial measures, first-time adoption of FAS 123R in an interim period, capitalization of compensation cost related to share-based payment arrangements, the accounting for income tax effects of share-based payment arrangements upon adoption of FAS 123R, the modification of employee share options prior to adoption of FAS 123R and disclosures in Management's Discussion and Analysis ("MD&A") subsequent to adoption of FAS 123R. SAB 107 will be effective when a registrant adopts FAS 123R. The Group does not expect the adoption of SAB 107 to have a material impact on the Group's financial position or operational results. 162 PETROCHINA COMPANY LIMITED SIGNIFICANT DIFFERENCES BETWEEN IFRS AND US GAAP (UNAUDITED) (Amounts in millions except for per share data or unless otherwise stated) In April 2005, the FASB issued Staff Position No. FAS 19-1, "Accounting for Suspended Well Costs". The FASB staff believes that exploratory well costs should continue to be capitalized when the well has found a sufficient quantity of reserves to justify its completion as a producing well and the enterprise is making sufficient progress assessing the reserves and the economic and operating viability of the project. The Board replaces paragraphs 31 to 34 of Statement 19 and requires certain disclosures in the notes to the annual financial statements to provide information for users of financial statements about management's application of judgment in its evaluation of a project's capitalized exploratory well costs. The disclosure required by this FSP should be made in reporting periods beginning after April 4, 2005. The Group has made disclosures which meet the disclosure requirement of this FSP in its consolidated financial statements. In May 2005, the FASB issued Statement No. 154, "Accounting changes and Error Corrections" (FAS 154), which replaces APB Opinions No. 20, "Accounting Changes", and FASB Statement No. 3, "Reporting Accounting changes in Interim Financial Statements", and changes the requirements for the accounting for and reporting of a change in accounting principle. This Statement establishes, unless impracticable, retrospective application as the required method for reporting a change in accounting principle in the absence of explicit transition requirements specific to the newly adopted accounting principle. The reporting of a correction of an error by restating previously issued financial statements is also addressed by this Statement.

FAS154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Group does not expect the adoption of FAS 154 to have a material impact on the Group's financial position or operational results.

**163 CORPORATE INFORMATION** BOARD OF DIRECTORS Chairman: Chen Geng Vice Chairman: Jiang Jiemin Executive Directors: Su Shulin Duan Wende Non-executive Directors: Zheng Hu Zhou Jiping Wang Yilin Zeng Yukang Gong Huazhang Jiang Fan Independent Non-executive Directors: Chee-Chen Tung Liu Hongru Franco Bernabe Secretary to the Board of Directors: Li Huaiqi

**SUPERVISORY COMMITTEE** Chairman: Wang Fucheng Supervisors: Wen Qingshan Sun Xianfeng Xu Fengli Qin Gang Independent Supervisors: Li Yongwu Wu Zhipan

**SENIOR MANAGEMENT** Wang Guoliang Liao Yongyuan Jia Chengzao Hu Wenrui

**AUTHORISED REPRESENTATIVES** Su Shulin Li Huaiqi

**COMPANY'S WEBSITE** [www.petrochina.com.cn](http://www.petrochina.com.cn)

**164 AUDITORS** International Auditors PricewaterhouseCoopers Certified Public Accountants, Hong Kong 22nd Floor Prince's Building Central Hong Kong Domestic Auditors PricewaterhouseCoopers Zhong Tian CPAs Company Limited Certified Public Accountants, PRC 11th Floor PricewaterhouseCoopers Center 202 Hu Bin Road Shanghai 200021

**PRC LEGAL ADVISERS TO THE COMPANY** as to Hong Kong law: as to United States law: Clifford Chance Shearman & Sterling 29th Floor 12th Floor Gloucester Tower Jardine House The Landmark 1 Connaught Place 11 Pedder Street Central Hong Kong Hong Kong as to PRC law: King and Wood Level 31 Block A Jianwai Soho 39 Dong San Huan Zhong Lu Beijing 100022

**165 LEGAL ADDRESS** World Tower 16 Andelu Dongcheng District Beijing 100011

**PRC HONG KONG REPRESENTATIVE OFFICE** Unit 3606 Tower 2 Lippo Centre 89 Queensway Hong Kong

**HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE** Hong Kong Registrars Limited 46/F Hopewell Centre 183 Queen's Road East Hong Kong

**PRINCIPAL BANKERS** Industrial and Commercial Bank of China Bank of China 55 Fuxingmennei Avenue (Head Office) 1 Fuxingmennei Avenue Xicheng District Xicheng District Beijing, PRC Beijing, PRC China Construction Bank China Development Bank 25 Finance Street 29 Fuchengmenwai Avenue Xicheng District Xicheng District Beijing, PRC Beijing, PRC Bank of Communications CITIC Industrial Bank Tongtai Mansion, 33 Finance Street A27 Finance Street Xicheng District Xicheng District Beijing, PRC Beijing, PRC 166 Agricultural Bank of China, Head Office No.23A, Fuxing Road Haidian District Beijing, PRC

**DEPOSITORY** The Bank of New York P.O. Box 11258 Church Street Station New York NY 10286-1258

**PLACES OF LISTING** H shares: The Stock Exchange of Hong Kong Limited Code: 857 ADS: The New York Stock Exchange, Inc. Symbol: PTR

**PUBLICATIONS** As required by the United States Securities Law, the Company will file an annual report on Form 20-F with the United States Securities and Exchange Commission on or before June 30, 2006. The annual report on Form 20-F contains a detailed description of the Company's businesses, operation results and financial conditions. Copies of the annual report and the Form 20-F submitted to the United States Securities and Exchange Commission will be made available at the following addresses: PRC PetroChina Company Limited 16 Andelu Dongcheng District Beijing 100011 PRC Tel: (8610) 8488 6270 Fax: (8610) 8488 6260 167 Hong Kong PetroChina Company Limited Unit 3606 Tower 2 Lippo Centre 89 Queensway Hong Kong Tel: (852) 2899 2010 Fax: (852) 2899 2390 USA The Bank of New York P.O. Box 11258 Church Street Station New York, NY 10286 - 1258 USA Calling from within the US (toll-free): 1-888-BNY-ADRs International call: 212-815-3700 E-mail: [shareowners@bankofny.com](mailto:shareowners@bankofny.com) Website: <http://www.stoc.kbny.com>

Shareholders may also browse or download the annual report of the Company and the Form-20 filed with the United States Securities and Exchange Commission from the official website of the Company at [www.petrochina.com.cn](http://www.petrochina.com.cn).

**INVESTMENT INFORMATION FOR REFERENCE** Please contact our Hong Kong Representative Office for other information about the Company.

**DOCUMENTS AVAILABLE FOR INSPECTION** The following documents are made available for inspection at the headquarters of the Company in Beijing: 1. The original of the annual report for 2005 signed by the Chairman of the Board; 2. The financial statements under the hand and seal of the Legal Representative, the Chief Accountant and the Person in Charge of the Accounting Department of the Company; 3. The original of the Financial Report of the Company under the seal of the Auditors and under the hand of Certified Public Accountants; and 4. Copies of all Chinese and English announcements of the Company published in Hong Kong newspapers during the period of the annual report. 5. The Articles of Association of the Company.

**168 MAJOR EVENTS IN 2005** FEBRUARY - On February 17, in Asiamoney's Best Managed Companies and Corporate Governance Poll, the Company was awarded the "Overall Best-Managed Large Cap Company in 2004" and "Overall Most Improved Company for Best Management Practices in 2004" in the PRC. Li Huaiqi, the Secretary of the Company's Board of Directors, accepted the awards from Asiamoney on behalf of the Company.

MARCH - On March 16, the Company held the ninth meeting of the Second Term of the Board of Directors in Beijing, during which the

following resolutions were passed: resolution on the Company's Financial Statements for the year 2004 (including the publication of annual results for the year ended December 31, 2004); resolution on the draft profit distribution plan for the year 2004; resolution on the Company's annual report for the year 2004 (for publication in Hong Kong); resolution on the President's Work Report for the year 2004; resolution on the report on the Assessment of the Completion of Performance Targets by the President's Work Team and the formulation of performance contract for the year 2005; resolution on the proposal on requesting the shareholders' general meeting to authorize the Board of Directors to determine the distribution of the Company's interim dividend for 2005; resolution on the proposal on requesting the shareholders' general meeting to approve the amendment of the Company's Articles of Association; resolution on the amendment of the Work Manual for the Board of Directors; resolution on the projects for the acquisition of the refinery and petrochemical business and reorganization of Daiyuan and Qingyang; resolution on the proposal on requesting the shareholders' general meeting to authorize the Board of Directors to issue new shares of the Company; and resolution on the convening of the annual general meeting for the year 2004. - On March 28, the Company entered into an Acquisition Agreement with CNPC pursuant to which the Company acquired the refinery and petrochemical businesses of Dayuan and Qingyang, both of which are wholly-owned subsidiaries of CNPC for a cash consideration of RMB9 million. APRIL - On April 15, Finance Asia published its fifth poll results on the "Annual Best Asian Companies". In the Asian industries category, the Company was awarded the "Best Company in the Asian Oil 169 Industry". In the competition by region and country, the Company was awarded the first place of the "Best Managed Companies in China" and the "Best Company in Guaranteeing Dividend Payments". - On April 18, Forbes published its latest ranking of the "Forbes 2000 World's Leading Companies". 88 companies in China ranked among these 2000 leading companies. The Company ranked first amongst the companies in China and ranked 57 worldwide. Sinopec ranked 94 worldwide. These are the only two companies in China which were amongst the top 100 companies worldwide. MAY - On May 26, the Company held its annual general meeting for the year 2004 in Beijing. The following resolutions were passed in the meeting: approval of the Report of the Board of Directors for the year 2004; approval of the Report of the Supervisory Committee for the year 2004; approval of the Financial Statements for the year 2004; approval of the profit distribution plan for the year 2004; approval of the proposal to authorize the Board of Directors to determine the distribution of the Company's interim dividend for 2005; approval of the appointment of PricewaterhouseCoopers Zhong Tian CPAs Company Limited and PricewaterhouseCoopers as domestic auditors and international auditors of the Company respectively and authorizing the Board of Directors to determine the remuneration for the auditors; approval of the proposal to amend the Company's Articles of Association; and approval of the proposal to authorize the Board of Directors to issue shares of the Company. JUNE - On June 8, the Company held the tenth meeting of the Second Term of the Board of Directors in Beijing. The following resolutions were passed in the meeting: resolution on the acquisition of additional interest in Newco; resolution on the transfer of shares in PTRI by the Company to Newco; resolution on the establishment of an independent directors' committee and the appointment of an independent financial adviser by the Company in connection with the acquisition of additional interest in Newco by the Company and the selling of assets in Indonesia to Newco by the Company; resolution on the new continuing connected transactions under the Supplemental Agreement to the Comprehensive Products and Services Agreement and the caps for continuing connected transactions in 2005; resolution on requesting the shareholders' general meeting to authorise the Board of Directors to handle matters pertaining to the acquisition of additional interest 170 in Newco and the transfer of interest in PTRI to Newco; resolution on the convening of the first extraordinary general meeting of the shareholders; resolution on the preparation of explanation on the Organization and Working Rules for the Audit Committee; resolution on the establishment of an independent directors' committee and the appointment of an independent financial adviser in connection with the approval of cap in respect of continuing connected transactions for 2006 to 2008. - On June 10, the Company announced that it will acquire the relevant overseas assets of CNPC, its parent company, for a consideration of RMB20,741 million for the purposes of achieving a speedy establishment of sizeable overseas businesses, expanding the room for growth of overseas oil and gas resources, creating a potential for the continuous growth of overseas oil and gas resources for the Company and improving the value of the Company. Pursuant to the Acquisition Agreement, the Company will inject capital into Newco by way of cash which would result in the acquisition of 50% of the latter's interest. Upon completion of the acquisition, the Company will correspondingly own oil and gas assets of Newco in ten countries, including Kazakhstan, Venezuela, Algeria, Peru, Aman, Azabaijan, Canada, Ecuador, Niger and Chad. At the same time, in order to consolidate the existing overseas businesses of the

Company and to achieve synergy with the overseas assets to be acquired by the Company, the Company will transfer PTRI, a wholly-owned subsidiary of the Company, to Newco. PTRI mainly engages in the exploration and production of oil and gas in Indonesia. Newco will pay RMB579 million to the Company as consideration for the purchase of all the issued share capital of PTRI. Upon the transfer, PTRI will become a wholly-owned subsidiary of Newco. - On June 21, the Company convened the first extraordinary Board meeting. The resolution on the approval and authorisation of the Secretary of the Board of Directors to sign the 20-F Annual Report for the year 2004 was passed by circulation. JULY - On July 18, the Company convened the second extraordinary Board meeting. The resolution on the integration of the polymer businesses of Petrochina Daqing Refinery and Petrochemical Branch and Daqing Petroleum Administration Bureau was passed by circulation. 171 AUGUST - On August 1, approximately 1,000 petrol stations of the Company in Beijing, Tianjin, Shanghai, Shenyang, Changchun, Jinan, Guangzhou, Chengdu, Xian, Urumqi, Chongqing and Suzhou began to accept payment by credit cards. At the same time, the Peony-Petrochina Card, launched by the Company in co-operation with the Industrial and Commercial Bank of China, was formally issued in these cities. - On August 16, the Company convened the first extraordinary general meeting of shareholders in Beijing. The following resolutions were passed in the meeting: approval of the acquisition of additional interest in Newco by the Company; approval of the transfer of shares in PTRI by the Company to Newco; approval of the new continuing connected transaction under the Supplement Agreement to the Comprehensive Products and Services Agreement and the caps for the continuing connected transactions in 2005; approval of the proposal to request the general meeting of shareholders to authorise the Board of Directors to handle the matters pertaining to the acquisition of additional interest in Newco and the transfer of shares in PTRI to Newco and the revised caps for continuing connected transactions. - On August 21, the Company convened the third extraordinary Board meeting. The resolution on the Company's application for issue and listing of additional shares outside China for investment by foreign investors and authorizing the special committees of the Board of Directors to handle related matters was passed by circulation. - On August 24, the Company convened the eleventh meeting of the Second Term of the Board of Directors. The following resolutions were passed in the meeting: resolution on the Interim Financial Statements for the year 2005 (including the interim results for the six months ended June 30, 2005); resolution on the plan for distribution of interim dividends of the Company for the year 2005; resolution on the adjustment of the investment plan of the Company for the year 2005; resolution on the making of an application to the HKSE for new continuing connected transactions and new caps; and resolution on the convening of the second extraordinary general meeting of shareholders. SEPTEMBER - On September 15, the Company placed 3,516,482,000 H shares of RMB1.00 each in the share capital of the Company, of which 287,712,182 shares were placed to the Social Security Fund, and 31,968,000 H shares were sold by the Social Security Fund pursuant to the exercise in full of 172 the option by the Manager. The placement price of the H shares was HK\$6.00 per share. The net proceeds of the placement of the new H shares amounted to approximately HK\$19,692 million. The net proceeds will be used for development of the Company's business, including acquisition within and outside of China. Upon the completion of the placement of shares, the total number of issued shares of the Company increased from 175,824,176,000 shares to 179,020,977,818 shares. The number of H shares held by the public increased from 17,582,418,000 shares to 21,098,900,000 shares, representing 11.79% of the total share capital. - On September 28, Forbes published the "50 Biggest Listed Companies in the Asia Pacific Region". Among the 50 companies, Toyota of Japan has the largest market capitalization (US\$146.2 billion), followed by the Company (US\$143.9 billion), BHP-Billiton (US\$93.3 billion), China Mobile (US\$85.3 billion) and Samsung Electronic (US\$77.0 billion). OCTOBER - On October 24, six companies in China and three companies in Hong Kong, China were chosen as "Asia's Best Performing Public Listed Companies" organised by Business Week. The Company ranked second on the list. - On October 26, the Company convened the fourth extraordinary Board meeting. The resolution on the Company's application for the integration of its listed subsidiaries by way of general offer and authorizing the special committees of the Board of Directors to handle related matters was passed by circulation. - On October 31, the Company made an announcement for the tender offers for all outstanding shares in Jinzhou Petrochemical, Liaohe Jinma and Jilin Chemical in order to withdraw the listing of such shares. The general offer will further increase the transparency of the Company, resolve the issue of internal competition within the Group, regulate connected transactions and improve the Company's efficiency. The offer price for the A shares in Jinzhou Petrochemical was RMB4.25 per share. The offer price for the A shares in Liaohe Jinma was RMB8.80 per share. The offer prices for the A shares, H shares and ADSs of Jilin Chemical were RMB5.25 per share, HK\$2.80 per share and HK\$280.00 per ADSs respectively. The general offer was completed successfully. On

January 4, 2006, the A shares in Jinzhou Petrochemical and the A shares in Liaohe Jinma ceased to be listed on the Shenzhen Stock Exchange. On January 23, 2006, the H shares of Jilin Chemical ceased to be listed on the HKSE. 173 On February 15, 2006, ADSs of Jilin Chemical ceased to be listed on the New York Stock Exchange and on February 20, 2006, the A shares of Jilin Chemical ceased to be listed on the Shenzhen Stock Exchange. NOVEMBER - On November 1, the Company won the "Best Investor Relations Award" for Chinese companies listed in Hong Kong, China regarding the investors' relations of the Hong Kong and Taiwan companies organised by the Investors' Relations Magazine. - On November 8, the Company convened the second extraordinary general meeting of shareholders. The following resolutions were passed in the meeting: approval of the election of the Company's Directors; approval of the election of the Company's Supervisors; and approval of the Company's application to the HKSE for new continuing connected transactions and new caps for 2006 to 2008. - On November 10, the Company entered into a US\$10 million Directors and Officer's Liability insurance contract with AIU Insurance Company, Guangzhou Branch. The insurance contract became effective immediately upon signing. This is an important protective measure for the purpose of eliminating effectively any personal financial risk and legal risk that may be assumed by the Directors and senior management staff of the Company in the performance of their duties. - On November 13, an explosion broke out in Jilin Petrochina Benzene Production Plant. The incident caused serious personal injuries and deaths, loss of property and water pollution of the Song Huajiang. The Company dispatched an operation team and a specialist team to the site immediately after the incident. The Company also activated the contingency plan to minimize the loss and the number of injuries and deaths. At the same time with the handling of the incident, the Company quickly organized a large-scale inspection of safety standards in production, focusing on "anti-breach of rules, inspection of hidden risks and procurement of rectification", and put into effect various measures for safety in production in winter. The Company has learned a lesson from the incident and has strengthened its efforts at ensuring safety in production and environmental protection. - On November 28, the Company convened the first meeting of the Third Term of the Board of Directors in Beijing. The following resolutions were passed in the meeting: resolution on the Company's budget for the year 2006; resolution on the production and operation and the 174 investment plan of the Company for the year 2006; resolution on the appointment of the Senior Vice Presidents, the Financial Controller and the Vice Presidents nominated by the President; resolution on the establishment of the Information Management Division and the Internal Control Division of the Company; resolution on the modification of the standards of basic remuneration and annual performance remuneration for the President's Work Team; and resolution on the Company's proposed application for the acquisition of the shares in the Fuel Oil Company held by Liaohe Petroleum Exploration Bureau and China Oil Natural Gas Pipeline Bureau and related matters. DECEMBER - On December 6, the Company entered into two acquisition agreements with two wholly owned subsidiaries of CNPC, Liaohe Petroleum Exploration Bureau and China Petroleum Pipeline Bureau, for the acquisition of shares representing 15.56% and 20.17% respectively from them in the Fuel Oil Company, a 55.43% subsidiary of the Company, for an aggregate cash consideration of RMB559 million. The Fuel Oil Company is principally engaged in the investment and development of fuel oil in the upstream and downstream areas in China. Upon completion of the acquisitions, the Company's interest in the Fuel Oil Company will be increased and it is expected that the Company's management in the Fuel Oil Company will be strengthened. - On December 7, the world famous energy information company Platts published the "Top 250 Global Energy Companies for 2005". The Company and Sinopec ranked 7th and 12th respectively among those companies. 175 SIGNATURE Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. PetroChina Company Limited Dated: April 10, 2006 By: /s/ Li Huaqi -----  
Name: Li Huaqi Title: Company Secretary