2021 INTERIM REPORT

PETROCHINA COMPANY LIMITED

(a joint stock limited company incorporated
in the People's Republic of China with limited liability)

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

2021

INTERIM REPORT

PETROCHINA COMPANY LIMITED

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

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IMPORTANT NOTICE

The board of directors (the "Board" or "Board of Directors"), supervisory committee ("Supervisory Committee") and all directors ("Directors"), supervisors ("Supervisors") and senior management ("Senior Management") of PetroChina Company Limited (the "Company") warrant the truthfulness, accuracy and completeness of the information contained in this interim report and that there are no material omissions from, misrepresentation or misleading statements contained in the interim report, and severally and jointly accept full responsibility hereof. No substantial shareholder of the Company has obtained any funds from the Company from non-operating activities. This interim report was approved at the eleventh meeting of the 8th Board. Mr. Simon Henry and Mr. Cai Jinyong, the independent non-executive Directors, were absent from the eleventh meeting of the 8th Board of Directors due to the impact of Coronavirus Disease 2019 ("COVID-19") but had authorised Mr. Tokuchi Tatsuhito and Mr. Jiang, Simon X., the independent non-executive Directors, in writing to attend the meeting by proxy and to exercise their voting rights on their behalf. Mr. Dai Houliang, Chairman of the Board, Mr. Huang Yongzhang, Director and President, and Mr. Chai Shouping, Chief Financial Officer, warrant the truthfulness, accuracy and completeness of the financial statements included in this interim report.

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

In overall consideration of situations such as the operating results, financial position and cash flow of the Company, to provide returns to the shareholders, the Board has resolved to declare an interim dividend of RMB0.13040 yuan per share (inclusive of applicable tax) for 2021 on the basis of a total of 183,020,977,818 shares of the Company as at June 30, 2021. The total amount of the interim dividends payable is RMB23,866 million.

CORPORATE PROFILE

The Company was established as a joint stock company with limited liability under the Company Law of the People's Republic of China (the "PRC" or "China") on November 5, 1999 as part of the restructuring of the China National Petroleum Corporation (the Chinese name has been changed from 中國石油天然氣集團公司 to 中國石油天然氣集團有限公司, the abbreviation of which is "CNPC" before and after the change of name).

The Group is the largest oil and gas producer and seller occupying a leading position in the oil and gas industry in the PRC and one of the largest companies in the PRC in terms of revenue and one of the largest oil companies in the world. The Group principally engages in, among others, the exploration, development, production and sales of crude oil and natural gas; the refining of crude oil and petroleum products; the production and sales of basic and derivative chemical products and other chemical products; the marketing and trading of refined products; and the transmission of natural gas, crude oil and refined products, and the sales of natural gas.

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

Registered Chinese Name of the Company:	中國石油天然氣股份有限公司
English Name of the Company:	PetroChina Company Limited
Legal Representative of the Company:	Dai Houliang
Secretary to the Board:	Chai Shouping
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Representative on Securities Matters:	Liang Gang
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Legal Address of the Company:	16 Andelu Dongcheng District Beijing, PRC
Postal Code:	100011
Office Address of the Company:	No. 9 Dongzhimen North Street Dongcheng District Beijing, PRC
Postal Code:	100007
Website:	http://www.petrochina.com.cn
Company's Email Address:	zhouyunpeng@petrochina.com.cn

Newspapers for information disclosure:
A shares: China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website publishing this interim report designated by the China Securities Regulatory Commission:
http://www.sse.com.cn

Copies of this interim report are available at:	No. 9 Dongzhimen North Street, Dongcheng District, Beijing, PRC

Places of Listing:	
A Shares:	Shanghai Stock Exchange
Stock Name:	PetroChina
Stock Code:	601857
H shares:	Hong Kong Stock Exchange
Stock Name:	PETROCHINA
Stock Code:	857
ADSs:	The New York Stock Exchange
Symbol:	PTR

Other Related Information:

Auditors of the Company:	
Domestic Auditors:	PricewaterhouseCoopers Zhong Tian LLP
Address:	11/F, PricewaterhouseCoopers Centre 2 Corporate Avenue 202 Hu Bin Road Huangpu District Shanghai 200021, PRC
Overseas Auditors:	PricewaterhouseCoopers Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
Address:	22/F, Prince's Building, Central, Hong Kong, PRC

SUMMARY OF FINANCIAL DATA AND FINANCIAL INDICATORS

1. Key Financial Data and Financial Indicators Prepared under IFRS

Unit: RMB million

Items	As at the end of the reporting period	As at the end of the preceding year	Changes from the end of the preceding year to the end of the reporting period
Total assets	2,531,851	2,488,126	1.8%
Equity attributable to owners of the Company	1,251,465	1,215,158	3.0%
Items	**The reporting period**	**Same period of the preceding year**	**Changes over the same period of the preceding year**
Revenue	1,196,581	929,045	28.8%
Net profit/(loss) attributable to owners of the Company	53,037	(29,983)	83,020
Net cash flows from operating activities	116,034	79,080	46.7%
Basic earnings/(loss) per share (RMB Yuan)	0.290	(0.164)	0.454
Diluted earnings/(loss) per share (RMB Yuan)	0.290	(0.164)	0.454
Return on net assets (%)	4.24	(2.52)	6.76 percentage points

2. Key Financial Data and Financial Indicators Prepared under CAS

Unit: RMB million

Items	As at the end of the reporting period	As at the end of the preceding year	Changes from the end of the preceding year to the end of the reporting period
Total assets	2,532,124	2,488,400	1.8%
Equity attributable to equity holders of the Company	1,251,727	1,215,421	3.0%
Items	**The reporting period**	**Same period of the preceding year**	**Changes over the same period of the preceding year**
Operating income	1,196,581	929,045	28.8%
Net profit/(loss) attributable to equity holders of the Company	53,036	(29,986)	83,022
Net profit/(loss) after deducting non-recurring profit items attributable to equity holders of the Company	45,231	(31,790)	77,021
Basic earnings/(loss) per share (RMB Yuan)	0.290	(0.164)	0.454
Diluted earnings/(loss) per share (RMB Yuan)	0.290	(0.164)	0.454
Weighted average return on net assets (%)	4.30	(2.48)	6.78 percentage points
Net cash flows from operating activities	116,034	79,080	46.7%

3. Non-recurring Profit/Loss Items

Unit: RMB million

Non-recurring profit/loss items	For the six months ended June 30, 2021
Net losses on disposal of non-current assets	(11)
Government grants recognised in the income statement	370
Reversal of provisions for bad debts against receivables	18
Net profit or loss arising from disposal of the subsidiary	18,617
Other non-operating income and expenses	(1,858)
Sub-total	17,136
Tax impact of non-recurring profit/loss items	(1,839)
Impact of non-controlling interests	(7,492)
Total	7,805

4. Differences between CAS and IFRS

The consolidated net profit of the Group under IFRS and CAS were RMB67,817 million and RMB67,816 million, respectively, with a difference of RMB1 million. The consolidated shareholders' equity under IFRS and CAS were RMB1,392,652 million and RMB1,392,915 million, respectively, with a difference of RMB263 million. These differences under the different accounting standards were primarily due to the revaluation for assets other than fixed assets and oil and gas properties in 1999.

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

CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

1. Changes in Shareholdings

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

2. Shareholdings of Substantial Shareholders

The total number of shareholders of the Company as at June 30, 2021 was 631,882, including 625,759 holders of A shares and 6,123 holders of H shares (including 139 holders of American Depositary Shares).

(1) Shareholdings of the top ten shareholders

Unit: Shares

Name of shareholders	Nature of shareholders	Number of shares held	Percentage of shareholding (%)	Increase/ decrease during the reporting period (+,-)	Number of shares with selling restrictions	Number of shares pledged or subject to lock-ups
CNPC	State-owned legal person	146,882,339,136 (1)	80.25	0	0	0
HKSCC Nominees Limited (2)	Overseas legal person	20,896,435,955 (3)	11.42	-5,661,745	0	0
CNPC-CSC-17 CNPC E2 Pledge and Trust Special Account	State-owned legal person	3,819,967,030	2.09	-4,040	0	3,819,967,030
CNPC-CSC-17 CNPC EB Pledge and Trust Special Account	State-owned legal person	2,051,488,603	1.12	0	0	2,051,488,603
China Securities Finance Corporation Limited	State-owned legal person	1,020,165,128	0.56	-118,973,576	0	0
Hong Kong Securities Clearing Company Limited(4)	Overseas legal person	781,119,088	0.43	202,717,044	0	0
China Metallurgical Group Corporation	State-owned legal person	560,000,000	0.31	0	0	0
Bosera Fund - Ansteel Group Corporation - Bosera Fund Xin'an No.1 Single Asset Management Plan	State-owned legal person	220,000,000	0.12	0	0	0
Central Huijin Asset Management Ltd.	State-owned legal person	206,109,200	0.11	0	0	0
China Baowu Steel Group Corporation Limited	State-owned legal person	70,207,541	0.04	0	0	0

Notes:

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

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

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

(4) Hong Kong Securities Clearing Company Limited is a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited and acts as the nominee on behalf of investors of Hong Kong Stock Exchange to hold the A shares of the Company listed on Shanghai Stock Exchange.

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

Unit: Shares

Ranking	Name of shareholders	Number of shares held	Type of shares
1	CNPC	146,882,339,136[1]	A shares
2	HKSCC Nominees Limited	20,896,435,955	H shares
3	CNPC-CSC-17 CNPC E2 Pledge and Trust Special Account	3,819,967,030	A shares
4	CNPC-CSC-17 CNPC EB Pledge and Trust Special Account	2,051,488,603	A shares
5	China Securities Finance Corporation Limited	1,020,165,128	A shares
6	Hong Kong Securities Clearing Company Limited	781,119,088	A shares
7	China Metallurgical Group Corporation	560,000,000	A shares
8	Bosera Fund - Ansteel Group Corporation - Bosera Fund Xin'an No.1 Single Asset Management Plan	220,000,000	A shares
9	Central Huijin Asset Management Ltd.	206,109,200	A shares
10	China Baowu Steel Group Corporation Limited	70,207,541	A shares

Note:

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

Description on the special repurchase accounts under the above-mentioned shareholders: there is no special repurchase account among the above-mentioned shareholders.

Description on the voting rights entrusted by or to, or waived by the above-mentioned shareholders: the Company is not aware of any voting rights entrusted by or to, or waived by the above-mentioned shareholders.

Statement on related parties or parties acting in concert among the above-mentioned shareholders: Except for the fact that HKSCC Nominees Limited and Hong Kong Securities Clearing Company Limited are subsidiaries of Hong Kong Exchanges and Clearing Limited, the Company is not aware of any connection among or between the above top ten shareholders or that they are parties acting in concert as provided for in the Measures for the Administration of Acquisitions by Listed Companies.

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

As at June 30, 2021, so far as the Directors are aware, the persons other than a Director, Supervisor or Senior Management of the Company who had interests or short positions in the shares or underlying shares of the Company which are discloseable under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance were as follows:

Name of shareholders	Nature of shareholding	Number of shares	Capacity	Percentage of such shares in the same class of the issued share capital (%)	Percentage of total share capital (%)
CNPC	A Shares	146,882,339,136 (L)	Beneficial Owner	90.71	80.25
	H Shares	291,518,000 (L) [1]	Interest of Corporation Controlled by the Substantial Shareholder	1.38	0.16
BlackRock, Inc.[2]	H Shares	1,521,443,844 (L)	Interest of Corporation Controlled by the Substantial Shareholder	7.21	0.83
		518,000 (S)		0.00	0.00
The Bank of New York Mellon Corporation[3]	H Shares	1,160,574,593 (L)	Interest of Corporation Controlled by the Substantial Shareholder/ Approved Lending Agent	5.50	0.63
		856,879,300 (S)		4.06	0.47
		272,898,087 (LP)		1.29	0.15

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

Notes:

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

(2) BlackRock, Inc., through various subsidiaries, had an interest in the H shares of the Company, of which 1,521,443,844 H shares (long position) and 518,000 H shares (short position) were held in the capacity as interest of corporation controlled by the substantial shareholder.

(3) The Bank of New York Mellon Corporation through The Bank of New York Mellon and BNY Mellon, National Association, had an interest in the H shares of the Company, of which 1,160,574,593 H shares (long position) and 856,879,300 H shares (short position) were held in its capacity as interest in corporation controlled by the substantial shareholder, and 272,898,087 H shares (lending pool) were held in its capacity as approved lending agent.

As at June 30, 2021, so far as the Directors are aware, save for disclosed above, no person (other than a Director, Supervisor or Senior Management of the Company) had an interest or short position in the shares of the Company according to the register of interests in shares and short positions kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance.

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

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

DIRECTORS' REPORT

The Board is pleased to present its directors' report:

1. Review of Results of Operations

In the first half of 2021, the world economy showed a recovery trend with the improved prevention and control of COVID-19. However, the recovery process of various economies was uneven. China's economy has maintained a steady recovery and growth with its gross domestic product (GDP) in the first half of the year increased by 12.7% year-on-year. The international crude oil prices have generally continued to rise, with the significant increase of average prices year-on-year, due to the demand rebound in the global oil market along with the recovery of the macroeconomy.

The Group firmly seized the favourable opportunities including macroeconomic recovery, rebound in international oil price and growth in demand for oil and gas products and adhered to the five development strategies of innovation, resources, market, internationalization, green and low-carbon. We also coordinated various work including prevention and control of COVID-19, production and operation, quality and profitability enhancement, reform and innovation and ESG to actively promoted market upgrades, management upgrades, and quality upgrades. By the continuous refined management, strengthening cost and expense control and emphasis on employees' health management, we maintained the smooth and controlled operation of both the oil and the gas industrial chains. Based on the works above, the production and operations continued to improve with the significantly increased operating results year-on-year; in the meantime, the free cash flow was positive and the financial condition maintained stable.

(1) Market Review

- Crude Oil Market

In the first half of 2021, the prospects for recovery in world oil demand were positive. The international oil prices continued to increase, primarily due to that the world oil supply remained at a low level and the global oil market presented the trend of rebalancing, which resulted from additional cut of its production beyond expectation by Saudi Arabia and the effective supply management by OPEC+, and the abundant market liquidity under global large-scale stimulus policies. The average spot price for North Sea Brent crude oil was US$64.98 per barrel, representing an increase of 62.7% as compared with the same period of last year, and the average spot price for West Texas Intermediate ("WTI") crude oil was US$62.22 per barrel, representing an increase of 70.0% as compared with the same period of last year.

- Refined Products Market

In the first half of 2021, the domestic refined products demand gradually recovered, and such consumption has basically returned to the level of the same period in 2019. The processing volume of crude oil continued to grow, but the supply of refined products declined slightly and the net export volume of refined products decreased year-on-year, and such market remained the oversupply situation. The trend of domestic refined products prices was basically consistent with that of the international market oil prices. The PRC government made adjustments for ten times to the prices of domestic gasoline and diesel products, and the prices of reference gasoline and diesel products increased, in aggregate, by RMB1,405 yuan per ton and RMB1,355 yuan per ton, respectively.

According to information from the National Development and Reform Commission ("NDRC"), in the first half of 2021, the domestic consumption of refined products was 162.94 million tons, representing an increase of 5.7% as compared with the same period of last year, of which gasoline and aviation kerosene increased by 10.7% and 39.8% respectively as compared with the same period of last year, and diesel decreased by 3.5%

as compared with the same period of last year.

- Chemical Products Market

In the first half of 2021, affected by the economic recovery and the supply and demand situation, the prices of domestic chemical products market rose and then fell in general. The trends for different chemical products have diverged, of which the liquid chemical products, as supported by rising crude oil prices, achieved better market performance than that of rubber and plastic products.

- Natural Gas Market

In the first half of 2021, the demand in the global natural gas market has recovered strongly. The three major markets in North America, Europe and Asia-Pacific have experienced supply tensions to different extents. The international natural gas prices have rebounded sharply, and the LNG spot prices in Europe and Northeast Asia have remained at a high level. The growth rate of domestic natural gas production has accelerated, the consumption volumes have increased substantially, and the import volumes have increased rapidly.

According to the information from NDRC, in the first half of 2021, the domestic apparent consumption of natural gas amounted to 182.7 billion cubic metres, representing an increase of 17.4% as compared with the same period of last year.

(2) Business Review

- Exploration and Production

Domestic Exploration and Development Operations

In the first half of 2021, the Group enhanced its efforts on oil and gas exploration and development and vigorously carried out high-profitability exploration. We also

strengthened risk exploration and concentrated exploration and strengthened tackling of key problems in shale oil and gas area. We achieved major discoveries and significant progress in a batch of projects in the Ordos Basin, Sichuan Basin and Junggar Basin. We deepened the coordination and linkage of production, transportation, sales and storage, and optimized oil and gas production and operation by promotion of continuous stable production in old oil fields and profitable production in new blocks. In the first half of 2021, the domestic crude oil output of the Group amounted to 374.9 million barrels, representing an increase of 0.6% as compared with the same period of last year. The marketable natural gas output amounted to 2,159.5 billion cubic feet, representing an increase of 6.7% as compared with the same period of last year. The oil and natural gas equivalent output amounted to 734.9 million barrels, representing an increase of 3.5% as compared with the same period of last year.

Overseas Oil and Gas Operations

In the first half of 2021, the Group actively and steadily promoted the production recovery and normal operation of key overseas projects. We also continued to optimize its business layout and asset structure. We made important discoveries in countries such as Chad and Kazakhstan, and made progress in the construction of key projects in an orderly manner. In the first half of 2021, the Group's overseas crude oil output amounted to 68.2 million barrels, representing a decrease of 33.6% as compared with the same period of last year. The marketable natural gas output was 99.0 billion cubic feet, representing a decrease of 20.6% as compared with the same period of last year. The oil and natural gas equivalent output was 84.7 million barrels, representing a decrease of 31.4% as compared with the same period of last year and accounting for 10.3% of the total oil and natural gas equivalent output of the Group. The relatively large decline in overseas oil and gas production was mainly due to the increase in international oil prices, the decrease in product sharing of several overseas projects and production restriction policies in certain countries with resources.

In the first half of 2021, the Group recorded the crude oil output of 443.1 million barrels, representing a decrease of 6.8% as compared with the same period of last year, the marketable natural gas output of 2,258.5 billion cubic feet, representing an increase of 5.1% as compared with the same period of last year, and the oil and natural gas equivalent output of 819.6 million barrels, representing a decrease of 1.7% as compared with the same period of last year.

Main Statistics of the Exploration and Production Segment

	Unit	First half of 2021	First half of 2020	Changes (%)
Crude oil output	Million barrels	443.1	475.4	(6.8)
Of which: Domestic	Million barrels	374.9	372.7	0.6
Overseas	Million barrels	68.2	102.7	(33.6)
Marketable natural gas output	Billion cubic feet	2,258.5	2,149.1	5.1
Of which: Domestic	Billion cubic feet	2,159.5	2,024.4	6.7
Overseas	Billion cubic feet	99.0	124.7	(20.6)
Oil and natural gas equivalent output	Million barrels	819.6	833.7	(1.7)
Of which: Domestic	Million barrels	734.9	710.2	3.5
Overseas	Million barrels	84.7	123.5	(31.4)

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

• Refining and Chemicals

In the first half of 2021, the Group's refining business continuously optimized the resources allocation and allocated more crude oil resources to profitable enterprises. We adhered to market orientation and strengthened the connection between production and sales. We also continued to improve the product mix and intensified our efforts in reducing oil and increasing chemicals production. In the meantime, we made every effort to control and reduce the yield of refined oil and increased the production volume of products such as aviation kerosene, asphalt and low-sulfur marine fuel oil. We also optimized the diesel-gasoline ratio according to market demand on a reasonable basis. In the first half of 2021, 606.1 million barrels of crude oil were processed, representing an increase of 6.7% as compared with the same period of last year; 54.906 million tons of refined products were produced, representing an increase of 5.4% as compared with the same period of last year.

The chemical business paid close attention to market demand and price changes. We pre-studied and judged market trends to maintain high-load operation of chemical plants, and increased production and sales of high-end and high value-added chemical products when appropriate. We actively transformed business concepts by continuous promotion of the transformation from product suppliers to traders. We also formulated marketing strategies for chemical products by regions, and actively developed high-end markets and channels to the end users. We enhanced technological innovation through the initiation of a number of technological breakthroughs, to actively carry out research and development of new chemical products and materials. In the first half of 2021, the commodity volume of chemical

products was 14.724 million tons, representing an increase of 6.3% as compared with the same period of last year. The output of synthetic resin was 5.073 million tons, representing an increase of 1.0% as compared with the same period of last year. The output of synthetic rubber was 0.506 million tons, representing an increase of 3.5% as compared with the same period of last year.

The integration project of refining and chemicals of Guangdong progressed in an orderly manner. The test run of ethane to ethylene project of Changqing turned out to be successful. The Tarim ethane to ethylene project entered into closeout phase.

Main Statistics of the Refining and Chemicals Segment

	Unit	First half of 2021	First half of 2020	Changes (%)
Processed crude oil	Million barrels	606.1	568.2	6.7
Gasoline, kerosene and diesel output	'000 ton	54,906	52,085	5.4
Of which: Gasoline	'000 ton	25,243	21,931	15.1
Kerosene	'000 ton	6,356	4,264	49.1
Diesel	'000 ton	23,307	25,890	(10.0)
Refining yield	%	93.00	93.43	(0.43) percentage point
Ethylene	'000 ton	3,043	3,103	(1.9)
Synthetic resin	'000 ton	5,073	5,024	1.0
Synthetic fibre raw materials and polymers	'000 ton	582	656	(11.3)
Synthetic rubber	'000 ton	506	489	3.5
Urea	'000 ton	1,100	948	16.0

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

- Marketing

Domestic Operations

In the first half of 2021, the Group's refined products marketing business strengthened the connection between production and sales in line with market changes, and coordinated and optimized the flow of refined product resources and logistic operations, which contributed to sales for upstream production. We insisted on refined retailing by continuous whole-process analysis and optimization, and vigorously implemented refined marketing by piloting on community marketing and platform marketing. We enhanced the promotion and application of direct wholesale APP, actively developed direct sales and end customers, and focused on small and micro customers. In the meantime, we coordinated sales network construction and actively deployed natural gas refuelling business. We also facilitated the green and low-carbon transformation. In particular, we built the first hydrogen refuelling station, the Taizicheng service area hydrogen refuelling station, in the core area of Chongli

Stadium for Beijing Winter Olympics, to provide clean energy services for "Green Winter Olympic", which was put into operation. We actively explored the online and offline omni-channel sales model for non-oil business to strengthen the ability of profitability creation.

International Trading Operations

In the first half of 2021, the Group's international trading operations made full use of two resources and two markets of international refined oil and chemical products, and strengthened its supporting role for the industrial chains.

The Group sold a total of 80.339 million tons of gasoline, kerosene and diesel in the first half of 2021, representing an increase of 4.9% as compared with the same period of last year, among which the domestic sales of gasoline, kerosene and diesel were 53.592 million tons, representing an increase of 10.3% as compared with the same period of last year.

Main Statistics of the Marketing Segment

Production and Operations Data	Unit	First half of 2021	First half of 2020	Changes (%)
Total sales volume of gasoline, kerosene and diesel	'000 ton	80,339	76,569	4.9
of which: Gasoline	'000 ton	33,724	31,569	6.8
Kerosene	'000 ton	8,125	6,563	23.8
Diesel	'000 ton	38,490	38,437	0.1
Domestic sales volume of gasoline, kerosene and diesel	'000 ton	53,592	48,572	10.3
of which: Gasoline	'000 ton	26,206	22,560	16.2
Kerosene	'000 ton	5,177	2,936	76.3
Diesel	'000 ton	22,209	23,076	(3.8)

Number of gas stations and convenience stores	Unit	June 30, 2021	December 31, 2020	Changes (%)
Number of gas stations	Unit	22,508	22,619	(0.5)
Number of convenience stores	Unit	20,188	20,212	(0.1)

- Natural Gas and Pipeline

In the first half of 2021, the Group's natural gas and pipeline operations seized the favourable opportunity of strong demand in the domestic natural gas market under the background of "carbon peak and carbon neutrality". We vigorously promoted all-employee marketing to increase market share. We also improved service capabilities. We actively developed direct-supply and direct-sales customers to strengthen strategic cooperation with customers such as city gas and city power. In the meantime, we strictly carried out our price policies, optimized sales structure, and improved sales profitability through market-oriented measures including online bidding transactions, to achieve both volume and profitability enhancement. The Group completed the closing of the disposal of Kunlun Energy pipeline assets and equity. In the first half of 2021, the Group sold 134.079

billion cubic meters of natural gas, representing an increase of 11.9% as compared with the same period of last year, of which, the domestic sales of natural gas was 96.250 billion cubic meters, representing an increase of 17.6% as compared with the same period of last year.

2. Management Discussion and Analysis

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

• Consolidated Operating Results

In the first half of 2021, the Group achieved a revenue of RMB1,196,581 million, representing an increase of 28.8% as compared with the same period of last year. Net profit attributable to owners of the Company was RMB53,037 million, representing an increase of RMB83,020 million as compared with the same period of last year. There was a basic earnings per share of RMB0.290 yuan.

Revenue Revenue of the Group was RMB1,196,581 million for the first half of 2021, representing an increase of 28.8% as compared with the same period of last year. This was primarily due to the increase in the sales volume and prices of most oil and gas products of the Group as the economy recovered and the oil prices picked up. The table below sets out the external sales volume and average realised prices of the major products sold by the Group in the first half of 2021 and 2020 and their respective percentages of change during these periods:

	Sales Volume ('000 ton)			Average Realised Price (RMB/ton)		
	First half of 2021	First half of 2020	Percentage of change (%)	First half of 2021	First half of 2020	Percentage of change (%)
Crude oil*	82,781	85,950	(3.7)	3,003	1,998	50.3
Natural gas (100 million cubic metres, RMB/'000 cubic metres)**	1,340.79	1,197.67	11.9	1,441	1,175	22.6
Gasoline	33,724	31,569	6.8	6,594	5,600	17.8
Diesel	38,490	38,437	0.1	4,849	4,350	11.5
Kerosene	8,125	6,563	23.8	3,382	3,133	7.9
Polyethylene	2,609	2,636	(1.0)	7,683	6,349	21.0
Polypropylene	2,079	1,941	7.1	7,880	6,761	16.6
Lubricant	926	569	62.7	6,546	7,534	(13.1)

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

** The natural gas listed above represents all the external sales volume of natural gas of the Group.

Operating Expenses Operating expenses were RMB1,108,118 million for the first half of 2021, representing an increase of 18.5% as compared with the same period of last year, of which:

Purchases, Services and Other Purchases, services and other were RMB808,932 million for the first half of 2021, representing an increase of 29.0% as compared with the same period of last year. This was primarily due to the increase in the Group's purchase costs of external crude oil, raw material oil, etc.

Employee Compensation Costs Employee compensation costs (including salaries, various types of insurance, housing provident fund, training costs and other relevant additional costs of employees and market-oriented temporary and seasonal contractors) for the first half of 2021 were RMB66,828 million, representing an increase of 10.0% as compared with the same period of last year. This was primarily due to the phased social insurance preferential policies introduced by the PRC last year in response to COVID-19 and the linkage of employees' salaries with profits this year.

Exploration Expenses Exploration expenses were RMB11,141 million for the first half of 2021, representing an increase of 5.4% as compared with the same period of last year. This was primarily due to the fact that the Group has enhanced its oil and gas exploration efforts and strived to discover large-scale and high-quality reserves with the rebound of oil prices.

Depreciation, Depletion and Amortisation Depreciation, depletion and amortisation was RMB108,355 million for the first half of 2021, representing a decrease of 5.3% as compared with the same period of last year. This was primarily due to the comprehensive impact of the pipeline asset restructuring and changes in the reserves structure of oil and gas resources.

Selling, General and Administrative Expenses Selling, general and administrative expenses were RMB30,326 million for the first half of 2021, representing an increase of 1.5% as compared with the same period of last year. This was primarily due to the increase in repair costs for refining and chemical production equipment and expenses on cost-based scientific research projects.

Taxes other than Income Taxes Taxes other than income taxes were RMB102,411 million for the first half of 2021, representing an increase of 3.5% as compared with the same period of last year, of which the consumption tax was RMB73,356 million, representing a decrease of RMB21 million as compared with the same period of last year; the resource tax was RMB11,016 million, representing an increase of RMB1,623 million over the same period last year; the crude oil special gain levy was RMB197 million, representing an increase of RMB19 million as compared with the same period of last year.

Other Income, Net Other income, net of the Group for the first half of 2021 was RMB19,875 million, representing an increase of RMB13,258 million as compared with the same period of last year. This was primarily due to the impact of gains on pipeline asset transaction of Kunlun Energy Co., Ltd. ("Kunlun Energy"), a subsidiary of the Group.

Profit from Operations There was a profit from operations of RMB88,463 million for the Group in the first half of 2021, representing an increase of RMB94,506 million as compared with the same period of last year.

Net Exchange Gain Net exchange gain of the Group for the first half of 2021 was RMB35 million, representing a decrease of 92.1% as compared with the same period of last year. This was mainly due to the change of average exchange rate of US dollar against Renminbi.

Net Interest Expense Net interest expense was RMB8,915 million for the first half of 2021, representing a decrease of 33.9% as compared with the same period of last year. This was mainly due to the decrease in the interest-bearing debt scale and costs as compared with the same period of last year, which in turn led to a reduction of interest expenses.

Profit before Income Tax Expense Profit before income tax expense was RMB87,016 million for the Group in the first half of 2021, representing an increase of RMB105,536 million as compared with the same period of last year.

Income Tax Expense Income tax expense was RMB19,199 million for the first half of 2021, representing an increase of RMB14,395 million as compared with the same period of last year. This was primarily due to a drastic increase in the profit before income tax expense as compared with the same period of last year.

Profit for the period Net profit amounted to RMB67,817 million for the Group in the first half of 2021, representing an increase of RMB91,141 million as compared with the same period of last year.

Profit attributable to non-controlling interests Profit attributable to non-controlling interests was RMB14,780 million for the first half of 2021, representing an increase of RMB8,121 million as compared with the same period of last year. This was primarily due to the significant increase in the profitability of the subsidiaries of the Group as compared with the same period of last year.

Profit attributable to owners of the Company Profit attributable to owners of the Company amounted to RMB53,037 million for the first half of 2021, representing an increase of RMB83,020 million as compared with the same period of last year.

- Segment Results

Exploration and Production

Revenue The revenue of the Exploration and Production segment for the first half of 2021 was RMB313,009 million, representing an increase of 22.5% as compared with the same period of last year. This was primarily due to the increase in the prices of oil and gas products such as crude oil and natural gas and in the sales volume of natural gas. The oil imported from countries such as Russia and Kazakhstan by the Group amounted to 18.69 million tons, representing an increase of 3.9% as compared with the same period of last year. The revenue from sales was RMB54,454 million for the first half of 2021, representing an increase of 36.7% as compared with the same period of last year. The average realised crude oil price was US$59.45 per barrel, representing an increase of 52.4% as compared with the same period of last year.

Operating Expenses Operating expenses of the Exploration and Production segment were RMB282,139 million for the first half of 2021, representing an increase of 15.1% as compared with the same period of last year. This was primarily due to the increase in the purchase costs, depreciation and depletion and tax expenses. The procurement cost from importing oil from countries such as Russia and Kazakhstan was RMB54,271 million, representing an increase of 23.6% as compared with the same period of last year. The unit oil and gas lifting cost was US$10.59 per barrel, representing an increase of 9.9% or 1.1% after excluding the effects of exchange rates as compared with the same period of last year.

Profit from Operations In the first half of 2021, the Group's exploration and production business actively adapted to the requirements of "carbon peak and carbon neutrality" goals to steadily promote the green and low-carbon transformation of oil and gas business. We continued to optimize the structure of oil and gas products and vigorously strengthened natural gas exploration and development. Therefore, we maintained rapid growth in domestic natural gas production and increased production and profit. We also actively developed profitability track and evaluation on overseas oil and gas projects to optimize asset structure. In the meantime, we continued to strengthen cost control, and continuously strengthened the ability of profitability creation. This segment achieved an operating profit of RMB30,870 million, representing an increase of RMB20,519 million as compared with the same period of last year.

Refining and Chemicals

Revenue The revenue of the Refining and Chemicals segment for the first half of 2021 was RMB459,384 million, representing an increase of 24.2% as compared with the same period of last year. This was primarily due to combined effects of rising prices and changes in sales volume of refined products and main chemical products, of which, the revenue of the refining business was RMB349,229 million, representing an increase of 21.7% as compared with the same period of last year; the revenue of the chemicals business was RMB110,155 million, representing an increase of 32.8% as compared with the same period of last year.

Operating Expenses Operating expenses of the Refining and Chemicals segment were RMB437,199 million for the first half of 2021, representing an increase of 14.9% as compared with the same period of last year. This was primarily due to the increase in the procurement costs of crude oil and raw material oil, and the increase in repair costs. The cash processing cost of refineries was RMB159.27 yuan per ton, representing a decrease of 1.3% as compared with the same period of last year. This was primarily due to the decrease in cost of fuel, power and ancillary material and increase in processing volume of crude oil.

Profit from Operations In the first half of 2021, the Refining and Chemicals segment adhered to the market-oriented and profitability-centric principle. We continued to optimize and enhance profitability in production and operation, and vigorously strengthened control over cost and expense. The segment recorded a profit from operations of RMB22,185 million, representing an increase of RMB32,725 million as compared with the same period of last year, of which, the refining operations recorded a profit from operations of RMB13,456 million, representing an increase of RMB27,100 million as compared with the same period of last year; the chemical operations generated an operating profit of RMB8,729 million, representing an increase of RMB5,625 million as compared with the same period of last year.

Marketing

Revenue The revenue of the Marketing segment for the first half of 2021 was RMB962,448 million, representing an increase of 28.5% as compared with the same period

of last year, which was primarily due to the increase in the price of refined products and the increase in the sales volume of gasoline and diesel products.

Operating Expenses Operating expenses of the Marketing segment were RMB955,808 million for the first half of 2021, representing an increase of 25.4% as compared with the same period of last year. This was primarily due to an increase in the expenditure relating to the purchase of refined products from external suppliers.

Profit from Operations In the first half of 2021, the Marketing segment seized the favourable opportunity of the gradual recovery of refined oil demand on domestic market, vigorously strengthened refined marketing, and actively developed retail and end customers. We coordinated the domestic and international markets and rationally arranged refined oil wholesale and export. We also optimized the allocation and flow of refined oil to control marketing costs. The Marketing segment recorded a profit from operations of RMB6,640 million, representing an increase of RMB19,532 million as compared with the same period of last year.

Natural Gas and Pipeline

Revenue The revenue of the Natural Gas and Pipeline segment was RMB198,205 million for the first half of 2021, representing an increase of 10.5% as compared with the same period of last year, which was primarily due to the increase in sales price and volume of natural gas.

Operating Expenses Operating expenses of the Natural Gas and Pipeline segment were RMB161,317 million for the first half of 2021, representing a decrease of 2.2% as compared with the same period of last year. This was primarily due to the reduction in the expenditure for purchasing gas.

Profit from Operations In the first half of 2021, the Natural Gas and Pipeline segment seized the favourable opportunities of stable domestic economic growth and rebound of market demand, actively explored direct sales and end customers, continuously improved service quality, and strived to increase sales volume. We vigorously strengthened control of natural gas procurement cost, and continued to improve sales profitability. We also successfully completed the closing of disposal of Kunlun Energy pipeline asset and equity. The segment achieved an operating profit of RMB36,888 million, representing an increase of RMB22,516 million as compared with the same period of last year.

In the first half of 2021, the Group's international operations(note) achieved a revenue of RMB438,511 million, accounting for 36.6% of the total revenue of the Group. Profit before income tax was RMB12,487 million.

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

• Assets, Liabilities and Equity

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

	As at June 30, 2021	As at December 31, 2020	Percentage of Change
	RMB million	RMB million	%
Total assets	2,531,851	2,488,126	1.8
Current assets	547,085	486,767	12.4
Non-current assets	1,984,766	2,001,359	(0.8)
Total liabilities	1,139,199	1,121,505	1.6
Current liabilities	602,641	605,418	(0.5)
Non-current liabilities	536,558	516,087	4.0
Equity attributable to owners of the Company	1,251,465	1,215,158	3.0
Share capital	183,021	183,021	-
Reserves	303,452	304,182	(0.2)
Retained earnings	764,992	727,955	5.1
Total equity	1,392,652	1,366,621	1.9

Total assets amounted to RMB2,531,851 million, representing an increase of 1.8% as compared with that as at the end of 2020, of which:

Current assets amounted to RMB547,085 million, representing an increase of 12.4% from that as at the end of 2020, primarily due to the increase in monetary assets and inventory.

Non-current assets amounted to RMB1,984,766 million, representing a decrease of 0.8% from that as at the end of 2020, primarily due to the impact of pipeline asset transaction of Kunlun Energy, a subsidiary of the Group.

Total liabilities amounted to RMB1,139,199 million, representing an increase of 1.6% from that as at the end of 2020, of which:

Current liabilities amounted to RMB602,641 million, representing a decrease of 0.5% from that as at the end of 2020, primarily due to the decrease of tax payable and liabilities held for sale.

Non-current liabilities amounted to RMB536,558 million, representing an increase of 4.0% from that as at the end of 2020, primarily due to the increase in long-term borrowings.

Equity attributable to owners of the Company amounted to RMB1,251,465 million, representing an increase of 3.0% from that as at the end of 2020, primarily due to the increase in retained earnings.

• Cash Flows

As at June 30, 2021, the primary sources of funds of the Group were cash from operating activities and short-term and long-term borrowings. The funds of the Group were mainly used for operating activities, capital expenditures, repayment of short-term and long-term borrowings and distribution of dividends to the owners of the Company.

The table below sets out the cash flows of the Group for the first half of 2021 and 2020, respectively, and the amount of cash and cash equivalents as at the end of each period:

	Six months ended June 30	
	2021	2020
	RMB million	RMB million
Net cash flows from operating activities	116,034	79,080
Net cash flows used for investing activities	(74,802)	(110,776)
Net cash flows (used for)/from financing activities	(4,554)	34,629
Translation of foreign currency	(915)	993
Cash and cash equivalents at end of the period	154,394	90,335

Net Cash Flows From Operating Activities

The net cash flows of the Group from operating activities for the first half of 2021 amounted to RMB116,034 million, representing an increase of 46.7% as compared with the same period of last year. This was mainly due to a significant increase in profit over the same period last year. As at June 30, 2021, the Group had cash and cash equivalents of RMB154,394 million, of which, approximately 60.9% were denominated in Renminbi, approximately 32.1% were denominated in US Dollars, approximately 4.6% were denominated in Hong Kong Dollars and approximately 2.4% were denominated in other currencies.

Net Cash Flows Used For Investing Activities

The net cash flows of the Group used for investing activities for the first half of 2021 amounted to RMB74,802 million, representing a decrease of 32.5% as compared with the same period of last year. This was primarily due to the increase in gains from disposal of investment and investment in associated company.

Net Cash Flows (Used For)/From Financing Activities

The net cash flows of the Group used for financing activities for the first half of 2021 amounted to RMB4,554 million, and the net cash flows from financing activities for the same period of last year was RMB34,629 million. This was primarily due to the decrease of new long-term and short-term borrowings as compared with the same period of last year.

The net borrowings of the Group as at June 30, 2021 and December 31, 2020, respectively, were as follows:

	As at June 30, 2021	As at December 31, 2020
	RMB million	RMB million
Short-term borrowings (including current portion of long-term borrowings)	114,974	117,542
Long-term borrowings	267,758	251,379
Total borrowings	382,732	368,921
Less: Cash and cash equivalents	154,394	118,631
Net borrowings	228,338	250,290

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

	As at June 30, 2021	As at December 31, 2020
	RMB million	RMB million
Within 1 year	121,681	124,777
Between 1 and 2 years	37,330	53,526
Between 2 and 5 years	218,749	188,012
After 5 years	31,630	27,894
	409,390	394,209

Of the total borrowings of the Group as at June 30, 2021, approximately 39.4% were fixed-rate loans and approximately 60.6% were floating-rate loans; approximately 66.2% were denominated in Renminbi, approximately 30.9% were denominated in US Dollars and approximately 2.9% were denominated in other currencies.

As at June 30, 2021, the gearing ratio of the Group (gearing ratio = interest-bearing debts/(interest-bearing debts + total equity)) was 21.6% (December 31, 2020: 21.3%).

- Capital Expenditures

For the first half of 2021, the Group adhered to profitability orientation, focused on the main business and strategic industries, implemented precise investment, strictly controlled the investment scale, and further optimized the investment structure. The capital expenditures amounted to RMB73,883 million, representing a decrease of 1.2% as compared with the same period of last year. The estimated capital expenditure for the whole year of 2021 is RMB239,000 million. The following table sets out the capital expenditures incurred by the Group for the first half of 2021 and for the first half of 2020 and the estimated capital expenditures for each of the business segments of the Group for the whole year of 2021.

	First half of 2021		First half of 2020		Estimates for 2021	
	RMB million	(%)	RMB million	(%)	RMB million	(%)
Exploration and Production*	54,078	73.19	54,366	72.72	175,200	73.31
Refining and Chemicals	16,639	22.52	6,418	8.58	38,000	15.90
Marketing	1,099	1.49	6,491	8.68	12,200	5.10
Natural Gas and Pipeline	1,806	2.44	7,279	9.74	13,000	5.44
Head Office and Other	261	0.36	207	0.28	600	0.25
Total	73,883	100.00	74,761	100.00	239,000	100.00

* If investments related to geological and geophysical exploration expenses were included, the capital expenditures for the Exploration and Production segment for the first half of 2021 and the first half of 2020, and the estimates for the same for the year of 2021 would be RMB60,050 million, RMB60,205 million and RMB186,200 million, respectively.

Exploration and Production

Capital expenditures for the Exploration and Production segment of the Group amounted to RMB54,078 million for the first half of 2021. The expenditures were primarily used for the continuous exploration and development with scale benefit and profitability of key basins such as Songliao, Ordos, Tarim, Sichuan and Bohai Bay, devoting greater efforts in the exploration of unconventional resources such as shale gas and shale oil and promoting new energy projects such as alternative clean energy projects domestically; and seeking opportunities to obtain high-quality overseas new projects while improving the overseas operation of the existing projects in the Middle East, Central Asia, America, Asia Pacific and other cooperation areas according to the principle of optimized development.

The Group anticipates that capital expenditures for the Exploration and Production segment throughout 2021 will amount to RMB175,200 million.

Refining and Chemicals

Capital expenditures for the Refining and Chemicals segment of the Group amounted to RMB16,639 million for the first half of 2021, primarily used for the construction of integration project of refining and chemicals of Guangdong, projects in relation to the ethylene production out of ethane, including those in Changqing and Tarim, and expansion and construction of ethylene and other large-scale refining and chemical projects, as well as transformation and upgrading projects related to refining reduction and chemical increase and new materials and new technology.

The Group anticipates that capital expenditures for the Refining and Chemicals segment throughout 2021 will amount to RMB38,000 million.

Marketing

Capital expenditures for the Marketing segment of the Group amounted to RMB1,099 million for the first half of 2021, which were used primarily for the domestic end sales networks for refined products markets, the expansion of new energy projects such as hydrogen refuelling stations, and the construction of overseas oil and gas storage, transportation and sales facilities.

The Group anticipates that capital expenditures for the Marketing segment throughout 2021 will amount to RMB12,200 million.

Natural Gas and Pipeline

Capital expenditures for the Natural Gas and Pipeline segment of the Group amounted to RMB1,806 million for the first half of 2021, which were primarily used for construction of LNG receiving station and natural gas branch line, urban gas end market development projects, and new energy collaborative projects such as natural gas power generation.

The Group anticipates that capital expenditures for the Natural Gas and Pipeline segment throughout 2021 will amount to RMB13,000 million.

Head Office and Other

Capital expenditures for the Head Office and Other segment for the first half of 2021 amounted to RMB261 million, which were primarily used for improvements of scientific research facilities and construction of the IT system.

The Group anticipates that capital expenditures of the Head Office and Other segment throughout 2021 will amount to RMB600 million.

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

- Principal operations by segment under CAS

	Income from principal operations for the first half of 2021	Cost of principal operations for the first half of 2021	Gross margin*	Changes in income from principal operations over the same period of the preceding year	Changes in cost of principal operations over the same period of the preceding year	Increase/ (decrease) in gross margin
	RMB million	RMB million	%	%	%	Percentage points
Exploration and Production	306,112	247,140	14.6	23.5	18.7	3.3
Refining and Chemicals	456,129	330,706	9.2	24.4	19.4	7.4
Marketing	948,212	917,905	3.1	28.6	27.1	1.1
Natural Gas and Pipeline	195,659	179,122	8.4	10.6	11.0	(0.2)
Head Office and Other	347	71	-	318.1	6.0	-
Inter-segment Elimination	(737,075)	(745,653)	-	-	-	-
Total	1,169,384	929,291	12.1	29.2	24.7	5.0

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

• Principal operations by region under CAS

Operating income	First half of 2021 RMB million	First half of 2020 RMB million	Changes over the same period of the preceding year %
Chinese mainland	758,070	560,413	35.3
Other	438,511	368,632	19.0
Total	1,196,581	929,045	28.8

• Principal subsidiaries and associates of the Group

Company name	Registered capital RMB million	Shareholding %	Amount of total assets RMB million	Amount of total liabilities RMB million	Amount of net assets/ (liabilities) RMB million	Net profit / (loss) RMB million
Daqing Oilfield Company Limited	47,500	100	364,103	138,437	225,666	2,173
CNPC Exploration and Development Company Limited	16,100	50	200,030	42,799	157,231	4,450
PetroChina Hong Kong Limited	HK$7,592 million	100	151,284	60,940	90,344	21,859
PetroChina International Investment Company Limited	31,314	100	92,303	145,068	(52,765)	(556)
PetroChina International Co., Ltd.	18,096	100	232,738	164,539	68,199	3,227
PetroChina Sichuan Petrochemical Co., Ltd.	10,000	90	29,258	2,938	26,320	1,981
China Oil & Gas Pipeline Network Corporation ("PipeChina")	500,000	29.9	802,541	200,397	602,144	15,037
CNPC Finance Co., Ltd. ("CNPC Finance")	8,331	32	504,131	428,706	75,425	3,070
CNPC Captive Insurance Co., Ltd.	5,000	49	15,303	8,487	6,816	200
China Marine Bunker (PetroChina) Co., Ltd.	1,000	50	11,820	8,663	3,157	47
Mangistau Investment B.V.	US$131 million	50	14,571	6,295	8,276	620
Trans-Asia Pipeline Co., Ltd.	5,000	50	44,073	2,376	41,697	2,115

Note: For details of the nature of business and net profit of principal subsidiaries, associates and joint ventures entities of the Group, please refer to Note 6 and Note 14 of the financial statements of the Group prepared under CAS.

3. Business Prospects for the Second Half of the Year

In the second half of 2021, the world economic recovery is facing unstable and uncertain factors as the COVID-19 continues to evolve globally, and the mutant virus has caused a rebound in some countries. China's economy will continue the recovery, though not stable and uneven. With OPEC+'s gradual recovery of production and the hindrance of the recovery of the world economy, the trend of international crude oil prices is expected to face greater volatility and uncertainty. The domestic refined oil consumption will continue to pick up, but the overcapacity of refining will remain prominent, the competition in the refined oil market will be intensified, the demand for natural gas will maintain rapid growth and market competition will be escalated. Facing the complex and ever-changing external environment, the Group will adhere to the five development strategies of innovation, resources, market, internationalization, green and low-carbon, continue to optimize business and product structure, actively and steadily develop new energy business layout, deepen reform of the management system and mechanism, vigorously implement scientific and technological innovation, continue to promote quality and profitability improvement and enhance ESG work, with a view to completing the annual production and operation goals.

In respect of exploration and production business, the Group will insist on both increasing reserves and production and improving profitability, continue to promote high-profitability exploration, strengthen the general and basic research on risk exploration and preparations for targets in major risk areas to obtain strategic discoveries and breakthroughs throughout the year. We will enhance the exploration efforts in key areas such as in the Sichuan Basin, Junggar Basin and Tarim Basin to expand the exploration results and implement scale-profitable reserves. We will further improve the reserve management system by promoting reserve evaluation and reserve asset management to ensure the completion of reserve replacement targets. We will make efforts to promote profitable development, deepen development of stable production of old oil and gas fields and profitable production of new blocks, focus on the production capacity construction of key projects such as those in Xinjiang Manas Lake, Tarim Fuman, Changqing Longdong shale oil, and Sichuan Gaomo, continue to promote major development trials of oil and gas fields, build stable and high-production projects, and strive to achieve the annual goals.

In respect of refining and chemicals business, the Group will allocate more high-quality resources to enterprises with good profitability, strong oil conversion capabilities, and flexibilities of plan adjustment. We will strengthen controlled production management and improve the long-term operation level of equipment. In the meantime, we will increase the overall commodity rate, promote efficient use of resources to reduce processing cost. We will promote reducing oil and increasing chemicals production, market-oriented optimization of product structure, strict control of refined products output, increase production of aviation kerosene, low-sulfur marine fuel oil, asphalt and other products. We will also increase the load of ethylene, aromatics and other equipment, increase the production of high-profitability and high value-added products, and speed up the development of new materials and new products. We will strengthen the marketing of chemical products, enhance market and customer development, formulate targeted marketing strategies by region, variety, industry and time period to improve marketing capabilities and service quality, and raise market share and service levels.

In respect of sales of refined products, the Group will strengthen the connection between production and sales, strictly implement its own refinery product sales plan, and make every effort to expand sales, reduce inventory and increase profitability to ensure smooth operation of the industrial chains. We will fully promote the direct wholesale APP, enhance customer expansion and maintenance efforts, consolidate and expand traditional markets, actively explore potential markets to continuously raise market share. We will continue to optimize the marketing model by carrying out precise marketing by subdividing product series and cross-discipline marketing to promote the increase in volume of the retail sales. We will flexibly use asset-light models such as entrusted operations, franchise operations and cooperative operations to increase marketing network development. We will promote the construction of photovoltaic gas stations, charging and swapping stations, hydrogen refuelling stations, and comprehensive energy service stations. We will continue to improve the development quality of convenience stores by strengthening the development and operation of our own products and deploying cross-discipline cooperative retail outlets, with a view to enhancing customer service capabilities and the capabilities to increase revenue and profitability for non-oil business customers.

In respect of natural gas and pipeline operations, the Group will strengthen market development by vigorously developing direct-supply and direct-marketing customers and downstream city gas customers and using various methods to diversify the development of the end market to raise market share. We will optimize the marketing system, establish a sales mechanism adapted to the market, comprehensively promote precise customer management, formulate differentiated marketing strategies, and improve capacity of marketing and profitability. We will speed up the construction of branch pipelines and other infrastructure, and put the Tangshan LNG III project and the Jiangsu LNG III project into operation.

In respect of international operations, the Group will adhere to profitable exploration, strengthen risk exploration in discovered zones for projects such as in the Doseo depression basin in Chad, optimize refined rolling exploration in mature exploration areas such as the Bongor Basin in Chad for more exploration discoveries. We will focus on refined development, carry out measures to stabilize production and increase production, improve the full-cycle systemic management of development plans, continue to promote water injection in oilfields, and strengthen the construction of key oil and gas production capacity projects. We will promote new project development and joint venture cooperation, pay close attention to operator projects, strive to obtain large-scale assets with high-quality, enhance efforts to dispose of unprofitable non-core assets, and continue to optimize asset structure and strategic layout. We will enhance service, marketing, and transaction capabilities in international trade, optimize export volume, structure and sales market of our products, and promote our overall profitability maximization.

By Order of the Board of Directors
PetroChina Company Limited
Dai Houliang
Chairman
Beijing, the PRC
August 26, 2021

SIGNIFICANT EVENTS

1. Governance of the Company

During the reporting period, the Company operated business in a regularized manner in accordance with domestic and overseas regulatory requirements. The Company's internal management operations were further standardized and the level of the Company's corporate governance had been continually enhanced through the coordination and balances among the shareholders' general meeting, the Board and its respective specialised committees, the Supervisory Committee and the management led by the President of the Company together with the effective operations of the internal control systems, which facilitated the construction of a world's first-class energy company.

During the reporting period, the name of Health, Safety and Environment Committee under the Board was upgraded to the Sustainable Development Committee, and its duties have been extended, which will supervise and manage issues in relation to the sustainable development of the Company (including but not limited to issues on environmental, social, and governance).

During the reporting period, the Company convened one shareholders' general meeting, two meetings of the Board and two meetings of the Supervisory Committee, adopting 8 resolutions of the shareholders' general meeting, 19 resolutions of the Board and 9 resolutions of the Supervisory Committee. Such meetings were prepared and convened in compliance with the relevant laws and rules and the adopted resolutions were lawful and valid.

During the reporting period, the Company's corporate governance met the requirements set out in the normative documents relating to governance of listed companies issued by the securities regulatory authorities and stock exchanges of the places where the Company is listed, and no person with access to insider information was found dealing in the shares of the Company against the relevant regulations.

2. Compliance with the Corporate Governance Code

For the six months ended June 30, 2021, the Company has complied with all the code provisions of the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

3. Formulation and Implementation of the Cash Dividend Policy

As required by China Securities Regulatory Commission, the Articles of Association of PetroChina Company Limited (the "Articles of Association") expressly provides that the proportion of cash dividends shall not be lower than 30% of annual net profit attributable to owners of the Company. Since its listing, the Company has been making dividend payments in an amount equal to 45% of net profit attributable to owners of the Company strictly in accordance with the provisions of the Articles of Association and the relevant regulatory requirements, adhering to the principle of repaying the shareholders.

Since 2016, the Company has endeavoured to repay the shareholders better by making special dividend payments in addition to the regular dividend payment equal to 45% of the net profit attributable to owners of the Company.

In the future, adhering to the principle of repaying the shareholders, the Company will implement flexible and practicable dividend policies and determine reasonable amounts of dividend payment based on the operating results, cash flow, material mergers or acquisitions and capital expenditures of the Company, giving full consideration to the reasonable return on investment for investors as well as the long-term interests of the Company, the interests of all shareholders as a whole and the sustainable development of the Company.

Authorised by the shareholders, the Board has reviewed and approved the 2021 interim dividend at the eleventh meeting of the 8th Board, with the consent of independent Directors.

4. Final Dividend for 2020 and Interim Dividend for 2021 and Closure of Register of Members

(1) Final Dividend for the Year Ended December 31, 2020

The final dividend in respect of 2020 of RMB0.08742 yuan per share (inclusive of applicable tax), amounting to a total of RMB16,000 million, was approved by the shareholders at the 2020 annual general meeting of the Company on June 10, 2021 and was paid on or before July 30, 2021.

(2) Interim Dividend for 2021 and Closure of Register of Members

The Board was authorised by the shareholders to approve the distribution of an interim dividend for 2021 at the 2020 annual general meeting of the Company on June 10, 2021.To provide returns to the shareholders, the Board has resolved to declare an interim dividend of RMB0.13040 yuan per share (inclusive of applicable tax) for 2021 on the basis of a total of 183,020,977,818 shares of the Company as at June 30, 2021. The total amount of the interim dividends payable is RMB23,866 million.

The interim dividend of the Company will be paid to shareholders whose names appear on the register of members of the Company at the close of trading on September 16, 2021. The register of members of H shares will be closed from September 11, 2021 to September 16, 2021 (both days inclusive) during which period no transfer of H shares will be registered. In order to qualify for the interim dividend, holders of H shares must lodge all transfer documents together with the relevant share certificates at Hong Kong Registrars Limited on or before 4:30 p.m., September 10, 2021. Holders of A shares whose names appear on the register of members of the Company maintained at China Securities Depository and Clearing Corporation Limited ("CSDC") at the close of trading on the Shanghai Stock Exchange in the afternoon of September 16, 2021 will be eligible for the interim dividend.

In accordance with the relevant provisions of the Articles of Association and relevant laws and regulations, dividends payable to the shareholders of the Company shall be declared in Renminbi. Dividends payable to the holders of A shares shall be paid in Renminbi, and for the A shares of the Company listed on the Shanghai Stock Exchange and invested by the investors through the Hong Kong Stock Exchange, dividends shall be paid in Renminbi to the accounts of the nominal shareholders through CSDC. Save for the H shares of the Company listed on the Hong Kong Stock Exchange and invested by the investors through the Shanghai Stock Exchange and Shenzhen Stock Exchange (the "H Shares under the Southbound Trading Link"), dividends payable to the holders of H shares shall be paid in Hong Kong Dollars. The applicable exchange rate shall be the average of the medium exchange rate for Renminbi to Hong Kong Dollar as announced by the People's Bank of China for the week prior to the declaration of the dividends by the Board. Dividends payable to the holders of H Shares under the Southbound Trading Link shall be paid in Renminbi. In accordance with the Agreement on Payment of Cash Dividends on the H Shares under the Southbound Trading Link (《港股通H股股票現金紅利派發協議》) between the Company and CSDC, CSDC will receive the dividends payable by the Company to holders of the H Shares under the Southbound Trading Link as a nominal holder of the H Shares under the Southbound Trading Link on behalf of investors and assist the payment of dividends on the H Shares under the Southbound Trading Link to investors thereof. The average of the medium exchange rate for Renminbi to Hong Kong Dollar as announced by the People's Bank of China for the week prior to the declaration of the 2021 interim dividend by the Board is RMB0.83306 to 1.00 Hong Kong Dollar. Accordingly, the interim dividend will be 0.15653 Hong Kong Dollar per H share (inclusive of applicable tax).

The Company has appointed Bank of China (Hong Kong) Trustees Limited as the receiving agent in Hong Kong (the "Receiving Agent"), and will pay the declared interim dividend to the Receiving Agent for its onward payment to the holders of H shares. The interim dividend will be paid by the Receiving Agent around October 29, 2021 to the holders of H shares by ordinary mail at their own risks.

According to the Law on Corporate Income Tax of the People's Republic of China (《中華人民共和國企業所得稅法》) and the relevant implementing rules which came into effect on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, the Company is required to withhold corporate income tax at the rate of 10% before distributing dividends to non-resident enterprise shareholders whose names appear on the H share register of members of the Company. Any H shares registered in the name of non-individual shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organisations, will be treated as being held by non-resident enterprise shareholders and therefore will be subject to the withholding of the corporate income tax. Any holders of H shares wishing to change their shareholder status should consult their agents or trust institutions on the relevant procedures. The Company will withhold and pay the corporate income tax strictly in accordance with the relevant laws or requirements of the relevant governmental departments based on the information that will have been registered on the Company's H share register of members on September 16, 2021.

According to the Notice on Issues Concerning the Collection and Management of Individual Income Tax after the Abolishment of Guo Shui Fa [1993] No.045 promulgated by the State Taxation Administration (Guo Shui Han [2011] No.348) (《關於國稅發〔1993〕045號文件廢止後有關個人所得稅征管問題的通知》(國稅函〔2011〕348號)), the Company is required to withhold and pay the individual income tax for individual holders of H shares and individual holders of H shares are entitled to certain tax preferential treatments according to the tax agreements between those countries where the individual holders of H shares are resident and China and the provisions in respect of tax arrangements between Chinese mainland and Hong Kong (Macau). The Company will withhold and pay the individual income tax at the tax rate of 10% on behalf of the individual H shareholders who are Hong Kong residents, Macau residents or residents of those countries having agreements with China for individual income tax rate in respect of dividend of 10%. For individual H shareholders who are residents of those countries having agreements with China for individual income tax rates in respect of dividend of lower than 10%, the Company would make applications on their behalf to seek entitlement of the relevant agreed preferential treatments pursuant to the Circular on Issuing Administrative Measures on Preferential Treatment Entitled by Non-residents Taxpayers under Treaties (SAT Circular [2019] No.35) (《關於發布〈非居民納稅人享受協定待遇管理辦法〉的公告》(國家稅務總局公告2019年第35號)) issued by the State Taxation Administration. For individual H shareholders who are residents of those countries having agreements with China for individual income tax rates in respect of dividend of higher than 10% but lower than 20%, the Company would withhold the individual income tax at the agreed-upon effective tax rate. For individual H shareholders who are residents of those countries without any taxation agreements with China or having agreements with China for individual income tax in respect of dividend of 20% or other situations, the Company would withhold the individual income tax at a tax rate of 20%.

The Company will determine the country of domicile of the individual H shareholders based on the registered address as recorded in the register of members of the Company (the "Registered Address") on September 16, 2021 and will accordingly withhold and pay the individual income tax. If the country of domicile of an individual H shareholder is not the same as the Registered Address, the individual H shareholder shall notify the share registrar of the Company's H shares and provide relevant supporting documents on or before 4:30 p.m., September 10, 2021 (address: Hong Kong Registrars Limited, Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong). If the individual H shareholder does not provide the relevant supporting documents to the share registrar of the Company's H shares within the time period stated above, the Company will determine the country of domicile of the individual H shareholder based on the recorded Registered Address on September 16, 2021.

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

In accordance with the Notice of Ministry of Finance, the State Taxation Administration, and the China Securities Regulatory Commission on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No.81) (《財政部、國家稅務總局、證監會關於滬港股票市場交易互聯互通机制試點有關稅收政策的通知》(財稅〔2014〕81號)), which became effective on November 17, 2014, and the Notice of the Ministry of Finance, the State Taxation Administration, and the China Securities Regulatory Commission on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No. 127) (《財政部、國家稅務總局、證監會關於深港股票市場交易互聯互通机制試點有關稅收政策的通知》(財稅〔2016〕127號)), which became effective on December 5, 2016, with regard to the dividends obtained by individual Chinese mainland investors from investment in the H shares of the Company listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the Company will withhold their individual income tax at the tax rate of 20% in accordance with the register of individual Chinese mainland investors provided by CSDC. As to the withholding tax having been paid abroad, an individual investor may file an application for tax credit with the competent tax authority of CSDC with an effective credit document. With respect to the dividends obtained by Chinese mainland securities investment funds from investment in the H shares of the Company listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the Company will levy tax with reference to the provisions concerning the collection of tax on individual investors. The Company will not withhold income tax on dividends obtained by Chinese mainland enterprise investors, and Chinese mainland enterprise investors shall file their income tax returns and pay tax themselves instead.

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

5. Material Litigation and Arbitration

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

6. Financial Assets at Fair Value

Unit: RMB million

Name of Items	Balance at the beginning of the reporting period	Balance at the end of the reporting period	Changes in the reporting period	Amount affecting the profit of the reporting period
Investments in other equity instruments	910	917	7	-
Receivables financing	8,076	5,710	(2,366)	-

The financial assets at fair value held by the Company during the reporting period include domestic and overseas listed shares and the equity investment that does not have a quoted market price in an active market, and bills of acceptance issued by banks for the sale of goods and rendering of services.

7. Material Acquisition, Disposal and Restructuring of Assets

Participating in the Establishment of an Industrial Capital Investment Company

In order to accelerate the transformation and upgrading of the Company's business and increase investment in strategic emerging industries, as considered and approved at the ninth meeting of the eighth session of the Board of the Company held on April 29, 2021 that the Company, together with CNPC and CNPC Capital Company Limited ("CNPC Capital"), contributed RMB2.9 billion, RMB5.1 billion and RMB2.0 billion respectively to jointly establish CNPC Kunlun Capital Company Limited ("Kunlun Capital"). Kunlun Capital's business scope includes: equity investment, investment management and asset management through private equity funds (subject to the registration and filing to Asset Management Association of China); private equity investment fund management and venture capital fund management services (subject to the registration and filing to Asset Management Association of China); investment activities with its own funds (non-financial investment); venture capital (limited to investment in unlisted companies); financing consulting services; financial consulting; and business management consulting (general business items can be carried out independently; the carrying out of licensed business items is subject to the relevant licence or authorization) (for the items subject to approval in accordance with the laws, business activities can be carried out only after obtaining approval from relevant authorities). For details, please refer to the announcements published by the Company on the website of Shanghai Stock Exchange respectively on April 29, 2021 and June 24, 2021 (Announcement No. Lin 2021-012, Lin 2021-017) and the announcement published on the website of Hong Kong Stock Exchange.

Such matter does not affect the continuity of the business or the stability of management of the Group and is conducive to the sustainable and healthy development of the Group and achieving sustainable and positive operating results.

8. Material Connected Transactions

(1) Connected transactions

(a) Capital injection to CNPC Finance

On June 13, 2019, the Company considered and passed the Proposal for Capital Increase Contribution to CNPC Finance at the third board meeting in 2019, approving the capital contribution to CNPC Finance by the Company, CNPC and CNPC Capital Corporation in proportion with their respective current shareholding. In accordance with the Listing Rules of the Shanghai Stock Exchange ("Shanghai Stock Exchange Listing Rules"), the Listing Rules, CNPC, CNPC Capital Corporation and CNPC Finance are all connected persons of the Company. Therefore, the proposed capital increase constitutes a connected transaction of the Company. For specific details of the transaction, please refer to the announcements published on the respective websites of the Hong Kong Stock Exchange and the Shanghai Stock Exchange on June 13, 2019, the connected transaction section disclosed in the 2019 annual report published on the websites of the Hong Kong Stock Exchange and Shanghai Stock Exchange on March 26, 2020, respectively, the connected transaction section disclosed in the 2020 interim report published, respectively, on the websites of the Hong Kong Stock Exchange and the Shanghai Stock Exchange on August 27, 2020, and the connected transaction section disclosed in the 2020 annual report published, respectively, on the websites of the Hong Kong Stock Exchange and the Shanghai Stock Exchange on March 25, 2021. CNPC Finance has completed transfer of capital reserve to increase the registered capital by RMB8,064,023,100 and completed the procedures of industrial and commercial alteration registration.

(b) Pipeline assets transaction of Kunlun Energy

On December 22, 2020, the Company considered and passed the Proposal for Kunlun Energy's Pipeline Assets Transaction at the ninth board meeting in 2020, approving the disposal of 60% equity interest in PetroChina Beijing Gas Pipeline Co., Ltd. ("Beijing Pipeline") and 75% equity interest in PetroChina Dalian LNG Co., Ltd. ("Dalian LNG") held by Kunlun Energy, respectively, a subsidiary of the Company, to PipeChina. Given that two directors of PipeChina, despatched by the Company, currently serve as the Director and senior management of the Company, respectively, and one of them serves as the senior management of CNPC, the Company's controlling shareholder, according to the Shanghai Stock Exchange Listing Rules, PipeChina is a related legal person of the Company, and therefore the transaction constitutes a related party transaction of the Company under the Shanghai Stock Exchange Listing Rules. For details, please refer to the announcement published by the Company on the website of Shanghai Stock Exchange (Announcement No. Lin 2020-51) and the announcement published on the website of Hong Kong Stock Exchange on December 22, 2020, respectively. Kunlun Energy and PipeChina completed the equity transfer closing at 24:00 on March 31, 2021. For details, please refer to the announcement published on the websites of Shanghai Stock Exchange (Announcement No. Lin 2021-008) and the website of Hong Kong Stock Exchange on April 1, 2021, respectively.

(2) Continuing connected transactions

(a) Connected transactions with CNPC

Pursuant to the Listing Rules and the Shanghai Stock Exchange Listing Rules, since CNPC is the controlling shareholder of the Company, transactions between the Group and CNPC as well as their jointly-held entities constitute connected transactions of the Group. The Group and CNPC as well as their jointly-held entities continue to carry out certain existing continuing connected transactions. The Company had obtained independent Directors' and independent shareholders' approval at the seventh meeting in 2020 of the Board held on August 27, 2020 and the 2020 third extraordinary general meeting held on November 5, 2020, respectively, for a renewal of the existing continuing connected transactions and the new continuing connected transactions, and the proposed caps for the existing continuing connected transactions and the new continuing connected transactions for the period from January 1, 2021 to December 31, 2023.

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

1) Comprehensive Products and Services Agreement

2) Land Use Rights Leasing Contract and an agreement supplementary thereto

3) Buildings Leasing Contract

4) Intellectual Property Licensing Contracts

5) Contract for the Transfer of Rights under Production Sharing Contracts

Details of the above agreements were set out in the section headed "Connected Transactions" of the 2020 annual report published on the websites of the Hong Kong Stock Exchange and the Shanghai Stock Exchange on March 25, 2021, respectively. Details of the Comprehensive Products and Services Agreement, the Land Use Rights Leasing Contract and its Supplementary Agreement, and the Buildings Leasing Contract were published on the websites of the Shanghai Stock Exchange (Announcement No. Lin 2020-036) and Hong Kong Stock Exchange on August 27, 2020, respectively, and were also set out in the meeting materials for the 2020 third extraordinary general meeting published on the website of the Shanghai Stock Exchange on October 29, 2020.

(b) Continuing connected transactions with CNPC Finance

In accordance with the provisions of the Listing Rules and the Listing Rules of Shanghai Stock Exchange, CNPC Finance is a connected person of the Group. As for the deposits of the Group with CNPC Finance during the reporting period, the balance as at the beginning of the reporting period is RMB33,275 million; the time deposits increased RMB41,191 million during the reporting period and the time deposits decreased RMB42,882 million during the reporting period; and the balance of deposits as at the end of the reporting period is RMB36,609 million, with an interest rate range of 0.08%-3.30%. As for the loans provided by CNPC Finance to the Group, the balance as at the beginning of the reporting period is RMB68,045 million; the amount of loans increased RMB46,117 million during the reporting period and the amount of loans decreased RMB37,782 million during the reporting period; and the balance as at the end of the reporting period is RMB76,145 million, with an interest rate range of 1.04%-5.99%. CNPC Finance granted to the Group the acceptance bill of RMB5,639 million, and provided the Group with bills discounting finance of RMB1,628 million.

(c) Continuing connected transactions with Beijing Gas Group Company Limited ("Beijing Gas")

Under the Listing Rules, Beijing Gas was a substantial shareholder of Beijing Pipeline, a subsidiary of the Group. Therefore, the transactions between the Group and Beijing Gas constitute connected transactions of the Group. On August 27, 2020, the Group renewed the Products and Services Agreement with Beijing Gas. Pursuant to such agreement, the Company shall provide products and services to Beijing Gas on a continuing basis, including but not limited to the provisions of natural gas and related pipeline transmission services. The term of such agreement shall commence from January 1, 2021 to December 31, 2023. Details of the transaction were published on the respective websites of Hong Kong Stock Exchange and Shanghai Stock Exchange on August 27, 2020.

Pursuant to the financial data of the most recent financial year, i.e. 2020, Beijing Pipeline became a significant subsidiary of the Group. Pursuant to the Listing Rules, Beijing Gas became a connected person of the Company starting from 2021, and therefore the transactions between the Group and Beijing Gas constitute connected transactions under Chapter 14A of the Listing Rules.

On December 22, 2020, the Company considered and passed the Proposal for Kunlun Energy's Pipeline Assets Transaction at the ninth Board meeting of 2020, approving the disposal of the 60% equity interest in Beijing Pipeline held by Kunlun Energy to PipeChina. After the equity disposal closing was completed, the Group no longer holds any equity interest in Beijing Pipeline and Beijing Gas no longer constitutes a connected person of the Company. Details of the transaction were published respectively on the websites of Shanghai Stock Exchange (Announcement No. Lin 2021-008) and Hong Kong Stock Exchange on April 1, 2021.

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

During the reporting period, in accordance with CAS, the actual total transaction amounts of the connected transactions between the Group and its connected parties were RMB216,530 million, of which the sales of goods and provision of services by the Group to its connected parties amounted to RMB56,296 million, representing 5% of the same category transactions of the Group, and purchase of goods and services by the Group from the connected parties amounted to RMB160,234 million, representing 15% of the same category transactions of the Group. The balance of the capital provided by the connected parties to the Group amounted to RMB92,427 million.

(4) Details of the connected transactions during the reporting period have been set out in Note 59 to the financial statements of the Group prepared under CAS and Note 18 to the financial statements of the Group prepared under IFRS.

9. Material Contracts and the Performance Thereof

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

(2) As of the end of the reporting period, the Company and its subsidiaries had a guarantee balance of RMB188,180 million, including RMB25,483 million for credit guarantee and RMB155,756 million for performance guarantee, RMB6,941 million for financing guarantee, and the balance of guarantees as of the end of the reporting period accounted for approximately 15.03% of the Group's net asset. The guarantee balance of the Company as of the end of the reporting period did not exist for the guarantee provided to the controlling shareholder, the ultimate controller and its related parties.

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

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

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

10. Performance of Undertakings

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

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

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

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

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

During the reporting period, none of the Company or its current Directors, Supervisors, Senior Management, controlling shareholder or ultimate controller of the Company was subject to any investigation by competent authorities, enforcement by judicial or disciplinary departments, or was handed over to judicial department or subject to criminal liabilities, subject to investigation or administrative punishment by the China Securities Regulatory Commission, or any denial of participation in the securities market or was deemed unsuitable, nor was subject to any material administrative penalty by other administrative authorities or public condemnation by a stock exchange.

12. Repurchase, Sale or Redemption of Securities

The Company and its subsidiaries did not repurchase, sell or redeem any listed securities of the Company during the six months ended June 30, 2021.

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

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

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

As at June 30, 2021, except that the spouse of Mr. Liu Xianhua held 2,300 A shares of the Company, none of the Directors, Supervisors and Chief Executives had any interest or short positions in any shares, underlying shares or debentures of the Company or any associated corporation within the meaning of Part XV of the Securities and Futures Ordinance that are required to be recorded in the register mentioned under Section 352 of the Securities and Futures Ordinance or as otherwise notifiable to the Company and the Hong Kong Stock Exchange by the Directors, Supervisors and Chief Executives pursuant to the Model Code.

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

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

16. Audit Committee

The Audit Committee of the Company comprises Mr. Cai Jinyong, Mr. Jiang, Simon X. and Mr. Liu Yuezhen. The main duties of the Audit Committee are to review and monitor the financial reporting procedures and internal control system of the Group and make recommendations to the Board.

The Audit Committee of the Company has reviewed and confirmed the interim results for the six months ended June 30, 2021.

17. Disclosure of Other Information

Save for disclosed above, there have been no material changes in the information disclosed in the annual report of the Group for the year ended December 31, 2020 in respect of matters required to be disclosed under paragraph 32 of Appendix 16 to the Listing Rules.

18. Index of Information Disclosure

Matter	Names of newspaper of publication	Date of publication (or the time of release through the website of the Hong Kong Stock Exchange or the Shanghai Stock Exchange, if the disclosure was not published)	Website of release
Advance Notice for Estimated Profit of the 2020 Annual Results of PetroChina	China Securities Journal Shanghai Securities News Securities Times Securities Daily	January 29, 2021	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Notice of Board Meeting		March 9, 2021	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Announcement on the Conferences in respect of the 2020 Annual Results of PetroChina	China Securities Journal Shanghai Securities News Securities Times Securities Daily	March 19, 2021	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Special Report of PetroChina on Appropriation of Funds for Non-operating Purposes and the Flow Funds involving Related Parties for 2020		March 25, 2021	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange

Matter	Names of newspaper of publication	Date of publication (or the time of release through the website of the Hong Kong Stock Exchange or the Shanghai Stock Exchange, if the disclosure was not published)	Website of release
Audit Report of PetroChina		March 25, 2021	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Audit Report on the Internal Controls of PetroChina		March 25, 2021	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
2020 Environmental, Social and Governance Report		March 25, 2021	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Work Report of the Audit Committee under the Board of Directors of PetroChina in 2020		March 25, 2021	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Special Report and Independent Opinion of the Independent Directors of PetroChina on External Guarantees		March 25, 2021	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Work Report of Independent Directors of PetroChina in 2020		March 25, 2021	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
2020 Annual Report of PetroChina		March 25, 2021	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Special Report on Deductions out of Operating Income in 2020		March 25, 2021	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Self-assessment Report on Internal Controls of PetroChina in 2020		March 25, 2021	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
List of Directors and their Roles and Functions		March 25, 2021	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Emolument Adjustment of Independent Non-executive Directors		March 25, 2021	Website of the Hong Kong Stock Exchange
Change of Name of Health, Safety and Environment Committee and Extension of the Duties		March 25, 2021	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange

Matter	Names of newspaper of publication	Date of publication (or the time of release through the website of the Hong Kong Stock Exchange or the Shanghai Stock Exchange, if the disclosure was not published)	Website of release
Announcement on the Resolutions of the Sixth Meeting of the Eighth Session of Supervisory Committee of PetroChina	China Securities Journal Shanghai Securities News Securities Times Securities Daily	March 25, 2021	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Announcement of PetroChina on the Resolutions of the Eighth Meeting of the Eighth Session of Board of Directors in 2020	China Securities Journal Shanghai Securities News Securities Times Securities Daily	March 25, 2021	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Results Announcement for the year ended December 31, 2020 (Summary of the 2020 Annual Report)	China Securities Journal Shanghai Securities News Securities Times Securities Daily	March 25, 2021	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Announcement of PetroChina on its External Guarantee Arrangements for 2021	China Securities Journal Shanghai Securities News Securities Times Securities Daily	March 25, 2021	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Announcement of PetroChina on Proposed Change of Auditors	China Securities Journal Shanghai Securities News Securities Times Securities Daily	March 25, 2021	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Announcement of PetroChina on Re-Designation of Directors and Change of President	China Securities Journal Shanghai Securities News Securities Times Securities Daily	March 25, 2021	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Announcement of PetroChina on the Closing of the Disposal of 60% Equity Interest in Beijing Pipeline and 75% Equity Interest in Dalian LNG by Kunlun Energy	China Securities Journal Shanghai Securities News Securities Times Securities Daily	April 1, 2020	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Notice of Board Meeting		April 14, 2021	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Notice of Annual General Meeting for the Year 2020	China Securities Journal Shanghai Securities News Securities Times Securities Daily	April 20, 2021	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Announcement of PetroChina on the First Quarterly Report of 2021 (Full text)		April 29, 2021	Website of the Shanghai Stock Exchange
Independent Opinions of Independent Non-executive Directors of PetroChina on the Proposals in the Ninth Meeting of the Eighth Session of Board of Directors		April 29, 2021	Website of the Shanghai Stock Exchange
Announcement of PetroChina on the First Quarterly Report of 2021 (Main body)	China Securities Journal Shanghai Securities News Securities Times Securities Daily	April 29, 2021	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange

Matter	Names of newspaper of publication	Date of publication (or the time of release through the website of the Hong Kong Stock Exchange or the Shanghai Stock Exchange, if the disclosure was not published)	Website of release
Announcement of PetroChina on the Resolutions of the Ninth Meeting of the Eighth Session of Board of Directors	China Securities Journal Shanghai Securities News Securities Times Securities Daily	April 29, 2021	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Announcement of PetroChina on the Proposed Participation in the Establishment of an Industry Investment Company	China Securities Journal Shanghai Securities News Securities Times Securities Daily	April 29, 2021	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Announcement of PetroChina on the Appointment of the Chief Engineer of the Company	China Securities Journal Shanghai Securities News Securities Times Securities Daily	April 29, 2021	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
List of Directors and their Roles and Functions		May 10, 2021	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Announcement of PetroChina on the Resignation of Director and Vice Chairman	China Securities Journal Shanghai Securities News Securities Times Securities Daily	May 10, 2021	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Announcement of PetroChina on the Track Rating Results of corporate bonds in 2012, 2013 and 2016		May 18, 2021	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Announcement of PetroChina on the Resignation of Employee Representative Supervisor	China Securities Journal Shanghai Securities News Securities Times Securities Daily	May 28, 2021	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Documents of PetroChina's 2020 Annual General Meeting		June 3, 2021	Website of the Shanghai Stock Exchange
Legal Opinions on the 2020 Annual General Meeting		June 10, 2021	Website of the Shanghai Stock Exchange
Announcement of PetroChina on the Resolutions Passed at the Annual General Meeting for the Year 2020	China Securities Journal Shanghai Securities News Securities Times Securities Daily	June 10, 2021	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Announcement on the Implementation of PetroChina's 2020 Annual Final A Share Dividend Distribution	China Securities Journal Shanghai Securities News Securities Times Securities Daily	June 20, 2021	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange
Announcement of PetroChina on the Progress on the Establishment of an Industrial Capital Investment Company	China Securities Journal Shanghai Securities News Securities Times Securities Daily	June 24, 2021	Website of the Hong Kong Stock Exchange Website of the Shanghai Stock Exchange

19. Performance of Environmental and Social Responsibilities

The Company actively performed its social responsibilities and included green and low-carbon into the development strategies, strictly abided by the Environmental Protection Law of the PRC and other relevant laws and regulations to prevent and control pollution, enhanced ecological protection, and devoted to becoming an excellent corporate citizen of the world. Some subsidiaries of the Company are major pollutant-discharging enterprises as announced by the environmental protection authorities. Public information disclosure regarding the environment has been made by such companies as per relevant regulations of Ministry of Ecology and Environment of the People's Republic of China and the requirements of the local environmental protection authorities on the websites of the local environmental protection authorities. For the subsidiaries that were not major pollutant-discharging enterprises, information on administrative penalties due to environmental issues has also been disclosed on the website of the local environmental protection authorities strictly in accordance with the requirements of the State and local governments. Please refer to such websites for details of the disclosures.

The Company has always adhered to the concept of "development in protection, protection in development, environmental protection first", and has deepened the promotion of clean production and energy saving and emission reduction. The "three wastes" pollution prevention facilities were stably operated, the discharge of pollutants from wastewater and exhaust gas were stably meeting with standards, solid waste was disposed in accordance with laws and regulations, and the total volume has generally been reduced. We continued to promote the construction of green mines, implemented VOCs governance upgrading and reform; we strengthened environmental management of construction projects, and strictly implemented the "three simultaneous" for environmental protection and the post-pollution permit management systems. The environmental risk prevention and control measures have been continuously improved, and no major environmental pollution or ecological damage incidents have occurred during the reporting period. The Company improved the employees' health management and made great effort in epidemic prevention and control on a regular basis, with a vaccination rate of over 90% for all employees.

The Company actively implemented the national overall work arrangement of "carbon peak and carbon neutrality", organized the formulation of the "dual-carbon" target action plan, continued to carry out the recovery of vented natural gas, accelerated the implementation of new energy projects, actively explored on the construction of carbon storage bases, enhanced the research on CO_2 recycling and transportation technology, promoted the "rooftop photovoltaic" pilot program, and planned the transformation of "zero-carbon" storage stations.

20. Employees

As at June 30, 2021, the Group had 423,243 employees (excluding 248,734 temporary and seasonal staff).

Based on characteristics of different positions, the Group built various remuneration systems to meet the demand of equity within the Group and competitiveness on the market. In subsidiaries and branches of the Company, an annual salary system is adopted for the management, a position level-based wage system for supervisory, professional and technical positions and a positional skill-based wage system for operators and technicians. In addition, subsidies are offered to those who possess more sophisticated technical and working skills. Each employee is remunerated according to the level of their job position, individual competence and contribution, and with changes in the relevant factors, such remuneration will also be adjusted in a timely manner.

The Group has been consistently focused on employee training as an important means of achieving a robust company strategy based on talent. It serves to increase the calibre of its staff and its competitiveness and helps to build a harmonious enterprise. Employee training of the Group covers basic concepts, policies and regulations, knowledge required for a job position, safety awareness, cultural knowledge and technical skills as a fundamental basis. In practice, training revolves around four comprehensive programmes, namely, competences-building directed at the management, technical innovation at professional and technical staff, skill enhancement at operators and workers and internationalisation of talent. These training efforts are multi-dimensional and diversified in approaches, which can better cater to the Group's development requirements and its needs for building high-calibre working teams.

21. Shareholders' Meetings

On June 10, 2021, the Company convenes 2020 annual general meeting pursuant to the Articles of Association at V-Continent Wuzhou Hotel, Beijing. Eight resolutions of non-cumulative voting were passed and approved at the meeting, among which, seven ordinary resolutions were passed and approved by more than half of the votes, one special resolution were passed and approved by more than two thirds of the votes. For details, please refer to the announcements on the Resolutions Passed at the 2020 PetroChina Annual General Meeting published by the Company on the websites of the Hong Kong Stock Exchange and Shanghai Stock Exchange on June 10, 2021, respectively.

22. Risk Factors

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

(1) Industry Regulations and Tax Policies Risk

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

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

(2) Price Fluctuations of Oil and Gas Risk

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

(3) Foreign Exchange Rate Risk

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

(4) Market Competition Risk

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

(5) Uncertainty of the Oil and Gas Reserves Risk

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

(6) Overseas Operations Risk

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

(7) Risk Relating to Climate Change

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

(8) Hidden Hazards and Force Majeure Risk

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

23. Details of Preference Shares

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

24. Other Significant Events

(1) China Strengthened Administration on the Collection of Consumption Tax on Imported Refined Oil Products

On May 12, 2021, the Ministry of Finance, the General Administration of Customs, and the State Taxation Administration issued the "Announcement on Imposing Import Consumption Taxes on Certain Refined Products" (MOF, GAC and SAT Announcement No. 19 of 2021) (《關于對部分成品油徵收進口環節消費稅的公告》(財政部 海關總署 稅務總局公告 2021 年第 19 號)), which stipulated that from June 12, 2021, for imported products that are classified under specific tariff codes and satisfy the regulations, they will be treated respectively as naphtha and fuel oil that will be levied for import consumption tax.

Such matter does not affect the continuity of the business or the stability of management of the Group and is conducive to the sustainable and healthy development of the Group and achieving sustainable and positive operating results.

(2) China Issued Import Tax Policy for Exploration, Development and Utilization of Energy Resources During the "14th Five-Year Plan" Period

On April 12, 2021, the Ministry of Finance, the General Administration of Customs, and the State Taxation Administration issued the "Notice on Import Tax Policies for the Exploration, Development and Utilization of Energy Resources during the 14th Five-Year Plan Period" (Cai Guan Shui [2021] No. 17) (《關于〝十四五〞期間能源資源勘探開發利用進口稅收政策的通知》(財關稅〔2021〕17 號)), and on April 16, 2021, the Ministry of Finance, NDRC, the Ministry of Industry and Information Technology, the General Administration of Customs, the State Taxation Administration, and the National Energy Administration issued the "Notice on the Administrative Measures for Import Tax Policies for the Exploration, Development and Utilization of Energy Resources during the 14th Five-Year Plan Period" (Cai Guan Shui [2021] No.18) (《關于〝十四五〞期間能源資源勘探開發利用進口稅收政策管理辦法的通知》(財關稅〔2021〕18 號)), which stipulated that from January 1, 2021 to December 31, 2025, for specific oil and nature gas exploitation and development projects, the offshore oil and gas pipeline emergency rescue projects and the coal-bed methane exploration and development projects, the import of equipment, instruments, spare parts and special purpose tools that meet the requirements shall be exempted from import tariffs and import value-added taxes; for the natural gas (including pipeline natural gas and LNG) imported through the construction projects of cross-border natural gas pipelines and imported LNG receiving, storage and transportation equipment that have been examined and approved by the NDRC, as well as the expansion project of imported LNG receiving, storage and transportation equipment that have been approved by the provincial government, the import value-added tax will be refunded at a certain percentage. The specific refund ratios are as follows: (1) for imported natural gas under the long-term trade gas contract signed before the end of 2014 and confirmed by NDRC, the import value-added tax will be refunded at a rate of 70%; (2) for other natural gas, if the import price is higher than the reference benchmark value, the import value-added tax will be refunded according to the inverted ratio of the import price and the reference benchmark value.

Such matter does not affect the continuity of the business or the stability of management of the Group and is conducive to the sustainable and healthy development of the Group and achieving sustainable and positive operating results.

(3) China Issued Policies on Natural Gas Pipeline Transportation Prices

On June 7, 2021, NDRC issued the "Notice on Printing and Distributing the 'Measures for the Administration of the Natural Gas Pipeline Transportation Prices (Interim)' and the 'Measures for the Supervision and Review of the Pricing Cost of Natural Gas Pipeline Transportation (Interim)'" (NDRC Price Regulations [2021] No. 818) (《關于印發〈天然氣管道運輸價格管理辦法(暫行)〉和〈天然氣管道運輸定價成本監審辦法(暫行)〉的通知》(發改價格規〔2021〕818號)), which further improved the pricing mechanism for natural gas pipeline transportation, being "permitted cost plus reasonable profit", and standardized the supervision and review of pricing cost of natural gas pipeline transportation. The new measures will be implemented on January 1, 2022 and will be valid for 8 years.

Such matter does not affect the continuity of the business or the stability of management of the Group.

(4) China Continued to Deepen the Oil and Gas Price Mechanism Reform

On May 18, 2021, NDRC issued the "Notice on the Action Plan for Deepening the Reform of the Price Mechanism during the 14th Five-Year Plan Period" (NDRC Price [2021] No. 689) (《關于〞十四五〞時期深化價格機制改革行動方案的通知》(發改價格〔2021〕689號)), which stipulated that price mechanism reform for oil and natural gas should be steadily promoted during the 14th Five-Year Plan period. In accordance with the reform direction of "controlling the middle and liberalizing the two ends", and based on independent operation of infrastructures including natural gas pipeline, diversification process of exploration and development, gas supply and sales entities, the market-oriented reform of city gate prices of natural gas shall be steadily promoted, and the linkage mechanism between end sales prices and procurement costs shall be improved; active coordination shall be carried out to promote the fairness and openness in urban gas distribution networks, reduce gas distribution levels, strictly monitor gas distribution prices, explore marketization of end-user sales prices, and research and improve the pricing mechanism of refined products in line with domestic and foreign energy market changes and the progress of domestic institutional reform.

Such matter does not affect the continuity of the business or the stability of management of the Group and is conducive to the sustainable and healthy development of the Group and achieving sustainable and positive operating results.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

On March 25, 2021, Mr. Huang Yongzhang was appointed as the President of the Company and re-designated as an executive Director, while Mr. Duan Liangwei resigned as the President of the Company and was re-designated as a non-executive Director.

On April 29, 2021, Mr. Yang Jigang was appointed as the Company's Chief Engineer (concurrently).

On May 10, 2021, due to work adjustments, Mr. Li Fanrong resigned from the position of non-executive Director and Vice Chairman of the Company, and at the same time ceased to serve as the Chairman of the Investment and Development Committee of the Board of Directors.

On May 28, 2021, Mr. Li Wendong resigned as Employee Representative Supervisor of the Company due to work arrangement.

On July 20, 2021, Mr. Sun Longde was appointed as the Company's Chief Geologist (concurrently), Mr. Zhang Minglu was appointed as the Company's Safety director, and Mr. Zhu Guowen was appointed as the Company's Vice President.

On August 26, 2021, Mr. Ren Lixin was appointed as the senior Vice President of the Company.

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

Directors

Name	Gender	Age	Position
Dai Houliang	Male	57	Chairman of the Board
Duan Liangwei	Male	53	Non-executive Director
Liu Yuezhen	Male	59	Non-executive Director
Jiao Fangzheng	Male	58	Non-executive Director
Huang Yongzhang	Male	54	Executive Director and President
Elsie Leung Oi-sie	Female	82	Independent Non-executive Director
Tokuchi Tatsuhito	Male	68	Independent Non-executive Director
Simon Henry	Male	59	Independent Non-executive Director
Cai Jinyong	Male	62	Independent Non-executive Director
Jiang, Simon X.	Male	67	Independent Non-executive Director

Supervisors

Name	Gender	Age	Position
Lv Bo	Male	58	Chairman of the Supervisory Committee
Zhang Fengshan	Male	60	Supervisor
Jiang Lifu	Male	57	Supervisor
Lu Yaozhong	Male	56	Supervisor
Wang Liang	Male	58	Supervisor
Fu Suotang	Male	59	Supervisor appointed by employees' representatives
Li Jiamin	Male	57	Supervisor appointed by employees' representatives
Liu Xianhua	Male	58	Supervisor appointed by employees' representatives

Other Senior Management

Name	Gender	Age	Position
Sun Longde	Male	59	Vice President and Chief Geologist
Li Luguang	Male	59	Vice President
Tian Jinghui	Male	58	Vice President
Chai Shouping	Male	59	Chief Financial Officer and Board Secretary
Ling Xiao	Male	57	Vice President
Yang Jigang	Male	58	Vice President and Chief Engineer
Zhang Minglu	Male	57	Safety director
Zhu Guowen	Male	54	Vice President

Note: On August 26, 2021, Mr. Ren Lixin was appointed as the senior Vice President of the Company.

3. Shareholdings of the Directors, Supervisors and Senior Management

As at June 30, 2021, no current Directors, Supervisors or other Senior Management of the Company or outgoing Directors, Supervisors or other Senior Management of the Company during the reporting period held any shares of the Company.

RELEVANT INFORMATION ON BONDS

1. Information on Corporate Bonds Issued But Not Yet Due

Items	Abbreviated Form	Code	Date of Issue	Maturity Date	Amount (RMB100 million)	Interest Rate (%)	Mode of Repayment	Stock Exchange for Listing
2012 Corporate Bonds (First Tranche) (10-year term)	12 PetroChina 02	122210.SH	November 22, 2012	November 22, 2022	20	4.90	Annual payment of interest, and one lump sum repayment of principal at maturity	Shanghai Stock Exchange
2012 Corporate Bonds (First Tranche) (15-year term)	12 PetroChina 03	122211.SH	November 22, 2012	November 22, 2027	20	5.04	Annual payment of interest, and one lump sum repayment of principal at maturity	Shanghai Stock Exchange
2013 Corporate Bonds (First Tranche) (10-year term)	13 PetroChina 02	122240.SH	March 15, 2013	March 15, 2023	40	4.88	Annual payment of interest, and one lump sum repayment of principal at maturity	Shanghai Stock Exchange
2016 Corporate Bonds (First Tranche) (10-year term)	16 PetroChina 02	136165.SH	January 19, 2016	January 19, 2026	47	3.50	Annual payment of interest, and one lump sum repayment of principal at maturity	Shanghai Stock Exchange
2016 Corporate Bonds (Second Tranche) (10-year term)	16 PetroChina 04	136254.SH	March 3, 2016	March 3, 2026	23	3.70	Annual payment of interest, and one lump sum repayment of principal at maturity	Shanghai Stock Exchange
2016 Corporate Bonds (Third Tranche) (10-year term)	16 PetroChina 06	136319.SH	March 24, 2016	March 24, 2026	20	3.60	Annual payment of interest, and one lump sum repayment of principal at maturity	Shanghai Stock Exchange
2019 First Tranche Middle-term Note (“MTN”)	19 PetroChina MTN001	101900113.IB	January 24, 2019	January 24, 2024	100	3.45	Annual payment of interest, and one lump sum repayment of principal at maturity	China Interbank Bond Market

Items	Abbreviated Form	Code	Date of Issue	Maturity Date	Amount (RMB100 million)	Interest Rate (%)	Mode of Repayment	Stock Exchange for Listing
2019 Second Tranche MTN	19 PetroChina MTN002	101900114.IB	January 24, 2019	January 24, 2024	100	3.45	Annual payment of interest, and one lump sum repayment of principal at maturity	China Interbank Bond Market
2019 Third Tranche MTN	19 PetroChina MTN003	101900222.IB	February 22, 2019	February 22, 2024	100	3.66	Annual payment of interest, and one lump sum repayment of principal at maturity	China Interbank Bond Market
2019 Fourth Tranche MTN	19 PetroChina MTN004	101900221.IB	February 22, 2019	February 22, 2024	100	3.66	Annual payment of interest, and one lump sum repayment of principal at maturity	China Interbank Bond Market
2019 Fifth Tranche MTN	19 PetroChina MTN005	101900586.IB	April 23, 2019	April 23, 2024	100	3.96	Annual payment of interest, and one lump sum repayment of principal at maturity	China Interbank Bond Market
2020 First Tranche MTN	20 PetroChina MTN001	102000621.IB	April 9, 2020	April 9, 2023	100	2.42	Annual payment of interest, and one lump sum repayment of principal at maturity	China Interbank Bond Market
2020 Second Tranche MTN	20 PetroChina MTN002	102000622.IB	April 9, 2020	April 9, 2023	100	2.42	Annual payment of interest, and one lump sum repayment of principal at maturity	China Interbank Bond Market

Remarks:

1. Trading exchanges: Shanghai Stock Exchange for 12 PetroChina 02, 12 PetroChina 03, 13 PetroChina 02, 16 PetroChina 02, 16 PetroChina 04 and 16 PetroChina 06, China Interbank Bond Market for 19 PetroChina MTN001, 19 PetroChina MTN002, 19 PetroChina MTN003, 19 PetroChina MTN004, 19 PetroChina MTN005, 20 PetroChina MTN001, 20 PetroChina MTN002.

2. Mode of repayment: annual payment of interest and one lump sum repayment of principal at maturity for 12 PetroChina 02, 12 PetroChina 03, 13 PetroChina 02, 16 PetroChina 02, 16 PetroChina 04, 16 PetroChina 06, 19 PetroChina MTN001, 19 PetroChina MTN002, 19 PetroChina MTN003, 19 PetroChina MTN004, 19 PetroChina MTN005, 20 PetroChina MTN001 and 20 PetroChina MTN002.

3. Investor suitability arrangements: public offering and trading for public investors (ordinary investors) for 12 PetroChina 02, 12 PetroChina 03 and 13 PetroChina 02, public offering and trading for qualified investors (professional investors) for 16 PetroChina 02, 16 PetroChina 04 and 16 PetroChina 06, public offering and trading for institutional investors in the China Interbank Bond Market for 19 PetroChina MTN001, 19 PetroChina MTN002, 19 PetroChina MTN003, 19 PetroChina MTN004, 19 PetroChina MTN005, 20 PetroChina MTN001, 20 PetroChina MTN002.

4. Applicable trading mechanism: applicable to trading on the bidding transactions and bulk transactions in Shanghai Stock Exchange for 12 PetroChina 02, 12 PetroChina 03, 13 PetroChina 02, 16 PetroChina 02, 16 PetroChina 04 and 16 PetroChina 06, applicable to circulation and transfer on the China Interbank Bond Market for 19 PetroChina MTN001, 19 PetroChina MTN002, 19 PetroChina MTN003, 19 PetroChina MTN004, 19 PetroChina MTN005, 20 PetroChina MTN001, 20 PetroChina MTN002.

5. Triggering and implementation of special terms: 19 PetroChina MTN001 and 19 PetroChina MTN002 are accompanied by the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year. No relevant terms were triggered during the reporting period.

6. There is no risk of termination of listing and trading in the bonds issued by the Company.

2. Use of Funds Raised By Issuing Corporate Bonds

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

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

3. Information on Follow-up Credit Rating of Bonds

During the reporting period, there was no adjustments to the credit rating results of the Company or the bonds issued by the Company made by credit rating agencies.

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

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

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

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

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

Items	As at June 30, 2021	As at December 31, 2020
Liquidity ratio	0.91	0.80
Quick ratio	0.63	0.59
Asset-liability ratio (%)	44.99	45.07
Items	**The First Half of 2021**	**The First Half of 2020**
Earnings before interest, taxes, depreciation and amortization (EBITDA) (RMB million)	205,564	110,750
Net profit after deducting non-recurring profits and losses (RMB million)	52,519	(25,142)
Net cash flow used for investing activities (RMB million)	(74,802)	(110,776)
Net cash flow (used for) / from financing activities (RMB million)	(4,554)	34,629
Balance of cash and cash equivalents at the end of the period (RMB million)	154,394	90,335
Debt-to-EBITDA ratio	0.54	0.21
Interest coverage multiple	17.01	(0.40)
Cash interest coverage multiple	17.26	10.41
EBITDA interest coverage ratio	35.96	12.26
Loan repayment ratio (%)	100	100
Interest coverage ratio (%)	100	100

Note: EBITDA increased by 85.6% over the same period last year. Net profit after deducting non-recurring profits and losses increased by 308.9% over the same period last year, mainly due to the substantial increase in sales revenue in the first half of 2021 as compared with the same period of last year; net cash flow used for investment activities decrease by RMB36 billion over the same period last year, representing a decrease of 32.5%, mainly due to the RMB33.5 billion received from disposal of subsidiaries; the net cash inflow from financing activities decreased by RMB39.2 billion over the same period last year, representing a decrease of 113.2%, mainly due to the decrease in borrowings obtained by RMB146.2 billion and decrease in loan repayments by RMB100.8 billion during the reporting period.

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED AND COMPANY BALANCE SHEETS
AS OF JUNE 30, 2021

(All amounts in RMB millions unless otherwise stated)

ASSETS	Notes	June 30, 2021 The Group	December 31,2020 The Group	June 30,2021 The Company	December 31, 2020 The Company
Current assets					
Cash at bank and on hand	7	188,033	145,950	38,118	42,787
Accounts receivable	8	73,280	52,325	8,650	8,412
Receivables financing	9	5,710	8,076	4,049	2,830
Advances to suppliers	10	25,612	21,626	13,158	8,861
Other receivables	11	25,937	26,834	6,669	14,738
Inventories	12	168,562	128,539	95,575	77,813
Assets held for sale		-	42,615	-	-
Other current assets		59,951	60,802	44,490	44,614
Total current assets		547,085	486,767	210,709	200,055
Non-current assets					
Investments in other equity instruments	13	917	910	393	427
Long-term equity investments	14	257,597	250,698	456,036	451,677
Fixed assets	15	401,735	415,988	253,807	264,241
Oil and gas properties	16	774,014	813,888	576,149	598,665
Construction in progress	17	243,241	222,215	153,100	142,470
Right-of-use assets	56	144,495	144,338	66,746	66,765
Intangible assets	18	86,087	86,101	65,621	65,841
Goodwill	19	8,274	8,125	30	30
Long-term prepaid expenses	20	10,403	11,869	7,473	8,980
Deferred tax assets	33	13,599	11,364	2,803	2,008
Other non-current assets		44,677	36,137	18,165	13,524
Total non-current assets		1,985,039	2,001,633	1,600,323	1,614,628
TOTAL ASSETS		2,532,124	2,488,400	1,811,032	1,814,683

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

Chairman	Director and President	Chief Financial Officer
Dai Houliang	Huang Yongzhang	Chai Shouping

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED AND COMPANY BALANCE SHEETS
AS OF JUNE 30, 2021 (CONTINUED)

(All amounts in RMB millions unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	June 30, 2021 The Group	December 31,2020 The Group	June 30,2021 The Company	December 31, 2020 The Company
Current liabilities					
Short-term borrowings	22	65,194	41,354	24,132	25,923
Notes payable	23	18,313	19,313	17,225	18,203
Accounts payable	24	215,517	220,318	79,780	99,276
Contracts liabilities	25	88,467	91,477	57,751	59,877
Employee compensation payable	26	12,567	8,649	10,037	6,559
Taxes payable	27	45,088	63,724	29,422	45,769
Other payables	28	90,413	56,250	94,799	74,496
Liabilities held for sale		-	9,956	-	-
Current portion of non-current liabilities	29	38,850	81,769	16,991	64,745
Other current liabilities		28,232	12,608	22,322	1,791
Total current liabilities		602,641	605,418	352,459	396,639
Non-current liabilities					
Long-term borrowings	30	176,552	160,140	88,278	68,829
Debentures payable	31	91,206	91,239	87,000	87,000
Lease liabilities	56	124,361	122,644	48,618	47,983
Provisions	32	117,627	114,819	83,931	81,941
Deferred tax liabilities	33	17,448	16,390	-	-
Other non-current liabilities		9,374	10,865	4,828	5,496
Total non-current liabilities		536,568	516,097	312,655	291,249
Total liabilities		1,139,209	1,121,515	665,114	687,888
Shareholders' equity					
Share capital	34	183,021	183,021	183,021	183,021
Capital surplus	35	127,725	127,222	127,099	127,044
Special reserve		11,939	10,810	5,700	4,708
Other comprehensive income	53	(34,490)	(32,128)	326	455
Surplus reserves	36	203,557	203,557	192,465	192,465
Undistributed profits	37	759,975	722,939	637,307	619,102
Equity attributable to equity holders of the Company		1,251,727	1,215,421	1,145,918	1,126,795
Non-controlling interests	38	141,188	151,464	-	-
Total shareholders' equity		1,392,915	1,366,885	1,145,918	1,126,795
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,532,124	2,488,400	1,811,032	1,814,683

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

Chairman	Director and President	Chief Financial Officer
Dai Houliang	Huang Yongzhang	Chai Shouping

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED AND COMPANY INCOME STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2021

(All amounts in RMB millions unless otherwise stated)

Items	Notes	For the six months ended June 30, 2021 The Group	For the six months ended June 30, 2020 The Group	For the six months ended June 30, 2021 The Company	For the six months ended June 30, 2020 The Company
Operating income	39	1,196,581	929,045	660,813	514,116
Less: Cost of sales	39	(957,640)	(770,193)	(497,579)	(427,129)
Taxes and surcharges	40	(102,084)	(98,423)	(80,428)	(76,838)
Selling expenses	41	(32,402)	(32,272)	(22,281)	(22,213)
General and administrative expenses	42	(26,422)	(25,135)	(17,176)	(16,059)
Research and development expenses	43	(8,288)	(6,775)	(7,097)	(5,636)
Finance expenses	44	(9,210)	(13,505)	(7,695)	(11,103)
Including: Interest expenses		(10,194)	(14,886)	(20,484)	(11,216)
Interest income		1,279	1,396	558	351
Add: Other income	45	2,509	4,083	1,598	3,201
Investment income	46	26,213	1,063	13,766	17,726
Including: Income from investment in associates and joint ventures		7,433	570	5,539	1,392
Credit losses	47	(268)	(351)	(28)	(139)
Asset impairment losses	48	(474)	(8,151)	(36)	(1,967)
Gains on asset disposal	49	461	861	423	856
Operating profit / (loss)		88,976	(19,753)	44,280	(25,185)
Add: Non-operating income	50(a)	907	1,460	692	1,122
Less: Non-operating expenses	50(b)	(2,868)	(230)	(2,421)	(2,796)
Profit / (loss) before taxation		87,015	(18,523)	42,551	(26,859)
Less: Taxation	51	(19,199)	(4,804)	(8,346)	6,111
Net profit / (loss)		67,816	(23,327)	34,205	(20,748)
Classified by continuity of operations:					
Net profit / (loss) from continuous operation		67,816	(23,327)	34,205	(20,748)
Net profit from discontinued operation		-	-	-	-
Classified by ownership:					
Shareholders of the Company		53,036	(29,986)	34,205	(20,748)
Non-controlling interests		14,780	6,659	-	-
Other comprehensive income, net of tax	53	(3,182)	(433)	(129)	27
Other comprehensive income (net of tax) attributable to equity holders of the Company		(2,362)	(1,314)	(129)	27
(1) Item that will not be reclassified to profit or loss:					
Changes in fair value of investments in other equity instruments		1	(66)	(26)	(48)
(2) Items that may be reclassified to profit or loss:					
Other comprehensive income recognised under equity method		(69)	75	(103)	75
Translation differences arising from translation of foreign currency financial statements		(2,294)	(1,323)	-	-
Other comprehensive income (net of tax) attributable to non-controlling interests		(820)	881	-	-
Total comprehensive income		64,634	(23,760)	34,076	(20,721)
Attributable to:					
Equity holders of the Company		50,674	(31,300)	34,076	(20,721)
Non-controlling interests		13,960	7,540	-	-
Earnings / (loss) per share					
Basic earnings / (loss) per share (RMB Yuan)	52	0.290	(0.164)	0.187	(0.113)
Diluted earnings / (loss) per share (RMB Yuan)	52	0.290	(0.164)	0.187	(0.113)

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

Chairman	Director and President	Chief Financial Officer
Dai Houliang	Huang Yongzhang	Chai Shouping

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2021

(All amounts in RMB millions unless otherwise stated)

Items	Notes	For the six months ended June 30, 2021 The Group	For the six months ended June 30, 2020 The Group	For the six months ended June 30, 2021 The Company	For the six months ended June 30, 2020 The Company
Cash flows from operating activities					
Cash received from sales of goods and rendering of services		1,392,189	1,055,994	823,680	578,461
Cash received relating to other operating activities		1,877	4,815	1,603	4,441
Sub-total of cash inflows		1,394,066	1,060,809	825,283	582,902
Cash paid for goods and services		(1,028,681)	(741,812)	(544,534)	(354,069)
Cash paid to and on behalf of employees		(63,800)	(60,409)	(45,846)	(43,123)
Payments of various taxes		(166,674)	(162,074)	(133,088)	(116,525)
Cash paid relating to other operating activities		(18,877)	(17,434)	(18,732)	(15,820)
Sub-total of cash outflows		(1,278,032)	(981,729)	(742,200)	(529,537)
Net cash flows from operating activities	55(a)	116,034	79,080	83,083	53,365
Cash flows from investing activities					
Cash received from disposal of investments		12,338	212	3,535	8,386
Cash received from returns on investments		10,007	2,333	26,790	17,953
Net cash received from disposal of fixed assets, oil and gas properties, intangible assets and other long-term assets		1,095	139	1,304	112
Net cash received from disposal of subsidiaries and other business units		33,457	-	-	-
Sub-total of cash inflows		56,897	2,684	31,629	26,451
Cash paid to acquire fixed assets, oil and gas properties, intangible assets and other long-term assets		(111,724)	(109,259)	(82,813)	(69,267)
Cash paid to acquire investments		(19,975)	(4,201)	(6,663)	(9,694)
Sub-total of cash outflows		(131,699)	(113,460)	(89,476)	(78,961)
Net cash flows used for investing activities		(74,802)	(110,776)	(57,847)	(52,510)
Cash flows from financing activities					
Cash received from capital contributions		4	143	-	-
Including: Cash received from non-controlling interests' capital contributions to subsidiaries		4	143	-	-
Cash received from borrowings		430,002	576,238	109,015	207,015
Sub-total of cash inflows		430,006	576,381	109,015	207,015
Cash repayments of borrowings		(415,060)	(515,816)	(121,826)	(179,095)
Cash payments for interest expenses and distribution of dividends or profits		(13,530)	(18,964)	(14,237)	(9,986)
Including: Subsidiaries' cash payments for distribution of dividends or profits to non-controlling interests		(3,778)	(7,768)	-	-
Cash payments relating to other financing activities		(5,970)	(6,972)	(2,857)	(4,289)
Sub-total of cash outflows		(434,560)	(541,752)	(138,920)	(193,370)
Net cash flows (used for) / from financing activities		(4,554)	34,629	(29,905)	13,645
Effect of foreign exchange rate changes on cash and cash equivalents		(915)	993	-	-
Net increase / (decrease) in cash and cash equivalents	55(b)	35,763	3,926	(4,669)	14,500
Add: Cash and cash equivalents at the beginning of the period		118,631	86,409	40,787	4,636
Cash and cash equivalents at the end of the period	55(c)	154,394	90,335	36,118	19,136

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

Chairman	Director and President	Chief Financial Officer
Dai Houliang	Huang Yongzhang	Chai Shouping

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2021

(All amounts in RMB millions unless otherwise stated)

	Shareholders' equity attributable to the Company								
Items	Share capital	Capital surplus	Special reserve	Other comprehensive income	Surplus reserves	Undistributed profits	Sub-total	Non-controlling interests	Total shareholders' equity
Balance at January 1, 2020	183,021	127,314	12,443	(27,756)	197,282	738,124	1,230,428	214,150	1,444,578
Changes in the six months ended June 30, 2020									
Total comprehensive income	-	-	-	(1,314)	-	(29,986)	(31,300)	7,540	(23,760)
Special reserve-safety fund reserve									
Appropriation	-	-	2,938	-	-	-	2,938	189	3,127
Utilisation	-	-	(1,012)	-	-	-	(1,012)	(48)	(1,060)
Profit distribution									
Distribution to shareholders	-	-	-	-	-	(12,081)	(12,081)	(10,481)	(22,562)
Other equity movement									
Equity transaction with non-controlling interests	-	-	-	-	-	-	-	(2)	(2)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	143	143
Disposal of subsidiaries	-	1	-	-	-	-	1	(62)	(61)
Other	-	50	-	-	-	(8)	42	220	262
Balance at June 30, 2020	183,021	127,365	14,369	(29,070)	197,282	696,049	1,189,016	211,649	1,400,665
Balance at January 1, 2021	183,021	127,222	10,810	(32,128)	203,557	722,939	1,215,421	151,464	1,366,885
Changes in the six months ended June 30, 2021									
Total comprehensive income	-	-	-	(2,362)	-	53,036	50,674	13,960	64,634
Special reserve-safety fund reserve									
Appropriation	-	-	2,252	-	-	-	2,252	127	2,379
Utilisation	-	-	(1,123)	-	-	-	(1,123)	(60)	(1,183)
Profit distribution									
Distribution to shareholders	-	-	-	-	-	(16,000)	(16,000)	(13,315)	(29,315)
Other equity movement									
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	901	901
Disposal of subsidiaries	-	-	-	-	-	-	-	(12,270)	(12,270)
Other	-	503	-	-	-	-	503	381	884
Balance at June 30, 2021	183,021	127,725	11,939	(34,490)	203,557	759,975	1,251,727	141,188	1,392,915

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

Chairman	Director and President	Chief Financial Officer
Dai Houliang	Huang Yongzhang	Chai Shouping

PETROCHINA COMPANY LIMITED
UNAUDITED COMPANY STATEMENT OF CHANGES IN SHAREHOLDRS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2021

(All amounts in RMB millions unless otherwise stated)

Items	Share capital	Capital surplus	Special reserve	Other comprehensive income	Surplus reserves	Undistributed profits	Total share-holders' equity
Balance at January 1, 2020	183,021	127,845	6,513	979	186,190	590,727	1,095,275
Changes in the six months ended June 30, 2020							
Total comprehensive income	-	-	-	27	-	(20,748)	(20,721)
Special reserve-safety fund reserve							
Appropriation	-	-	2,009	-	-	-	2,009
Utilisation	-	-	(615)	-	-	-	(615)
Profit distribution							
Distribution to shareholders	-	-	-	-	-	(12,081)	(12,081)
Other equity movement	-	-	-	-	-	(1)	(1)
Balance at June 30, 2020	183,021	127,845	7,907	1,006	186,190	557,897	1,063,866
Balance at January 1, 2021	183,021	127,044	4,708	455	192,465	619,102	1,126,795
Changes in the six months ended June 30, 2021							
Total comprehensive income	-	-	-	(129)	-	34,205	34,076
Special reserve-safety fund reserve							
Appropriation	-	-	1,661	-	-	-	1,661
Utilisation	-	-	(669)	-	-	-	(669)
Profit distribution							
Distribution to shareholders	-	-	-	-	-	(16,000)	(16,000)
Other equity movement	-	55	-	-	-	-	55
Balance at June 30, 2021	183,021	127,099	5,700	326	192,465	637,307	1,145,918

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

Chairman	Director and President	Chief Financial Officer
Dai Houliang	Huang Yongzhang	Chai Shouping

1 COMPANY BACKGROUND

PetroChina Company Limited (the "Company") was established as a joint stock company with limited liability on November 5, 1999 by 中國石油天然氣集團公司 (China National Petroleum Corporation ("CNPC")) as the sole proprietor in accordance with the approval Guo Jing Mao Qi Gai [1999] No. 1024 "Reply on the approval of the establishment of PetroChina Company Limited" from the former State Economic and Trade Commission of the People's Republic of China ("China" or "PRC"). CNPC restructured ("the Restructuring") and injected its core business and the related assets and liabilities into the Company. 中國石油天然氣集團公司 was renamed 中國石油天然氣集團有限公司 ("CNPC" before and after the change of name) on December 19, 2017. CNPC is a wholly state-owned company registered in China. The Company and its subsidiaries are collectively referred to as the "Group".

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

2 BASIS OF PREPARATION

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

3 STATEMENT OF COMPLIANCE WITH THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The consolidated and the Company's financial statements for the six months ended June 30, 2021 truly and completely present the financial position of the Group and the Company as of June 30, 2021 and their financial performance and their cash flows for the six months then ended in compliance with the Accounting Standards for Business Enterprises.

These financial statements also comply with the disclosure requirements of the financial statements and notes of "Regulation on the Preparation of Information Disclosures by Companies Issuing Securities, No.15: General Requirements for Financial Reports" as revised by the China Securities Regulatory Commission ("CSRC") in 2014.

4 PRINCIPAL ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Accounting Period

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

(2) Operating Cycle

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

(3) Recording Currency

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

(4) Measurement Properties

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

(5) Foreign Currency Translation

(a) Foreign currency transactions

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

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

(b) Translation of financial statements represented in foreign currency

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

(6) Cash and Cash Equivalents

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

(7) Financial Instrument

Financial instruments include cash at bank and on hand, equity securities other than those classified as long-term equity investments, accounts receivables, accounts payables, borrowings and debentures payable, etc.

(a) Recognition and initial measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

A financial asset (unless it is an accounts receivable without a significant financing component) and financial liability is measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs. A trade receivable, without significant financing component or practical expedient applied for one year or less contracts is initially measured at the transaction price according to Note 4(22).

(b) Classification and subsequent measurement of financial assets

(i) Classification of the financial assets held by the Group

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income (“FVOCI”), or at fair value through profit or loss (“FVTPL”).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to collect contractual cash flows;
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to designate it as a financial assets at FVOCI. This election is made on an investment-by-investment basis, and from the perspective of the issuer, related investment is in line with the definition of equity instruments.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

The business model in which a financial asset is managed refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets, or both. The Group determines the business model for managing financial assets according to the facts and based on the specific business objectives for the managing the financial assets determined by the Group's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding, the Group considers the contractual cash flow characteristics of the instrument. For the purposes of this assessment, "principal" is defined as the fair value of the financial assets at initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

(ii) Subsequent measurement of the financial assets

- Financial assets at FVTPL:

These financial assets are subsequently measured at fair value. Gains and losses, including any interest or dividend income, are recognised in profit or loss, unless the financial assets are a part of hedging relationship.

- Financial assets measured at amortised cost:

These assets are subsequently measured at amortised cost using the effective interest method. Gains or losses on financial assets that are measured at amortised cost and are not a part of any hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, reclassified, through the amortisation process or in order to recognise impairment gains or losses.

- Debt investments at FVOCI:

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

- Equity investments at FVOCI:

These assets are subsequently measured at fair value. Dividends are recognised in profit or loss. Other gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

(c) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL or amortised cost.

- Financial liabilities at FVTPL:

A financial liability is classified as at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

Financial liabilities at FVTPL are subsequently measured at fair value and gains and losses, including any interest expense, are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

- Financial liabilities at amortised cost:

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

(d) Offsetting

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- the Group currently has a legally enforceable right to set off the recognised amounts;
- the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(e) Derecognition of financial assets and financial liabilities

Financial asset is derecognised when one of the following conditions is met:

- the Group's contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or
- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred measured at the date of derecognition;
- the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

(f) Impairment

The Group recognises loss allowances for expected credit loss ("ECL") on financial assets measured at amortised cost, contract assets and debt investments measured at FVOCI.

Financial assets measured at fair value, including debt investments or equity investments at FVTPL, equity investments designated at FVOCI and derivative financial assets, are not subject to the ECL assessment.

(i) Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the balance sheet date.

Except for trade receivables and contract assets, the Group measures loss allowance at an amount equal to 12-month ECL for the following financial instruments that have low credit risk for which credit risk has not increased significantly since initial recognition, and at an amount equal to lifetime ECL for trade receivables and contract assets.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including forward-looking information.

(ii) Financial instruments that have low credit risk

The credit risk on a financial instrument is considered low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

(iii) Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition.

(iv) Credit-impaired financial assets

At each balance sheet date, the Group assesses whether financial assets carried at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- for economic or contractual reasons relating to the borrower's financial difficulty, the Group having granted to the borrower a concession that would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(v) Presentation of allowance for ECL

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt investments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income.

(vi) Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, according to the Group's procedures for recovery of amounts due, financial assets that are written off could still be subject to enforcement activities.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(g) Determination of financial instruments' fair value

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

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

(8) Inventories

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

Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditure incurred in bringing the inventories to their present location and condition. In addition to the purchase cost of raw materials, work in progress and finished goods include direct labour costs and an appropriate allocation of production overheads.

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

Provision for decline in the value of inventories is measured as the excess of the carrying value of the inventories over their net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. The net realisable value of materials held for use in the production is measured based on the net realisable value of the finished goods in which they will be incorporated. The net realisable value of the inventory held to satisfy sales or service contracts is measured based on the contract price, to the extent of the quantities specified in sales contracts, and the excess portion of inventories is measured based on general selling prices.

The Group adopts perpetual inventory system.

(9) Long-term Equity Investments and Joint Operations

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

Long-term equity investments acquired through business combinations: For a long-term equity investment acquired through a business combination under common control, the proportionate share of the carrying value of shareholders' equity of the combined entity in the consolidated financial statements of the ultimate controlling party shall be treated as initial cost of the investment on the acquisition date. For a long-term equity investment obtained through a business combination not involving entities under common control, the initial cost comprises the aggregate of the fair value of assets transferred, liabilities incurred or assumed, and equity securities issued by the Company, in exchange for control of the acquiree.

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

(a) Subsidiaries

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

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

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

(b) Joint ventures and associates

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

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

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

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

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

(c) Impairment of long-term equity investments

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

(d) Joint Operations

A joint operation is an arrangement whereby the Group and other joint operators have joint control and the Group has rights to the assets and obligation for the liabilities, relating to the arrangement.

(All amounts in RMB millions unless otherwise stated)

The Group recognises items related to its interest in a joint operation as follows:

- its solely-held assets, and its share of any assets held jointly;
- its solely-assumed liabilities, and its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation;
- its solely-incurred expenses, and its share of any expenses incurred jointly.

(10) Fixed Assets

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

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

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

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

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

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

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

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

(11) Oil and Gas Properties

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

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

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

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

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

(12) Construction in Progress

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

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

(13) Intangible Assets and Goodwill

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

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

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

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

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

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

(14) Research and Development

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

- In respect of the technology, it is feasible to finish the intangible asset for use or sale;
- It is intended by management to finish and use or sell the intangible asset;
- It is able to prove that the intangible asset is to generate economic benefits;
- With the support of sufficient technologies, financial resources and other resources, it is able to finish the development of the intangible asset, and it is able to use or sell the intangible asset; and
- The costs attributable to the development of the intangible asset can be reliably measured.

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

(15) Long-term Prepaid Expenses

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

(16) Impairment of Non-current Assets

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

The goodwill, presented separately in financial statements, is allocated to each asset group or set of asset groups, which is expected to benefit from the synergies of the combination for the purpose of impairment testing, and should be subject to impairment assessment at least on an annual basis regardless whether there exists any indicators of impairment. Where the impairment assessment indicates that, for the cash-generating unit (that includes the allocated goodwill), the recoverable amount is lower than the carrying value, then an impairment loss will be recorded.

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

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

(17) Borrowing Costs

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

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

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

(18) Employee Compensation

(a) Short-term benefits

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

(b) Post-employment benefits-Defined Contribution Plans

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

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

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

(19) Government grants

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

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

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

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

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

(20) Provisions

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

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

Asset retirement obligations which meet the criteria of provisions are recognised as provisions and the amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements, while a corresponding addition to the related oil and gas properties of an amount equivalent to the provision is also created. This is subsequently depleted as part of the costs of the oil and gas properties. Interest expenses from the assets retirement obligations for each period are recognised with the effective interest method during the useful life of the related oil and gas properties. Due to technological progress, legal requirements or changes in the market environment, changes in the provisions caused by changes in the amount of expenditure, estimated time of retirement obligations, discount rate, etc., may occur in fulfilling the retirement obligation. For an increase in provisions, the cost of oil and gas properties will be increased accordingly; for a decrease in provisions, the cost of oil and gas properties will be deducted within the limit of the carrying amount of assets related to decommissioning expenses. If a decrease in the provision exceeds the carrying amount of the oil and gas properties recognised corresponding to the provision, the excess shall be recognised immediately in profit or loss.

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

(21) Income tax

Current and deferred taxes are recognised in profit or loss, except for income tax arising from business combination or transactions or events which are directly included in owners' equity (including other comprehensive income).

Current tax is the expected tax payable on the taxable income for the year, using tax rates stipulated by the tax law, and any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets are offset against current tax liabilities if the Group has a legal right to settle on a net basis and intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

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

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

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

- Deferred tax assets and liabilities are related to the income tax of the same entity within the Group levied by the same authority;
- This entity is legally allowed to settle its current tax assets and liabilities on a net basis.

(22) Revenue Recognition

Revenue is the gross inflow of economic benefits arising in the course of the Group's ordinary activities when the inflows result in increase in shareholders' equity, other than increase relating to contributions from shareholders.

Revenue is recognised when the Group satisfies the performance obligation in the contract by transferring the control over relevant goods or services to the customers.

Where a contract has two or more performance obligations, the Group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. The Group recognises as revenue the amount of the transaction price that is allocated to each performance obligation. The stand-alone selling price is the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group considers all information that is reasonably available to the entity, maximises the use of observable inputs to estimate the stand-alone selling price.

For the contract which the Group grants a customer the option to acquire additional goods or services (such as loyalty points), the Group assesses whether the option provides a material right to the customer. If the option provides a material right, the Group recognises the option as a performance obligation, and recognises revenue when those future goods or services are transferred or when the option expires. If the stand-alone selling price for a customer's option to acquire additional goods or services is not directly observable, the Group estimates it, taking into account all relevant information, including the difference in the discount that the customer would receive when exercising the option or without exercising the option, and the likelihood that the option will be exercised.

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. To determine the transaction price for contracts in which a customer promises consideration in a form other than cash, the Group measures the non-cash consideration at fair value. If the Group cannot reasonably estimate the fair value of the non-cash consideration, the Group measures the consideration indirectly by reference to the stand-alone selling price of the goods or services promised to the customer in exchange for the consideration. The consideration which the Group expects to refund to the customer is recognised as refund liabilities and excluded from transaction price. Where the contract contains a significant financing component, the Group recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the amount of promised consideration and the cash selling price is amortised using an effective interest method over the contract term. The Group does not adjust the consideration for any effects of a significant financing component if it expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

The Group satisfies a performance obligation over time if one of the following criteria is met; or otherwise, a performance obligation is satisfied at a point in time:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- The customer can control the asset created or enhanced during the Group's performance;

- The Group's performance does not create an asset with an alternative use to it and the Group has an enforceable right to payment for performance completed to date.

For performance obligation satisfied over time, the Group recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation. When the outcome of that performance obligation cannot be measured reasonably, but the Group expects to recover the costs incurred in satisfying the performance obligation, the Group recognises revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

For performance obligation satisfied at a point in time, the Group recognises revenue at the point in time at which the customer obtains control of relevant goods or services. To determine whether a customer has obtained control of goods or services, the Group considers the following indicators:

- The Group has a present right to payment for the product or service;
- The Group has transferred physical possession of the goods to the customer;
- The Group has transferred the legal title of the goods or the significant risks and rewards of ownership of the goods to the customer; and
- The customer has accepted the goods or services.

The Group determines whether it is a principal or an agent, depending on whether it obtains control of the specified good or service before that good or service is transferred to a customer. The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer, and recognises revenue in the gross amount of consideration to which it has received (or receivable). Otherwise, the Group is an agent, and recognises revenue in the amount of any fee or commission to which it expects to be entitled. The fee or commission is the net amount of consideration that the Group retains after paying the other party the consideration, or is the established amount or proportion.

A contract asset is the Group's right to consideration in exchange for goods or services that it has transferred to a customer when that right is conditional on something other than the passage of time. The Group recognises loss allowances for expected credit loss on contract assets (Note 4(7)(f)). Accounts receivable is the Group's right to consideration that is unconditional (only the passage of time is required). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The following is the description of accounting policies regarding revenue from the Group's principal activities:

(a) Sales of goods

The Group shall recognise revenue when (or as) the customer obtains control of relevant product. Obtaining control of relevant product means that a customer can dominate the use of the product and obtain almost all the economic benefits from it.

(b) Rendering of services

The Group recognises its revenue from rendering of services on performance progress. Customers simultaneously receive the service as the Group performs its obligation over time and consume the benefits arising from the Group's performance. Otherwise, a performance obligation is satisfied at a point in time, the Group shall recognise revenue when (or as) the customer obtains control of revenue service.

(c) Loyalty points

Under its customer loyalty programme, the Group allocates a portion of the transaction price received to loyalty points that are redeemable against any future purchases of the Group's goods or services. This allocation is based on the relative stand-alone selling prices. The amount allocated to the loyalty programme is deferred, and is recognised as revenue when loyalty points are redeemed or expire.

(23) Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer.

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The Group recognises as an asset the incremental costs of obtaining a contract with a customer if it expects to recover those costs, unless the expected amortisation period is one year or less from the date of initial recognition of the asset, in which case the costs are expensed when incurred. Other costs of obtaining a contract are expensed when incurred.

If the costs to fulfil a contract with a customer are not within the scope of inventories or other accounting standards, the Group recognises an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- The costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract;

- The costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

- The costs are expected to be recovered.

Assets recognised for the incremental costs of obtaining a contract and assets recognised for the costs to fulfil a contract (the “assets related to contract costs”) are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate and recognised in profit or loss for the current period. The Group recognises the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

The Group recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds:

- Remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates; less

- The costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

(24) Leases

A contract is lease if the lessor conveys the right to control the use of an identified asset to lessee for a period of time in exchange for consideration.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset. An identified asset may be specified explicitly or implicitly specified in a contract and should be physically distinct, or capacity portion or other portion of an asset that is not physically distinct but it represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the economic benefits from the use of the asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;

- the lessee has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;

- the lessee has the right to direct the use of the asset.

For a contract that contains more separate lease components, the lessee and the lessor separate lease components and account for each lease component as a lease separately. For a contract that contains lease and non-lease components, the lessee and the lessor separate lease components from non-lease components. For a contract that contains lease and non-lease components, the lessee allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The lessor allocates the consideration in the contract in accordance with the accounting policy in Note 4(22).

(a) The Group as a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is depreciated using the straight-line method. If the lessee is reasonably certain to exercise a purchase option by the end of the lease term, the right-of-use asset is depreciated over the remaining useful lives of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Impairment losses of right-of-use assets are accounted for in accordance with the accounting policy described in Note 4(16).

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

A constant periodic rate is used to calculate the interest on the lease liability in each period during the lease term with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liability is charged to profit or loss or included in the cost of assets where appropriate as incurred.

Under the following circumstances after the commencement date, the Group remeasures lease liabilities based on the present value of revised lease payments:

- There is a change in the amounts expected to be payable under a residual value guarantee;
- There is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;
- There is a change in the assessment of whether the Group will exercise a purchase, extension or termination option, or there is a change in the exercise of the extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases in profit or loss or as the cost of the assets where appropriate using the straight-line method over the lease term.

(b) The Group as a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease. There are no significant finance leases for the Group.

Lease receipts from operating leases is recognised as income using the straight-line method over the lease term. The initial direct costs incurred in respect of the operating lease are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Variable lease payments not included in lease receipts are recognised as income as they are earned.

(25) Assets Held for Sale and Discontinued Operations

(a) Assets held for sale

When the Group recovers the book value of a non-current asset or disposal group mainly through the sale rather than through continuing use, non-current assets or disposal groups are classified as held for sale.

Disposal groups refer to a group of assets that are disposed of by sale or other means as a whole in a transaction, as well as the liabilities directly related to such assets transferred in the transaction.

The Group classifies non-current assets or disposal groups meeting the following conditions into held for sale simultaneously:

- According to the practice of sale such assets or disposal groups in similar transactions, the non-current assets or disposal groups can be disposed immediately under current conditions;
- It is highly probable that the sale happens, that is, the Group has made a decision on a sale plan and has signed a legally binding purchase agreement with other parties, and it is expected that the sale will be completed within one year.

The non-current assets held for sale (excluding financial assets, deferred income tax assets) or the disposal groups are generally measured at the lower of their carrying amount and fair value less costs to sell in initial and subsequent measurement, and the difference between the carrying amount and fair value less costs to sell is recognised as asset impairment loss in profit and loss.

(b) Discontinued operations

The Group classifies a separate component as a discontinued operation either upon disposal of the operation or when the operation meets the criteria to be classified as held for sale if it is separately identifiable and satisfies one of the following conditions:

- It represents a separate major line of business or a separate geographical area of operations;
- It is part of a single co-ordinated plan to dispose of a separate major line of business or a separate geographical area of operations;
- It is a subsidiary acquired exclusively with a view to resale.

Where an operation is classified as discontinued in the current period, profit or loss from continuing operations and profit or loss from discontinued operations are separately presented in the income statement for the current period. Profit or loss from continuing operation in the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative year.

(26) Dividend Distribution

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

(27) Business Combination

Accounting treatments for business combinations involving entities under common control and not under common control

A transaction constitutes a business combination when the Group obtains control of one or more entities (or a group of assets or net assets). Business combination is classified as either business combinations involving enterprises under common control or business combinations not involving enterprises under common control.

For a transaction not involving enterprises under common control, the acquirer determines whether acquired set of assets constitute a business. The Group may elect to apply the simplified assessment method, the concentration test, to determine whether an acquired set of assets is not a business. If the concentration test is met and the set of assets is determined not to be a business, no further assessment is needed. If the concentration test is not met, the Group shall perform the assessment according to the guidance on the determination of a business.

When the set of assets the Group acquired does not constitute a business, acquisition costs should be allocated to each identifiable assets and liabilities at their acquisition-date fair values. It is not required to apply the accounting of business combination described as below.

(a) Business combination under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The net assets obtained by the acquirer are measured based on their carrying value in the consolidated financial statement of the ultimate controlling party at the combination date. The difference between the carrying value of the net assets obtained and the carrying value of the consideration is adjusted against the capital surplus. If the capital surplus is not sufficient to be offset, the remaining balance is adjusted against retained earnings.

Costs incurred directly attributable to the business combination are recorded in profit or loss when incurred. The transaction costs of the equity securities or debt securities issued which are attributable to the business combination are recorded in the initial recognition costs when acquired. The combination date is the date on which one combining entity obtains control of other combining entities.

(b) Business combination not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. The acquisition costs paid and the acquiree's identifiable asset, liabilities and contingent liabilities, if the recognition criteria are met, are measured at their fair value at the acquisition date. Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised directly in profit or loss.

Costs which are directly attributable to the business combination are recorded in profit or loss when incurred. The transaction costs of the equity securities or debt securities issued which are attributable to the business combination are recorded in the initial recognition costs when acquired. The acquisition date is the date on which the acquirer obtains control of the acquiree.

(28) Basis of Preparation of Consolidated Financial Statements

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Where a subsidiary was acquired, through a business combination involving entities under common control, the financial statements of the subsidiary are included in the consolidated financial statements based on the carrying amounts of the assets and liabilities of the subsidiary in the financial statements of the ultimate controlling party as if the combination had occurred at the date that the ultimate controlling party first obtained control. The opening balances and the comparative figures of the consolidated financial statements are also restated. And their net profit earned before the combination date shall be presented separately in the consolidated income statement.

When the accounting policies and accounting periods of subsidiaries are not consistent with those of the Company, the Company will make necessary adjustments to the financial statements of the subsidiaries in accordance with the Company's accounting policies and accounting periods. Where a subsidiary was acquired during the reporting period, through a business combination involving entities not under common control, the identifiable assets and liabilities of the acquired subsidiaries are included in the scope of consolidation from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

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

(29) Segment Reporting

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

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

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

(30) Related Party

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties.

In addition to the related parties stated above, the Company determines related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC.

(31) Critical Accounting Estimates and Judgements

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

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting periods are outlined below:

(a) Estimation of oil and natural gas reserves

Estimates of oil and natural gas reserves are key elements in the Group's investment decision-making process. They are also an important element in testing for impairment related to oil and gas production activities. Changes in proved oil and natural gas reserves, particularly proved developed reserves, will affect unit-of-production depreciation, depletion and amortisation recorded in the income statements for property, plant and equipment related to oil and gas production activities. A reduction in proved developed reserves will increase depreciation, depletion and amortisation charges. Proved reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms, evolution of technology or development plans, etc.

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

Fixed assets and oil and gas properties are reviewed for possible impairments when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination as to whether and how much an asset is impaired involves management estimates and judgements such as future price of crude oil and natural gas, refined and chemical products, the production costs, the product mix, production volumes, production profile and the oil and gas reserves. However, the impairment reviews and calculations are based on assumptions that are consistent with the Group's business plans taking into account current economic conditions. Favourable changes to some assumptions, may allow the Group to avoid the need to impair any assets, whereas unfavourable changes may cause the assets to become impaired. For example, when the assumed future price and production profile of crude oil used for the expected future cash flows are different from the actual price and production profile of crude oil respectively experienced in the future, the Group may either over or under recognise the impairment losses for certain assets.

(c) Estimation of impairment of goodwill

The recoverable amount of a cash-generating unit containing goodwill is the greater of its value in use and the net selling price which is the fair value less disposal expenses. It is difficult to precisely estimate selling price of the Group's long-lived assets because quoted market prices for such assets may not be readily available. In determining the value in use, expected future cash flows generated by the assets are discounted to their present value, which requires significant judgement relating to forecast sales volume, selling price and operating costs, and discount rate. Management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions. Changes to key assumptions can significantly affect the result of the impairment assessment of goodwill.

(d) Estimation of asset retirement obligations

Provision is recognised for the future decommissioning and restoration of oil and gas properties. The amounts of the provision recognised are the present values of the estimated future expenditures. The estimation of the future expenditures is based on current local conditions and requirements, including legal requirements, technology, price level, etc. In addition to these factors, the present values of these estimated future expenditures are also impacted by the management plan for the decommissioning of oil and gas properties, the estimation of the economic lives of oil and gas properties and estimates of discount rates. Changes in any of these estimates will impact the operating results and the financial position of the Group over the remaining economic lives of the oil and gas properties.

(All amounts in RMB millions unless otherwise stated)

According to changes in the internal and external environment, accounting standards and company asset retirement expense measures and other relevant regulations, oil and gas field companies recalculate their asset retirement obligations of oil and gas properties based on the latest parameters to more objectively reflect the actual situation of the Company's asset retirement obligation of oil and gas properties.

(e) Deferred tax assets

According to the requirements of the competent tax authority, the Company paid income taxes of its branches in the Eastern and Western China Regions in aggregate. The tax losses recorded by the branches in the Eastern China Region has given rise to deferred tax assets, which are expected to be recoverable from future taxable profits generated by the branches in the Eastern China Region. Any policy adjustments may increase or decrease the amount of income tax expenses of the Company.

5 TAXATION

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

Types of taxes	Tax rate	Tax basis and method
Value-Added Tax (the "VAT")	13%, 9%, 6%	Based on taxable value added amount. Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less current period's deductible VAT input.
Resource Tax	6%	Based on the revenue from sales of crude oil and natural gas.
Consumption Tax	Based on quantities	Based on sales quantities of taxable products. RMB 1.52 yuan per litre for unleaded gasoline, naphtha, solvent oil and lubricant. RMB 1.2 yuan per litre for diesel and fuel oil.
Corporate Income Tax	5% to 82%	Based on taxable income.
Crude Oil Special Gain Levy	20% to 40%	Based on the sales of domestic crude oil at prices higher than a specific level.
City Maintenance and Construction Tax	1%, 5% or 7%	Based on the actual paid VAT and consumption tax.

According to "Notice Concerning Import Tax Policies Related to Exploration, Development and Utilization of Energy Resources During the 14th Five-Year Plan Period"(Caishui [2021] No.17) jointly issued by Ministry of Finance, State Taxation Administration and General Administration of Customs, for the period from January 1, 2021 to December 31, 2025, the import value-added tax (VAT) of the import link shall be returned in proportion to the projects of cross-border natural gas pipelines and imported liquefied natural gas (LNG) receiving storage and transportation units approved by National Development and Reform Commission. This also includes natural gas imported from the expansion project of the import LNG receiving storage and transportation plant approved by the provincial governments. The import duties of equipment, instruments, zero accessories and special tools shall be exempted to the self-employed projects carrying out oil (natural gas) exploration and development operations in particular areas within the territory of China. The import duties and import value-added tax (VAT) of equipment, instruments, zero accessories and special tools shall be exempted to the Sino-foreign cooperation project carrying out oil (natural gas) exploration and development operations within the winning block of onshore oil (natural gas) approved by the State, projects carrying out oil (natural gas) exploration and development operations in China's oceans, emergency rescue projects for offshore oil and gas pipelines, and projects carrying out coal seam gas exploration and development operations in China.

Ministry of Finance and State Taxation Administration jointly issued the "Notice on Reduction of Resource Tax Assessed on Shale Gas" (Cai Shui [2018] No.26) on March 29, 2018. Pursuant to such notice, in order to promote the development and utilization of shale gas and effectively increase natural gas supply, from April 1, 2018 to March 31, 2021, a reduction of 30% will apply to the resource tax assessed on shale gas (at the prescribed tax rate of 6%). On March 15, 2021, Ministry of Finance and State Taxation Administration jointly issued "Notice on Extending the Implementation Period of Some Preferential Tax Policies" (Caishui [2021] No.6) to announce the implementation period of that preferential tax policies would be extended to December 31, 2023.

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

In accordance with the Circular jointly issued by Ministry of Finance, the General Administration of Customs of the PRC and State Taxation Administration on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategy (Cai Shui [2011] No.58), the corporate income tax for the enterprises engaging in the encouraged industries in the Western China Region is charged at a preferential corporate income tax rate of 15% from January 1, 2011 to December 31, 2020. Certain branches and subsidiaries of the Company in the Western China Region obtained the approval for the use of the preferential corporate income tax rate of 15%. Ministry of Finance, State Taxation Administration and the NDRC issued the Announcement on Continuing the Income Tax Policy for Western Development (Notice No.23 of 2020 of Cai Zheng Bu), the corporate income tax for the enterprises engaging in the encouraged industries in the Western China Region is charged at a preferential corporate income tax rate of 15% from January 1, 2021 to December 31, 2030.

According to "Notice Concerning Levy of Import Consumption Tax on Certain Refined Oil Products"(Notice 2021 No.19 issued by Ministry of Finance, General Administration of Customs and State Taxation Administration), which takes effect on 12 June 2021, for imported goods under HS code 27075000 and whose aromatic hydrocarbon mixtures lower than 95% by volume distils below 200 degrees Celsius, the import consumption tax shall be levied at the unit tax rate of 1.52 RMB/liter for naphtha; Import consumption tax on naphtha shall be levied at the unit tax rate of 1.52 yuan/liter for imported products classified into HS code 27079990 and 27101299. For the imported products which are classified into HS code 27150000 and the mineral oil distilled below 440 degrees Celsius is more than 5% by volume, it shall be regarded as fuel oil, and the import consumption tax shall be levied at the unit tax of 1.2 yuan/liter.

(All amounts in RMB millions unless otherwise stated)

6 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

(1) Principal subsidiaries

Company name	Acquisition method	Country of incorpo-ration	Registered capital	Principal activities	Type of legal entity	Legal repre-sentative	Closing effective invest-ment cost	Attribu-table equity interest %	Attribu-table voting rights %	Consoli-dated or not
Daqing Oilfield Company Limited	Established	PRC	47,500	Exploration, production and sale of crude oil and natural gas	Limited liability company	Sun Longde	66,720	100.00	100.00	Yes
CNPC Exploration and Development Company Limited (i)	Business combination under common control	PRC	16,100	Exploration, production and sale of crude oil and natural gas outside the PRC	Limited liability company	Ye Xiandeng	23,778	50.00	57.14	Yes
PetroChina Hong Kong Limited	Established	HK	HK Dollar ("HKD") 7,592 million	Investment holding. The principal activities of its subsidiaries, associates and joint ventures are the exploration, production and sale of crude oil in and outside the PRC as well as natural gas sale and transmission in the PRC	Limited liability company	N/A	25,590	100.00	100.00	Yes
PetroChina International Investment Company Limited	Established	PRC	31,314	Investment holding. The principal activities of its subsidiaries, associates and joint ventures are the exploration, development and production of crude oil, natural gas, oilsands and coalbed methane outside the PRC	Limited liability company	Ye Xiandeng	31,314	100.00	100.00	Yes
PetroChina International Company Limited	Established	PRC	18,096	Marketing of refined products and trading of crude oil and petrochemical products, storage, investment in refining, chemical engineering, storage facilities, service station, and transportation facilities and related business in and outside the PRC	Limited liability company	Tian Jinghui	18,953	100.00	100.00	Yes
PetroChina Sichuan Petrochemical Company Limited	Established	PRC	10,000	Engaged in oil refining, petrochemical, chemical products production, sales, chemical technology development, technical transfer and services	Limited liability company	Wang Bin	21,600	90.00	90.00	Yes

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

(All amounts in RMB millions unless otherwise stated)

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

	Assets and liabilities	
Company name	June 30, 2021	December 31, 2020
PetroKazakhstan Inc.	USD 1=6.4601 yuan	USD 1=6.5249 yuan
PetroChina Hong Kong Limited	HKD 1=0.8321 yuan	HKD 1=0.8416 yuan
Singapore Petroleum Company Limited	USD 1=6.4601 yuan	USD 1=6.5249 yuan

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

7 CASH AT BANK AND ON HAND

	June 30, 2021	December 31, 2020
Cash on hand	27	28
Cash at bank	186,553	145,208
Other cash balances	1,453	714
	188,033	145,950

The Group's cash at bank and on hand included the following foreign currencies as of June 30, 2021:

	Foreign currency	Exchange rate	RMB equivalent
USD	11,315	6.4601	73,096
HKD	11,648	0.8321	9,692
Tenge	47,539	0.0151	718
Other			4,896
			88,402

The Group's cash at bank and on hand included the following foreign currencies as of December 31, 2020:

	Foreign currency	Exchange rate	RMB equivalent
USD	10,017	6.5249	65,360
HKD	9,103	0.8416	7,661
Tenge	10,789	0.0154	166
Other			2,511
			75,698

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

(All amounts in RMB millions unless otherwise stated)

The Group's cash at bank and on hand included margin account deposits with carrying amount of RMB 2,586 as impawn USD borrowings as of June 30, 2021 (December 31, 2020: RMB 2,586) (Note 30).

8 ACCOUNTS RECEIVABLE

	Group		Company	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Accounts receivable	74,704	53,465	8,953	8,687
Less: Provision for bad debts	(1,424)	(1,140)	(303)	(275)
	73,280	52,325	8,650	8,412

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

	Group					
	June 30, 2021			December 31, 2020		
	Amount	Percentage of total balance %	Provision for bad debts	Amount	Percentage of total balance %	Provision for bad debts
Within 1 year	72,543	97	(194)	51,848	96	(207)
1 to 2 years	826	1	(289)	461	1	(87)
2 to 3 years	331	1	(110)	230	1	(21)
Over 3 years	1,004	1	(831)	926	2	(825)
	74,704	100	(1,424)	53,465	100	(1,140)

	Company					
	June 30, 2021			December 31, 2020		
	Amount	Percentage of total balance %	Provision for bad debts	Amount	Percentage of total balance %	Provision for bad debts
Within 1 year	8,399	94	(47)	8,356	96	(22)
1 to 2 years	272	3	(10)	111	1	(67)
2 to 3 years	65	1	(63)	1	-	-
Over 3 years	217	2	(183)	219	3	(186)
	8,953	100	(303)	8,687	100	(275)

The aging is counted starting from the date when accounts receivable are recognised.

(All amounts in RMB millions unless otherwise stated)

The Group measures loss allowance for accounts receivable at an amount equal to lifetime ECLs. Considering the differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables, the ECLs were calculated based on historical actual credit loss experience. The Group performed the calculation of ECL rates by the operating segment and geography.

			Impairment provision on provision matrix basis		
June 30, 2021	Gross carrying amount	Impairment provision on individual basis	Weighted-average loss rate	Impairment provision	Loss allowance
Current (not past due)	68,167	34	0.2%	140	174
Within 1 year past due	4,908	9	0.8%	39	48
1 to 2 years past due	619	154	27.6%	128	282
2 to 3 years past due	160	65	47.2%	45	110
Over 3 years past due	850	327	92.3%	483	810
	74,704	589		835	1,424

			Impairment provision on provision matrix basis		
December 31, 2020	Gross carrying amount	Impairment provision on individual basis	Weighted-average loss rate	Impairment provision	Loss allowance
Current (not past due)	46,849	-	0.1%	34	34
Within 1 year past due	5,326	154	0.4%	19	173
1 to 2 years past due	386	65	6.9%	22	87
2 to 3 years past due	50	11	25.6%	10	21
Over 3 years past due	854	342	94.3%	483	825
	53,465	572		568	1,140

As of June 30, 2021, the top five debtors of accounts receivable of the Group amounted to RMB 18,153, representing 24% of total accounts receivable, and there is no provision for bad and doubtful debts (As of December 31, 2020, the top five debtors of accounts receivable of the Group amounted to RMB 31,005, representing 58% of total accounts receivable, and the corresponding balance of provision for bad and doubtful debts is RMB 5).

During the six months ended June 30, 2021 and the six months ended June 30, 2020, the Group had no significant write-off of the provision for bad debts of accounts receivable.

(All amounts in RMB millions unless otherwise stated)

9 RECEIVABLES FINANCING

Receivables financing mainly represents bills of acceptance issued by banks for the sale of goods and rendering of services.

On June 30, 2021 and December 31, 2020, all receivables financing of the Group are due within one year.

10 ADVANCES TO SUPPLIERS

	June 30, 2021	December 31, 2020
Advances to suppliers	26,316	22,330
Less: Provision for bad debts	(704)	(704)
	25,612	21,626

As of June 30, 2021 and December 31, 2020, advances to suppliers of the Group are mainly aged within one year.

As of June 30, 2021, the top five debtors of advances to suppliers of the Group amounted to RMB 6,147, representing 23% of total advances to suppliers (As of December 31, 2020, the top five debtors of advances to suppliers of the Group amounted to RMB 12,840, representing 58% of total advances to suppliers).

11 OTHER RECEIVABLES

	Group		Company	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Interest receivable	462	329	8	8
Dividends receivable	809	8,051	684	9,748
Other receivables (a)	24,666	18,454	5,977	4,982
Total	25,937	26,834	6,669	14,738

(All amounts in RMB millions unless otherwise stated)

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

	Group					
	June 30, 2021			December 31, 2020		
	Amount	Percentage of total balance %	Provision for bad debts	Amount	Percentage of total balance %	Provision for bad debts
Within 1 year	17,103	63	(9)	10,812	51	(44)
1 to 2 years	1,327	5	(23)	5,365	25	(45)
2 to 3 years	4,516	16	(19)	726	3	(12)
Over 3 years	4,394	16	(2,623)	4,225	21	(2,573)
	27,340	100	(2,674)	21,128	100	(2,674)

	Company					
	June 30, 2021			December 31, 2020		
	Amount	Percentage of total balance %	Provision for bad debts	Amount	Percentage of total balance %	Provision for bad debts
Within 1 year	4,091	62	(7)	2,479	44	(24)
1 to 2 years	504	8	(2)	1,887	33	(8)
2 to 3 years	960	14	(7)	155	3	(1)
Over 3 years	1,086	16	(648)	1,126	20	(632)
	6,641	100	(664)	5,647	100	(665)

The aging is counted starting from the date when other receivables are recognised.

As of June 30, 2021, the top five debtors of other receivables of the Group amounted to RMB 9,944, representing 36% of total other receivables, and the corresponding balance of provision for bad and doubtful debts is RMB 365 (As of December 31, 2020, the top five debtors of other receivables of the Group amounted to RMB 6,218, representing 29% of total other receivables, and the corresponding balance of provision for bad and doubtful debts is RMB 509).

During the six months ended June 30, 2021 and the six months ended June 30, 2020, the Group had no significant write-off of the provision for bad debts of other receivables.

(All amounts in RMB millions unless otherwise stated)

12 INVENTORIES

	June 30, 2021	December 31, 2020
Cost		
Crude oil and other raw materials	63,753	35,855
Work in progress	13,848	12,387
Finished goods	91,255	80,739
Turnover materials	84	75
	168,940	129,056
Less: Write down in inventories	(378)	(517)
Net book value	168,562	128,539

13 INVESTMENTS IN OTHER EQUITY INSTRUMENTS

	June 30, 2021	December 31, 2020
Chengdu Huaqihoupu Holding Co., Ltd.	257	228
China Pacific Insurance (Group) Co., Ltd.	142	188
Other items	518	494
	917	910

14 LONG-TERM EQUITY INVESTMENTS

	Group			
	December 31, 2020	Addition	Reduction	June 30, 2021
Associates and joint ventures (a)	250,864	8,997	(2,098)	257,763
Less: Provision for impairment (b)	(166)	-	-	(166)
	250,698			257,597

	Company			
	December 31, 2020	Addition	Reduction	June 30, 2021
Subsidiaries (c)	256,165	342	(1,510)	254,997
Associates and joint ventures	195,739	6,606	(1,079)	201,266
Less: Provision for impairment	(227)	-	-	(227)
	451,677			456,036

(All amounts in RMB millions unless otherwise stated)

As of June 30, 2021, the above-mentioned investments are not subject to restriction on conversion into cash or remittance of investment income.

(a) Principal associates and joint ventures of the Group

Company name	Country of incorporation	Principal activities	Registered capital	Interest held%		Voting rights %	Accounting method	Strategic decisions relating to the Group's activities
				Direct	Indirect			
China Oil & Gas Piping Network Corporation ("PipeChina")	PRC	Pipeline transportation, warehousing services, equipment import and export, technology import and export, scientific and technological research, informatization research and application, technical consultation, technical services, technology transfer, and technology promotion	500,000	29.90	-	29.90	Equity method	Yes
China Petroleum Finance Co., Ltd. ("CP Finance")	PRC	Deposits, loans, settlement, lending, bills acceptance discounting, guarantee and other banking business	8,331	32.00	-	32.00	Equity method	No
CNPC Captive Insurance Co., Ltd.	PRC	Property loss insurance, liability insurance, credit insurance and deposit insurance; as well as the application of the above insurance reinsurance and insurance capital business	5,000	49.00	-	49.00	Equity method	No
China Marine Bunker (PetroChina) Co., Ltd.	PRC	Oil import and export trade and transportation, sale and storage	1,000	-	50.00	50.00	Equity method	No
Mangistau Investment B.V.	Netherlands	Engages in investing activities, the principle activities of its main subsidiaries are exploration, development and sale of oil and gas.	USD 131 million	-	50.00	50.00	Equity method	No
Trans-Asia Gas Pipeline Co., Ltd.	PRC	Main contractor, investment holding, investment management, investment consulting, enterprise management advisory, technology development, promotion and technology consulting	5,000	-	50.00	50.00	Equity method	No

(All amounts in RMB millions unless otherwise stated)

Investments in principal associates and joint ventures are listed below:

	Investment cost	December 31, 2020	Investment income recognised under equity method	Other comprehensive loss	Cash dividend declared	Other	June 30, 2021
PipeChina	149,500	151,135	3,471	-	-	75	154,681
CP Finance	10,223	24,114	982	(99)	(512)	-	24,485
CNPC Captive Insurance Co., Ltd.	2,450	3,281	98	-	(39)	-	3,340
China Marine Bunker (PetroChina) Co., Ltd.	740	1,336	13	(8)	-	25	1,366
Mangistau Investment B.V.	176	3,917	310	(89)	-	-	4,138
Trans-Asia Gas Pipeline Co., Ltd.	14,527	20,065	1,058	(274)	-	-	20,849

Interest in associates

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

	PipeChina		CP Finance		CNPC Captive Insurance Co., Ltd.	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Percentage ownership interest (%)	29.90	29.90	32.00	32.00	49.00	49.00
Current assets	73,128	74,012	329,675	313,741	15,120	11,267
Non-current assets	729,413	655,982	174,456	177,344	183	2,956
Current liabilities	69,132	55,562	420,163	404,201	4,533	4,752
Non-current liabilities	131,265	104,150	8,543	12,617	3,954	2,776
Net assets	602,144	570,282	75,425	74,267	6,816	6,695
Group's share of net assets	154,681	151,135	24,136	23,765	3,340	3,281
Goodwill	-	-	349	349	-	-
Carrying amount of interest in associates	154,681	151,135	24,485	24,114	3,340	3,281

(All amounts in RMB millions unless otherwise stated)

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

	PipeChina	CP Finance		CNPC Captive Insurance Co., Ltd.	
	For the six months ended June 30, 2021	For the six months ended June 30, 2021	For the six months ended June 30, 2020	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Operating income	48,917	6,238	7,523	691	266
Net profit	15,037	3,070	3,823	200	190
Other comprehensive (loss) / income	-	(312)	233	-	-
Total comprehensive income	15,037	2,758	4,056	200	190
Group's share of total comprehensive income	3,471	883	1,298	98	93
Dividends received by the Group	-	512	188	39	36

Interest in joint ventures

Summarised balance sheet as included in their own financial statements, adjusted for fair value adjustments and differences in accounting policies in respect of the Group's principal joint ventures and reconciliation to carrying amount is as follows:

	China Marine Bunker (PetroChina) Co., Ltd.		Mangistau Investment B.V.		Trans-Asia Gas Pipeline Co., Ltd.	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Percentage ownership interest (%)	50.00	50.00	50.00	50.00	50.00	50.00
Non-current assets	1,852	1,685	12,194	10,586	40,671	39,809
Current assets	9,968	7,319	2,377	830	3,402	2,886
Including: cash and cash equivalents	860	1,343	1,250	74	1,438	739
Non-current liabilities	230	158	4,321	3,008	2,294	2,330
Current liabilities	8,433	5,927	1,974	575	82	235
Net assets	3,157	2,919	8,276	7,833	41,697	40,130
Net assets attributable to owners of the Company	2,732	2,672	8,276	7,833	41,697	40,130
Group's share of net assets	1,366	1,336	4,138	3,917	20,849	20,065
Carrying amount of interest in joint ventures	1,366	1,336	4,138	3,917	20,849	20,065

(All amounts in RMB millions unless otherwise stated)

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

	China Marine Bunker (PetroChina) Co., Ltd.		Mangistau Investment B.V.		Trans-Asia Gas Pipeline Co., Ltd.	
	For the six months ended June 30, 2021	For the six months ended June 30, 2020	For the six months ended June 30, 2021	For the six months ended June 30, 2020	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Operating income	25,226	18,178	5,182	4,039	6	8
Finance expenses	32	(36)	(60)	(26)	(41)	(5)
Including: Interest income	6	8	1	-	17	21
Interest expense	33	41	6	78	(28)	29
Taxation	24	(27)	(396)	(93)	-	-
Net profit / (loss)	47	81	620	(156)	2,115	1,514
Other comprehensive (loss) / income	(19)	9	(178)	(140)	(548)	(362)
Total comprehensive income / (loss)	28	90	442	(296)	1,567	1,152
Group's share of total comprehensive income / (loss)	5	45	221	(148)	784	576
Dividends received by the Group	-	-	-	-	-	-

(b) Provision for impairment

	June 30, 2021	December 31, 2020
Associates and joint ventures		
PetroChina Shouqi Sales Company Limited	(60)	(60)
PetroChina Beiqi Sales Company Limited	(49)	(49)
Other	(57)	(57)
	(166)	(166)

(c) Subsidiaries

Investment in subsidiaries:

	Investment cost	December 31, 2020	Addition	Deduction	June 30, 2021
Daqing Oilfield Company Limited	66,720	66,720	-	-	66,720
CNPC Exploration and Development Company Limited	23,778	23,778	-	-	23,778
PetroChina Hong Kong Limited	25,590	25,590	-	-	25,590
PetroChina International Investment Company Limited	31,314	31,314	-	-	31,314
PetroChina International Company Limited	18,953	18,953	-	-	18,953
PetroChina Sichuan Petrochemical Company Limited	21,600	21,600	-	-	21,600
Other		68,210	342	(1,510)	67,042
Total		256,165	342	(1,510)	254,997

(All amounts in RMB millions unless otherwise stated)

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

Summarised balance sheet is as follows:

	CNPC Exploration and Development Company Limited		PetroChina Sichuan Petrochemical Company Limited	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Percentage ownership interest (%)	50.00	50.00	90.00	90.00
Current assets	19,848	16,046	3,779	4,278
Non-current assets	180,182	182,392	25,479	26,371
Current liabilities	14,529	21,820	2,484	5,382
Non-current liabilities	28,270	22,566	454	486
Net assets	157,231	154,052	26,320	24,781

Summarised statement of comprehensive income is as follows:

	CNPC Exploration and Development Company Limited		PetroChina Sichuan Petrochemical Company Limited	
	For the six months ended June 30, 2021	For the six months ended June 30, 2020	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Operating income	19,604	16,772	22,414	16,925
Net profit / (loss)	4,450	2,549	1,981	(321)
Total comprehensive income / (loss)	2,872	2,821	1,981	(321)
Profit / (loss) attributable to non-controlling interests	2,359	1,467	198	(32)
Dividends paid to non-controlling interests	739	521	47	-

Summarised statement of cash flow is as follows:

	CNPC Exploration and Development Company Limited		PetroChina Sichuan Petrochemical Company Limited	
	For the six months ended June 30, 2021	For the six months ended June 30, 2020	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Net cash flows from / (used for) operating activities	7,277	3,464	(975)	1,511

(All amounts in RMB millions unless otherwise stated)

15 FIXED ASSETS

	December 31, 2020	Addition	Reduction	June 30, 2021
Cost				
Buildings	248,948	3,855	(801)	252,002
Equipment and Machinery	746,404	7,347	(4,404)	749,347
Motor Vehicles	22,857	142	(292)	22,707
Other	46,155	1,055	(440)	46,770
Total	1,064,364	12,399	(5,937)	1,070,826
Accumulated depreciation				
Buildings	(105,617)	(6,163)	461	(111,319)
Equipment and Machinery	(443,018)	(15,958)	2,044	(456,932)
Motor Vehicles	(17,341)	(536)	267	(17,610)
Other	(24,063)	(1,210)	309	(24,964)
Total	(590,039)	(23,867)	3,081	(610,825)
Fixed assets, net				
Buildings	143,331			140,683
Equipment and Machinery	303,386			292,415
Motor Vehicles	5,516			5,097
Other	22,092			21,806
Total	474,325			460,001
Provision for impairment				
Buildings	(5,282)	-	-	(5,282)
Equipment and Machinery	(45,091)	-	70	(45,021)
Motor Vehicles	(90)	-	1	(89)
Other	(7,874)	-	-	(7,874)
Total	(58,337)	-	71	(58,266)
Net book value				
Buildings	138,049			135,401
Equipment and Machinery	258,295			247,394
Motor Vehicles	5,426			5,008
Other	14,218			13,932
Total	415,988			401,735

Depreciation charged to profit or loss provided on fixed assets for the six months ended June 30, 2021 was RMB 22,772 (for the six months ended June 30, 2020: RMB 31,255). Cost transferred from construction in progress to fixed assets was RMB 8,570 (for the six months ended June 30, 2020: RMB 10,612).

As of June 30, 2021, the Group's fixed assets under operating leases are mainly equipment and machinery, the net book value of which amounted to RMB 1,658 (December 31, 2020: RMB 1,772).

As of June 30, 2021, the Group has no significant fixed assets which are pledged.

(All amounts in RMB millions unless otherwise stated)

16 OIL AND GAS PROPERTIES

	December 31, 2020	Addition	Reduction	June 30, 2021
Cost				
Mineral interests in proved properties	47,063	116	(201)	46,978
Mineral interests in unproved properties	18,061	492	-	18,553
Wells and related facilities	2,291,023	35,885	(4,081)	2,322,827
Total	2,356,147	36,493	(4,282)	2,388,358
Accumulated depletion				
Mineral interests in proved properties	(15,628)	(936)	234	(16,330)
Wells and related facilities	(1,452,874)	(74,757)	3,677	(1,523,954)
Total	(1,468,502)	(75,693)	3,911	(1,540,284)
Oil and gas properties, net				
Mineral interests in proved properties	31,435			30,648
Mineral interests in unproved properties	18,061			18,553
Wells and related facilities	838,149			798,873
Total	887,645			848,074
Provision for impairment				
Mineral interests in proved properties	(1,230)	(55)	-	(1,285)
Mineral interests in unproved properties	(13,070)	(248)	-	(13,318)
Wells and related facilities	(59,457)	-	-	(59,457)
Total	(73,757)	(303)	-	(74,060)
Net book value				
Mineral interests in proved properties	30,205			29,363
Mineral interests in unproved properties	4,991			5,235
Wells and related facilities	778,692			739,416
Total	813,888			774,014

Depletion charged to profit or loss provided on oil and gas properties for the six months ended June 30, 2021 was RMB 75,609 (for the six months ended June 30, 2020: RMB 73,704). Cost transferred from construction in progress to oil and gas properties was RMB 35,197 (for the six months ended June 30, 2020: RMB 36,607) .

As of June 30, 2021, the asset retirement obligations capitalised in the cost of oil and gas properties amounted to RMB 97,653 (December 31, 2020: RMB 96,657). Related depletion charge for the six months ended June 30, 2021 was RMB 1,672 (for the six months ended June 30, 2020: RMB 2,079).

(All amounts in RMB millions unless otherwise stated)

17 CONSTRUCTION IN PROGRESS

Project Name	Budget	December 31, 2020	Addition	Transferred to fixed assets or oil and gas properties	Other reduction	June 30, 2021	Proportion of construction compared to budget %	Capitalised interest expense	Including: capitalised interest expense for current year	Source of fund
Guangdong Petrochemical Integration of Refining and Chemical Industry	65,430	13,443	6,115	(1)	-	19,557	35%	1,288	227	Self & loan
Lanzhou Petrochemical Company Changqing Ethylene Production by Ethane Project	9,288	2,474	2,851	-	-	5,325	63%	57	49	Self & loan
Tarim - Production of Ethylene from Ethane Project	8,042	4,180	1,854	(641)	-	5,393	76%	-	-	Self
Other		207,644	62,483	(43,125)	(8,070)	218,932		2,291	228	
		227,741	73,303	(43,767)	(8,070)	249,207		3,636	504	
Less:										
Provision for impairment		(5,526)	(481)	-	41	(5,966)				
		222,215				243,241				

For the six months ended June 30, 2021, the capitalised interest expense amounted to RMB 504 (for the six months ended June 30, 2020: RMB 460). The average annual interest rate used to determine the capitalised amount is 4.19% (for the six months ended June 30, 2020: 4.28%).

18 INTANGIBLE ASSETS

	December 31, 2020	Addition	Reduction	June 30, 2021
Cost				
Land use rights	88,365	2,083	(286)	90,162
Patents	4,626	3	-	4,629
Other (i)	41,872	1,072	(433)	42,511
Total	134,863	3,158	(719)	137,302
Accumulated amortisation				
Land use rights	(22,456)	(1,532)	12	(23,976)
Patents	(3,845)	(72)	-	(3,917)
Other	(21,712)	(997)	134	(22,575)
Total	(48,013)	(2,601)	146	(50,468)
Intangible assets, net				
Land use rights	65,909			66,186
Patents	781			712
Other	20,160			19,936
Total	86,850			86,834
Provision for impairment	(749)	-	2	(747)
Net book value	86,101			86,087

(i) Other intangible assets principally include operation rights and software etc.

(All amounts in RMB millions unless otherwise stated)

Amortisation charged to profit or loss provided on intangible assets for the six months ended June 30, 2021 was RMB 2,499 (for the six months ended June 30, 2020: RMB 2,448).

19 GOODWILL

	June 30, 2021	December 31, 2020
Cost		
Petrolneos Trading Limited	4,369	4,413
Singapore Petroleum Company	2,845	2,873
Other	1,096	875
Total	8,310	8,161
Provision for impairment	(36)	(36)
Net book value	8,274	8,125

Goodwill primarily relates to the acquisition of Singapore Petroleum Company and Petrolneos Trading Limited completed in 2009 and 2011, respectively.

20 LONG-TERM PREPAID EXPENSES

	December 31, 2020	Addition	Reduction	June 30, 2021
Catalyst	4,994	578	(759)	4,813
Other	6,875	421	(1,706)	5,590
Total	11,869	999	(2,465)	10,403

21 PROVISION FOR ASSETS

	December 31, 2020	Addition	Reversal	Write-off and others	June 30, 2021
Bad debts provision	4,518	275	(18)	27	4,802
Including:					
Bad debts provision for accounts receivable	1,140	274	(17)	27	1,424
Bad debts provision for other receivables	2,674	1	(1)	-	2,674
Bad debts provision for advances to suppliers	704	-	-	-	704
Provision for declines in the value of inventories	517	67	(60)	(146)	378
Provision for impairment of long-term equity investments	166	-	-	-	166
Provision for impairment of fixed assets	58,337	-	-	(71)	58,266
Provision for impairment of oil and gas properties	73,757	288	-	15	74,060
Provision for impairment of construction in progress	5,526	179	-	261	5,966
Provision for impairment of intangible assets	749	-	-	(2)	747
Provision for impairment of goodwill	36	-	-	-	36
Provision for impairment of other non-current assets	263	11	-	(109)	165
Total	143,869	820	(78)	(25)	144,586

(All amounts in RMB millions unless otherwise stated)

22 SHORT-TERM BORROWINGS

	June 30, 2021	December 31, 2020
Mortgage - RMB	5	-
Guarantee - RMB	130	-
Unsecured - RMB	10,745	10,862
Unsecured - USD	46,859	26,542
Unsecured - JPY	4,344	3,316
Unsecured - Other	3,111	634
	65,194	41,354

As of June 30, 2021, the above guaranteed RMB borrowings were mainly guaranteed by minority shareholders of relevant non-wholly-owned subsidiaries.

The weighted average interest rate for short-term borrowings as of June 30, 2021 is 0.86% per annum (December 31, 2020: 1.17%).

23 NOTES PAYABLE

As of June 30, 2021 and December 31, 2020, notes payable mainly represented commercial acceptance. All notes payable matured within one year.

24 ACCOUNTS PAYABLE

The aging of accounts payable are analysed as follows:

	Group			
	June 30, 2021		December 31, 2020	
	Amount	Percentage of total balance %	Amount	Percentage of total balance %
Within 1 year	189,767	88	192,416	87
1 to 2 years	10,041	5	11,549	5
2 to 3 years	4,056	2	5,966	3
Over 3 years	11,653	5	10,387	5
	215,517	100	220,318	100

As of June 30, 2021, accounts payable aged over one year amounted to RMB 25,750 (December 31, 2020: RMB 27,902), and mainly comprised of unsettled payables to several suppliers.

(All amounts in RMB millions unless otherwise stated)

25 CONTRACT LIABILITIES

As of June 30, 2021, contract liabilities mainly represented the sales of crude oil, natural gas and refined oil, etc. The contract liabilities aged over one year amounted to RMB 3,342 (December 31, 2020: RMB 3,501). The main related performance obligations are expected to be satisfied and revenue is recognised within one year.

26 EMPLOYEE COMPENSATION PAYABLE

(1) Employee compensation payable listed as below

	December 31, 2020	Addition	Reduction	June 30, 2021
Short-term employee benefits	8,599	57,541	(53,708)	12,432
Post-employment benefits - defined contribution plans	46	10,801	(10,716)	131
Termination benefits	4	43	(43)	4
	8,649	68,385	(64,467)	12,567

(2) Short-term employee benefits

	December 31, 2020	Addition	Reduction	June 30, 2021
Wages, salaries and allowances	2,821	42,518	(39,188)	6,151
Staff welfare	-	2,890	(2,890)	-
Social security contributions	537	5,791	(5,536)	792
Including:				
Medical insurance	515	5,305	(5,046)	774
Work-related injury insurance	18	429	(433)	14
Maternity insurance	4	57	(57)	4
Housing provident funds	7	5,031	(5,025)	13
Labour union funds and employee education funds	5,181	1,259	(1,019)	5,421
Other	53	52	(50)	55
	8,599	57,541	(53,708)	12,432

(3) Post-employment benefits-defined contribution plans

	December 31, 2020	Addition	Reduction	June 30, 2021
Basic pension insurance	35	6,793	(6,711)	117
Unemployment insurance	1	238	(236)	3
Annuity	10	3,770	(3,769)	11
	46	10,801	(10,716)	131

As of June 30, 2021, employee benefits payable did not contain any balance in arrears.

(All amounts in RMB millions unless otherwise stated)

27 TAXES PAYABLE

	June 30, 2021	December 31, 2020
Value added tax payable	8,550	5,565
Income tax payable	5,727	3,730
Consumption tax payable	19,191	43,470
Other	11,620	10,959
	45,088	63,724

28 OTHER PAYABLES

As of June 30, 2021, other payables mainly comprised dividends payable, project payment payables, deposit, earnest money, caution money and insurance payables, and other payables aged over one year amounted to RMB 10,584 (December 31, 2020: RMB 8,362).

29 CURRENT PORTION OF NON-CURRENT LIABILITIES

	June 30, 2021	December 31, 2020
Long-term borrowings due within one year		
Guarantee – RMB	17	461
Guarantee – USD	26	1,290
Guarantee – Other	3	5
Impawn – RMB	10	3
Unsecured – RMB	17,412	16,867
Unsecured – USD	15,309	10,558
Unsecured – Other	2	4
	32,779	29,188
Debentures payable due within one year	-	46,000
Long-term payables due within one year	-	2
Lease liabilities due within one year	6,071	6,579
	38,850	81,769

(All amounts in RMB millions unless otherwise stated)

30 LONG-TERM BORROWINGS

	June 30, 2021	December 31, 2020
Guarantee – RMB	1,669	4,009
Guarantee – USD	125	1,420
Guarantee – Other	3	6
Impawn – RMB	1,207	1,203
Impawn - USD	2,907	2,284
Mortgage – RMB	1,344	785
Unsecured – RMB	133,072	110,599
Unsecured – USD	65,209	65,068
Unsecured – Other	3,795	3,954
	209,331	189,328
Less: Long-term borrowings due within one year (Note 29)	(32,779)	(29,188)
	176,552	160,140

Mentioned guaranteed borrowings were mainly guaranteed by CNPC and its subsidiaries as of June 30, 2021. Impawn RMB loan was impawned by natural gas charging right. The above impawn USD loan was impawned by margin account deposits whose carrying amount was RMB 2,586 (Note 7). The fixed assets with carrying amount of RMB 804, the construction in progress with carrying amount of 297 and the land use right with carry amount of RMB 46 were used as the mortgage for the mortgage loan.

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

	June 30, 2021	December 31, 2020
Between one and two years	27,447	45,051
Between two and five years	132,212	100,746
After five years	16,893	14,343
	176,552	160,140

The weighted average interest rate for long-term borrowings as of June 30, 2021 is 2.64% (December 31, 2020: 2.88%).

The fair values of long-term borrowings (including long-term borrowings due within one year) amounted to RMB 204,228 (December 31, 2020: RMB 188,071). The fair values are based on discounted cash flows using applicable discount rates based upon the prevailing market rates as at balance sheet date of the Group's availability of financial instruments (terms and characteristics similar to the above-mentioned borrowings).

(All amounts in RMB millions unless otherwise stated)

31 DEBENTURES PAYABLE

Debentures' Name	Issue date	Term of Debentures	Annual interest rate%	December 31, 2020	Addition	Reduction	June 30, 2021
2012 PetroChina Company Limited Corporate Debentures first tranche - 10 years	November 22, 2012	10 - year	4.90	2,000	-	-	2,000
2012 PetroChina Company Limited Corporate Debentures first tranche - 15 years	November 22, 2012	15 - year	5.04	2,000	-	-	2,000
2013 PetroChina Company Limited Corporate Debentures first tranche - 10 years	March 15, 2013	10 - year	4.88	4,000	-	-	4,000
Kunlun Energy Company Limited priority notes - 10 years	May 13, 2015	10 - year	3.75	3,239	-	(33)	3,206
2016 PetroChina Company Limited Corporate Debentures first tranche - 5 years	January 19, 2016	5 - year	3.03	8,800	-	(8,800)	-
2016 PetroChina Company Limited Corporate Debentures first tranche - 10 years	January 19, 2016	10 - year	3.50	4,700	-	-	4,700
2016 PetroChina Company Limited Corporate Debentures second tranche - 5 years	March 3, 2016	5 - year	3.15	12,700	-	(12,700)	-
2016 PetroChina Company Limited Corporate Debentures second tranche - 10 years	March 3, 2016	10 - year	3.70	2,300	-	-	2,300
2016 PetroChina Company Limited Corporate Debentures third tranche - 5 years	March 24, 2016	5 - year	3.08	9,500	-	(9,500)	-
2016 PetroChina Company Limited Corporate Debentures third tranche - 10 years	March 24, 2016	10 - year	3.60	2,000	-	-	2,000
2016 PetroChina Company Limited first tranche medium-term notes	May 11, 2016	5 - year	3.45	15,000	-	(15,000)	-
2019 PetroChina Company Limited first tranche medium-term notes - 5 years	January 24, 2019	5 - year	3.45	10,000	-	-	10,000
2019 PetroChina Company Limited second tranche medium-term notes - 5 years	January 24, 2019	5 - year	3.45	10,000	-	-	10,000
2019 PetroChina Company Limited third tranche medium-term notes - 5 years	February 22, 2019	5 - year	3.66	10,000	-	-	10,000
2019 PetroChina Company Limited fourth tranche medium-term notes - 5 years	February 22, 2019	5 - year	3.66	10,000	-	-	10,000
2019 PetroChina Company Limited fifth tranche medium-term notes - 5 years	April 23, 2019	5 - year	3.96	10,000	-	-	10,000
2020 PetroChina Company Limited first tranche medium-term notes - 3 years	April 9, 2020	3 - year	2.42	10,000	-	-	10,000
2020 PetroChina Company Limited second tranche medium-term notes - 3 years	April 9, 2020	3 - year	2.42	10,000	-	-	10,000
2020 PetroChina Kunlun Gas Company Limited first tranche medium-term notes - 3 years	April 27, 2020	3 - year	2.43	1,000	-	-	1,000
				137,239	-	(46,033)	91,206
Less: Debentures Payable due within one year (Note 29)				(46,000)			-
				91,239			91,206

(All amounts in RMB millions unless otherwise stated)

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

As of June 30, 2021, the above-mentioned debentures which were guaranteed by CNPC and its subsidiaries amounted to RMB 8,000 (December 31, 2020: RMB 8,000).

The fair values of the debentures amounted to RMB 86,384 (December 31, 2020: RMB 132,323). The fair values are based on discounted cash flows using an applicable discount rate based upon the prevailing market rates as at the balance sheet date of the Group's availability of financial instruments (terms and characteristics similar to the above-mentioned debentures payable).

32 PROVISIONS

	December 31, 2020	Addition	Reduction	June 30, 2021
Asset retirement obligations	114,819	3,254	(446)	117,627

Asset retirement obligations are related to oil and gas properties.

33 DEFERRED TAX ASSETS AND LIABILITIES

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

(a) Deferred tax assets

	June 30, 2021		December 31, 2020	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Provision for impairment of assets and depreciation and depletion of fixed assets and oil and gas properties	6,323	40,667	7,418	40,836
Wages and welfare	1,251	7,433	1,258	6,072
Carry forward of losses	20,395	193,426	24,646	215,844
Other	11,941	65,286	8,995	50,603
	39,910	306,812	42,317	313,355

Tax losses that can be carried forward to future years include deferred tax assets arising from the losses of branches in the eastern region. The income tax expenses of branches in the eastern and western regions were paid in aggregate according to the requirements of the competent tax authority.

(All amounts in RMB millions unless otherwise stated)

(b) Deferred tax liabilities

	June 30, 2021		December 31, 2020	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Depreciation and depletion of fixed assets and oil and gas properties	19,451	77,904	24,147	87,208
Other	24,308	98,813	23,196	92,798
	43,759	176,717	47,343	180,006

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

	June 30, 2021	December 31, 2020
Deferred tax assets	13,599	11,364
Deferred tax liabilities	17,448	16,390

34 SHARE CAPITAL

	June 30, 2021	December 31, 2020
H shares	21,099	21,099
A shares	161,922	161,922
	183,021	183,021

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

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

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

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

(All amounts in RMB millions unless otherwise stated)

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

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

35 CAPITAL SURPLUS

	December 31, 2020	Addition	Reduction	June 30, 2021
Capital premium	84,340	-	-	84,340
Other capital surplus				
Capital surplus under the old CAS	40,955	-	-	40,955
Other	1,927	503	-	2,430
	127,222	503	-	127,725

36 SURPLUS RESERVES

	December 31, 2020	Addition	Reduction	June 30, 2021
Statutory Surplus Reserves	203,517	-	-	203,517
Discretionary Surplus Reserves	40	-	-	40
	203,557	-	-	203,557

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

The Discretionary Surplus Reserves is approved by a resolution of shareholders' general meeting after the Board of Directors' proposal. The Company may convert its Discretionary Surplus Reserves to make good previous years' losses or to increase the capital of the Company upon approval. The Company has not extracted Discretionary Surplus Reserves for the six months ended June 30, 2021 (for the six months ended June 30, 2020: None).

(All amounts in RMB millions unless otherwise stated)

37 UNDISTRIBUTED PROFITS

	For the six months ended June 30, 2021
Undistributed profits at the beginning of the period	722,939
Add: Net profit attributable to equity holders of the Company	53,036
Less: Ordinary share dividends payable	(16,000)
Undistributed profits at the end of the period	759,975

As authorised by shareholders in the Annual General Meeting on June 10, 2021, the Board of Directors resolved to distribute interim dividends attributable to owners of the Company in respect of 2021 of RMB 0.13040 yuan per share amounting to a total of RMB 23,866 according to the issued 183,021 million shares on August 25, 2021. The dividends were not paid by the end of the reporting period, and were not recognised as liability at the end of the reporting period, as they were declared after the date of the statement of financial position.

38 NON-CONTROLLING INTERESTS

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

	Percentage of shares held by non-controlling interests (%)	Profit or loss attributable to non-controlling interests	Dividends declared to non-controlling interests	Balance of non-controlling interests
CNPC Exploration and Development Company Limited	50.00	2,344	739	77,071
Kunlun Energy Company Limited	45.62	10,915	11,034	42,446
PetroChina Sichuan Petrochemical Company Limited	10.00	198	47	2,920
PetroKazakhstan Inc.	33.00	15	-	1,172
Other				17,579
				141,188

39 OPERATING INCOME AND COST OF SALES

	Group			
	For the six months ended June 30, 2021		For the six months ended June 30, 2020	
	Income	Cost	Income	Cost
Principal operations (b)	1,169,384	929,291	905,173	745,133
Other operations (c)	27,197	28,349	23,872	25,060
Total	1,196,581	957,640	929,045	770,193
Including: Revenue from contracts with customers (a)	1,196,129		928,558	
Other revenue	452		487	

(All amounts in RMB millions unless otherwise stated)

	Company			
	For the six months ended June 30, 2021		For the six months ended June 30, 2020	
	Income	Cost	Income	Cost
Principal operations (b)	640,077	475,134	496,182	407,428
Other operations (c)	20,736	22,445	17,934	19,701
Total	660,813	497,579	514,116	427,129
Including: Revenue from contracts with customers (a)	660,391		513,887	
Other revenue	422		229	

(a) Revenue from contracts with customers

For the six months ended June 30, 2021 Contract classification	Exploration and Production	Refining and Chemicals	Marketing	Natural Gas and Pipeline	Head Office and Other	Total
Type of merchandise						
Crude oil	199,754	-	330,181	-	-	529,935
Natural gas	65,962	-	114,837	180,603	-	361,402
Refining products	-	363,646	482,180	-	-	845,826
Chemical products	-	92,483	21,013	-	-	113,496
Pipeline transportation business	-	-	-	3,436	-	3,436
Non-oil sales in gas stations	-	-	13,430	-	-	13,430
Others	47,189	3,174	596	14,116	604	65,679
Intersegment elimination	(259,957)	(295,281)	(172,460)	(9,347)	(30)	(737,075)
Total	52,948	164,022	789,777	188,808	574	1,196,129
Geographical classification						
Chinese mainland	29,740	164,022	374,477	188,808	574	757,621
Others	23,208	-	415,300	-	-	438,508
Total	52,948	164,022	789,777	188,808	574	1,196,129

(All amounts in RMB millions unless otherwise stated)

For the six months ended June 30, 2020 Contract classification	Exploration and Production	Refining and Chemicals	Marketing	Natural Gas and Pipeline	Head Office and Other	Total
Type of merchandise						
Crude oil	158,463	-	231,701	-	-	390,164
Natural gas	60,737	-	90,813	136,071	-	287,621
Refining products	-	298,095	402,271	-	-	700,366
Chemical products	-	68,712	12,750	-	-	81,462
Pipeline transportation business	-	-	-	33,462	-	33,462
Non-oil sales in gas stations	-	-	11,151	-	-	11,151
Others	36,162	2,936	443	9,564	456	49,561
Intersegment elimination	(212,621)	(258,798)	(136,436)	(17,285)	(89)	(625,229)
Total	42,741	110,945	612,693	161,812	367	928,558
Geographical classification						
Chinese mainland	13,050	110,945	273,758	161,812	367	559,932
Others	29,691	-	338,935	-	-	368,626
Total	42,741	110,945	612,693	161,812	367	928,558

	Company	
Contract classification	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Type of merchandise		
Crude oil	162,339	122,487
Natural gas	229,901	203,949
Refining products	592,641	483,331
Chemical products	92,047	68,440
Pipeline transportation business	-	4,965
Non-oil sales in gas stations	11,763	9,613
Others	28,079	21,814
Intersegment elimination	(456,379)	(400,712)
Total	660,391	513,887

Contract revenue primarily represents revenue from the sales of crude oil, natural gas, refined petroleum products and chemical products, which are mainly recognised at a point in time.

(All amounts in RMB millions unless otherwise stated)

(b) Income and cost of sales from principal operations

	Group			
	For the six months ended June 30, 2021		For the six months ended June 30, 2020	
	Income	Cost	Income	Cost
Exploration and Production	306,112	247,140	247,833	208,119
Refining and Chemicals	456,129	330,706	366,807	277,062
Marketing	948,212	917,905	737,540	722,120
Natural Gas and Pipeline	195,659	179,122	176,881	161,338
Head Office and Other	347	71	83	67
Intersegment elimination	(737,075)	(745,653)	(623,971)	(623,573)
Total	1,169,384	929,291	905,173	745,133

	Company			
	For the six months ended June 30, 2021		For the six months ended June 30, 2020	
	Income	Cost	Income	Cost
Exploration and Production	241,531	210,096	191,973	173,702
Refining and Chemicals	356,696	254,224	279,105	204,700
Marketing	329,770	311,975	272,608	270,750
Natural Gas and Pipeline	168,112	160,808	151,867	157,556
Head Office and Other	347	71	83	67
Intersegment elimination	(456,379)	(462,040)	(399,454)	(399,347)
Total	640,077	475,134	496,182	407,428

(c) Income and cost of sales from other operations

	Group			
	For the six months ended June 30, 2021		For the six months ended June 30, 2020	
	Income	Cost	Income	Cost
Sale of materials	3,781	3,564	3,306	3,236
Other	23,416	24,785	20,566	21,824
Total	27,197	28,349	23,872	25,060

	Company			
	For the six months ended June 30, 2021		For the six months ended June 30, 2020	
	Income	Cost	Income	Cost
Sale of materials	3,184	2,873	3,006	2,902
Other	17,552	19,572	14,928	16,799
Total	20,736	22,445	17,934	19,701

(All amounts in RMB millions unless otherwise stated)

40 TAXES AND SURCHARGES

	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Consumption tax	73,356	73,377
Resource tax	11,016	9,393
City maintenance and construction tax	7,382	6,835
Educational surcharge	5,369	4,991
Urban and township land use tax	1,931	1,863
Crude oil special gain levy	197	178
Other	2,833	1,786
	102,084	98,423

41 SELLING EXPENSES

	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Employee compensation costs	10,671	9,686
Depreciation, depletion and amortisation	7,346	7,496
Transportation expense	6,925	7,258
Lease, packing and warehouse storage expenses	1,575	1,627
Other	5,885	6,205
	32,402	32,272

42 GENERAL AND ADMINISTRATIVE EXPENSES

	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Employee compensation costs	14,507	12,145
Depreciation, depletion and amortisation	3,212	3,488
Repair expense	3,957	3,034
Lease, packing and warehouse storage expenses	330	435
Safety fund	2,339	3,069
Technology service expense	327	264
Other taxes	165	302
Other	1,585	2,398
	26,422	25,135

(All amounts in RMB millions unless otherwise stated)

43 RESEARCH AND DEVELOPMENT EXPENSES

	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Employee compensation costs	2,815	2,443
Depreciation, depletion and amortisation	661	661
Fuel and material consumption	230	209
Other	4,582	3,462
	8,288	6,775

44 FINANCE EXPENSES

	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Interest expenses	10,698	15,346
Include: Interest expenditure on lease liabilities	2,651	3,440
Less: Capitalised interest	(504)	(460)
Less: Interest income	(1,279)	(1,396)
Exchange losses	7,772	5,966
Less: Exchange gains	(7,807)	(6,409)
Other	330	458
	9,210	13,505

45 OTHER INCOME

	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Refund of import value-added tax, relating to the import of natural gas	1,136	2,272
Refund of value-added tax, relating to the change from business tax to value-added tax	87	907
Other	1,286	904
	2,509	4,083

(All amounts in RMB millions unless otherwise stated)

46 INVESTMENT INCOME

	Group	
	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Gains on investments in other equity instruments	15	18
Share of profit of associates and joint ventures	7,433	570
Gains on disposal of associates and joint ventures	1	-
Gains on disposal of subsidiaries	18,617	393
Others	147	82
	26,213	1,063

	Company	
	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Gains on investments in other equity instruments	14	12
Share of profit of associates and joint ventures	5,539	1,392
Dividends declared by subsidiaries	7,996	16,337
Gains / (losses) on disposal of subsidiaries	216	(21)
Others	1	6
	13,766	17,726

47 CREDIT LOSSES

	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Accounts receivable	257	359
Other receivables	-	(8)
Other	11	-
	268	351

(All amounts in RMB millions unless otherwise stated)

48 ASSET IMPAIRMENT LOSSES

	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Impairment losses for declines in the value of inventories	7	8,148
Impairment losses for fixed assets and oil and gas properties	288	3
Impairment losses for construction in progress	179	-
	474	8,151

49 GAINS FROM ASSET DISPOSALS

	For the six months ended June 30, 2021	For the six months ended June 30, 2020	Amount included in non-recurring profit/loss items for the six months ended June 30, 2021
Gains from disposal of fixed assets and oil and gas properties	238	25	238
Gains from disposal of intangible assets	54	52	54
Gains from disposal of other long-term assets	169	784	169
	461	861	461

50 NON-OPERATING INCOME AND EXPENSES

(a) Non-operating income

	For the six months ended June 30, 2021	For the six months ended June 30, 2020	Amount included in non-recurring profit/loss items for the six months ended June 30, 2021
Government grants	370	198	370
Other	537	1,262	537
	907	1,460	907

(b) Non-operating expenses

	For the six months ended June 30, 2021	For the six months ended June 30, 2020	Amount included in non-recurring profit/loss items for the six months ended June 30, 2021
Fines	35	7	35
Donation	84	184	84
Extraordinary loss	1	10	1
Other	2,748	29	2,748
	2,868	230	2,868

(All amounts in RMB millions unless otherwise stated)

51 TAXATION

	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Income taxes	20,109	8,838
Deferred taxes	(910)	(4,034)
	19,199	4,804

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

	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Profit / (loss) before taxation	87,015	(18,523)
Tax calculated at a tax rate of 25%	21,754	(4,631)
Tax return true-up	(108)	(206)
Effect of income taxes from international operations different from taxes at the PRC statutory tax rate	2,058	1,092
Effect of preferential tax rate	(4,075)	2,090
Tax effect of income not subject to tax	(5,159)	(1,132)
Tax effect of expenses not deductible for tax purposes	4,836	5,448
Tax effect of temporary differences and losses unrecognised at deferred tax assets	(107)	2,143
Taxation	19,199	4,804

52 EARNINGS PER SHARE

Basic and diluted earnings per share for the six months ended June 30, 2021 and June 30, 2020 have been computed by dividing profit attributable to owners of the Company by the 183,021 million shares issued and outstanding during the period.

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

(All amounts in RMB millions unless otherwise stated)

53 OTHER COMPREHENSIVE INCOME

Other comprehensive income attributable to equity holders of the Company	December 31, 2020	Addition	Reduction	June 30, 2021
Item that will not be reclassified to profit or loss				
Including: Changes in fair value of investments in other equity instruments	301	42	(41)	302
Items that may be reclassified to profit or loss				
Including: Other comprehensive income recognised under equity method	462	35	(104)	393
Translation differences arising from translation of foreign currency financial statements	(32,848)	1,464	(3,758)	(35,142)
Others	(43)	-	-	(43)
Total	(32,128)	1,541	(3,903)	(34,490)

54 SUPPLEMENT TO INCOME STATEMENT

Expenses are analysed by nature:

	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Operating income	1,196,581	929,045
Less: Changes in inventories of finished goods and work in progress	12,024	738
Raw materials and consumables used	(820,956)	(627,926)
Employee benefits expenses	(66,828)	(60,746)
Depreciation, depletion and amortisation expenses	(108,355)	(114,387)
Credit losses	(268)	(351)
Asset impairment losses	(474)	(8,151)
Lease expenses	(1,231)	(1,508)
Finance expenses	(9,210)	(13,505)
Other expenses	(112,307)	(122,962)
Operating profit / (loss)	88,976	(19,753)

(All amounts in RMB millions unless otherwise stated)

55 NOTES TO CONSOLIDATED AND COMPANY CASH FLOWS

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

	Group		Company	
	For the six months ended June 30, 2021	For the six months ended June 30, 2020	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Net profit / (loss)	67,816	(23,327)	34,205	(20,748)
Add: Asset impairment losses	474	8,151	36	1,967
Credit losses	268	351	28	139
Depreciation and depletion of fixed assets, oil and gas properties	98,381	104,959	65,850	66,298
Depreciation and depletion of right-of-use assets	5,403	5,730	2,227	3,499
Amortisation of intangible assets	2,499	2,448	2,110	1,992
Amortisation of long-term prepaid expenses	2,072	1,250	1,254	823
Gains on disposal of fixed assets, oil and gas properties, intangible assets and other long-term assets	(461)	(861)	(423)	(856)
Damage or scrapping of fixed assets and oil and gas properties	472	2,308	436	272
Capitalised exploratory costs charged to expense	5,169	4,730	4,816	4,717
Safety fund reserve	1,196	2,067	992	1,394
Finance expense	9,210	13,490	7,695	10,865
Investment income	(26,213)	(1,063)	(13,766)	(17,726)
Changes in deferred taxation	(910)	(4,034)	(788)	(5,639)
(Increase) / decrease in inventories	(40,030)	(1,530)	(17,798)	9,293
Increase in operating receivables	(23,070)	(6,319)	(1,949)	(2,611)
Increase / (decrease) in operating payables	13,758	(29,270)	(1,842)	(314)
Net cash flows from operating activities	116,034	79,080	83,083	53,365

(b) Net change in cash and cash equivalents

	Group		Company	
	For the six months ended June 30, 2021	For the six months ended June 30, 2020	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Cash at the end of the period	154,394	90,335	36,118	19,136
Less: Cash at the beginning of the period	(118,631)	(86,409)	(40,787)	(4,636)
Add: Cash equivalents at the end of the period	-	-	-	-
Less: Cash equivalents at the beginning of the period	-	-	-	-
Increase / (decrease) in cash and cash equivalents	35,763	3,926	(4,669)	14,500

(All amounts in RMB millions unless otherwise stated)

(c) Cash and cash equivalents

	Group		Company	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
Cash at bank and on hand	188,033	145,950	38,118	42,787
Less: Time deposits with maturities over 3 months	(33,639)	(27,319)	(2,000)	(2,000)
Cash and cash equivalents at the end of the period	154,394	118,631	36,118	40,787

56 Leasing

The leases where the Group is a lessee

Right-of-use assets

	December 31,2020	Addition	Reduction	June 30,2021
Cost				
Land	101,849	1,711	(128)	103,432
Buildings	57,337	3,420	(1,147)	59,610
Equipment and Machinery	2,641	936	(58)	3,519
Other	2,195	68	(49)	2,214
Total	164,022	6,135	(1,382)	168,775
Accumulated depreciation				
Land	(6,967)	(1,838)	45	(8,760)
Buildings	(10,839)	(3,214)	696	(13,357)
Equipment and Machinery	(1,166)	(338)	27	(1,477)
Other	(712)	(31)	57	(686)
Total	(19,684)	(5,421)	825	(24,280)
Net book value				
Land	94,882			94,672
Buildings	46,498			46,253
Equipment and Machinery	1,475			2,042
Other	1,483			1,528
Total	144,338			144,495

The lease term of the Group's lease land use right ranges from two to thirty years. The lease underlying assets classified as buildings are mainly the leased gas filling station, oil storage and office building. The lease underlying assets classified as equipment and machinery are mainly drilling equipment, production equipment and other movable equipment.

Depreciation charged to profit or loss provided on right-of-use assets for the six months ended June 30, 2021 was RMB 5,403 (for the six months ended June 30, 2020: RMB 5,730).

(All amounts in RMB millions unless otherwise stated)

Lease liabilities

Item	30 June, 2021	31 December, 2020
Lease liabilities	130,432	129,223
Less: Lease liabilities due within one year (Note 29)	(6,071)	(6,579)
	124,361	122,644

Analysis of the undiscounted cash flow of the lease liability is as follows:

	June 30, 2021	31 December, 2020
Within one year	11,323	11,824
Between one to two years	10,525	10,236
Between two to five years	29,403	29,862
Over five years	153,118	153,967
	204,369	205,889

57 SEGMENT REPORTING

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

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

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

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

The Natural Gas and Pipeline segment is engaged in the transmission and sale of natural gas.

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

(All amounts in RMB millions unless otherwise stated)

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

(1) Operating segments

(a) Segment information as of and for the six months ended June 30, 2021 is as follows:

	Exploration and Production	Refining and Chemicals	Marketing	Natural Gas and Pipeline	Head Office and Other	Total
Revenue	313,009	459,384	962,448	198,205	610	1,933,656
Less: Intersegment revenue	(259,957)	(295,281)	(172,460)	(9,347)	(30)	(737,075)
Revenue from external customers	53,052	164,103	789,988	188,858	580	1,196,581
Segment expenses (i)	(227,417)	(204,305)	(629,758)	(54,098)	(8,749)	(1,124,327)
Segment result	31,803	23,561	6,906	18,158	(8,174)	72,254
Unallocated expenses						16,722
Operating profit						88,976
Depreciation, depletion and amortisation	(84,123)	(11,559)	(8,736)	(3,157)	(780)	(108,355)
Asset impairment losses / (reversal)	463	39	(39)	11	-	474
Credit losses	7	24	187	49	1	268
Capital expenditures	54,078	16,639	1,099	1,806	261	73,883
June 30, 2021						
Segment assets	1,513,214	436,060	568,090	310,467	1,601,060	4,428,891
Other assets						22,756
Elimination of intersegment balances (ii)						(1,919,523)
Total assets						2,532,124
Segment liabilities	625,749	206,855	381,215	111,849	574,042	1,899,710
Other liabilities						62,536
Elimination of intersegment balances (ii)						(823,037)
Total liabilities						1,139,209

(All amounts in RMB millions unless otherwise stated)

(b) Segment information for the six months ended June 30, 2020 and as of December 31, 2020 is as follows:

	Exploration and Production	Refining and Chemicals	Marketing	Natural Gas and Pipeline	Head Office and Other	Total
Revenue	255,450	369,811	749,203	179,341	469	1,554,274
Less: Intersegment revenue	(212,621)	(258,798)	(136,436)	(17,285)	(89)	(625,229)
Revenue from external customers	42,829	111,013	612,767	162,056	380	929,045
Segment expenses (i)	(199,389)	(188,774)	(495,888)	(37,208)	(7,456)	(928,715)
Segment result	11,250	(9,902)	(8,364)	14,370	(7,024)	330
Unallocated expenses						(20,083)
Operating loss						(19,753)
Depreciation, depletion and amortisation	(81,810)	(11,819)	(8,661)	(11,262)	(835)	(114,387)
Asset impairment losses / (reversal)	4,201	203	3,754	(7)	-	8,151
Credit losses / (reversal)	19	(4)	197	139	-	351
Capital expenditures	54,366	6,418	6,491	7,279	207	74,761
December 31, 2020						
Segment assets	1,494,229	433,364	508,232	356,082	1,660,460	4,452,367
Other assets						17,361
Elimination of intersegment balances (ii)						(1,981,328)
Total assets						2,488,400
Segment liabilities	658,521	186,332	321,460	192,456	573,340	1,932,109
Other liabilities						80,114
Elimination of intersegment balances (ii)						(890,708)
Total liabilities						1,121,515

(i) Segment expenses include cost of sales, taxes and surcharges, selling expenses, general and administrative expenses, research and development expenses, and other income.

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

(2) Geographical information

Revenue from external customers	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Chinese Mainland	758,070	560,413
Other	438,511	368,632
	1,196,581	929,045

(All amounts in RMB millions unless otherwise stated)

Non-current assets (i)	June 30, 2021	December 31, 2020
Chinese Mainland	1,780,398	1,789,455
Other	182,026	190,785
	1,962,424	1,980,240

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

58 FINANCIAL RISK MANAGEMENT

1. Financial risk

The Group's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk.

(1) Market risk

Market risk is the possibility that changes in foreign exchange rates, interest rates and the prices of crude oil and gas products will adversely affect the value of assets, liabilities and expected future cash flows.

(a) Foreign exchange risk

The Group conducts its domestic business primarily in RMB, but maintains a portion of its assets in other currencies to pay for imported crude oil, natural gas, imported equipment and other materials and to meet foreign currency financial liabilities. The Group is exposed to currency risks arising from fluctuations in various foreign currency exchange rates against the RMB. The RMB is not a freely convertible currency and is regulated by the PRC government. Limitations on foreign exchange transactions imposed by the PRC government could cause future exchange rates to vary significantly from current or historical exchange rates.

Additionally, the Group operates internationally and foreign exchange risk arises from future acquisitions and commercial transactions, recognised assets and liabilities and net investments in foreign operations. Certain entities in the Group might use currency derivatives to manage such foreign exchange risk.

(b) Interest rate risk

The Group has no significant interest rate risk on interest-bearing assets. The Group's exposure to interest rate risk arises from its borrowings (including debentures payable). The Group's borrowings at floating rates expose the Group to cash flow interest rate risk and its borrowings at fixed rates expose the Group to fair value interest rate risk. However, the exposure to interest rate risk is not material to the Group. A detailed analysis of the Group's borrowings and debentures payable, together with their respective interest rates and maturity dates, is included in Note 30 and 31.

(c) Price risk

The Group is engaged in a wide range of oil and gas products-related activities. Prices of oil and gas products are affected by a wide range of global and domestic factors which are beyond the control of the Group. The fluctuations in such prices may have favourable or unfavourable impacts on the Group.

The Group uses derivative financial instruments, including commodity futures, commodity swaps and commodity options, to hedge some price risks efficiently.

(2) Credit risk

Credit risk arises from cash at bank and on hand and credit exposure to customers with outstanding receivable balances.

A substantial portion of the Group's cash at bank and on hand are placed with the major state-owned banks and financial institutions in China and management believes that the credit risk is low.

The Group performs ongoing assessment of the credit quality of its customers, and sets appropriate credit limits taking into account the financial position and past history of defaults of customers. The aging analysis of accounts receivable and related provision for bad debts are presented in Note 8.

The carrying amounts of cash at bank and on hand, accounts receivable, other receivables and receivables financing included in the consolidated balance sheet represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

The Group has no significant concentration of credit risk.

(3) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

In managing its liquidity risk, the Group has access to funding at market rates through equity and debt markets, including using undrawn committed borrowing facilities to meet foreseeable borrowing requirements.

Given the low level of gearing and continued access to funding, the Group believes that its liquidity risk is not material.

Analysis of the Group's long-term borrowings, debentures payable and lease liabilities based on the remaining period at the balance sheet date to the contractual maturity dates are presented in Note 30, 31 and 56.

(All amounts in RMB millions unless otherwise stated)

2. Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, optimise returns for equity holders and to minimise its cost of capital. In meeting its objectives of managing capital, the Group may issue new shares, adjust its debt levels or the mix between short-term and long-term borrowings.

The Group monitors capital on the basis of the gearing ratio which is calculated as interest-bearing borrowings/(interest-bearing borrowings + total equity), interest-bearing borrowings include short-term and long-term borrowings, debentures payable and ultra-short-term financing bond. The gearing ratio at June 30, 2021 is 21.6% (December 31, 2020: 21.3%).

3. Fair value estimation

The methods and assumptions applied in determining the fair value of each class of financial assets and financial liabilities of the Group at June 30, 2021 and December 31, 2020 are disclosed in the respective accounting policies.

The carrying amounts of the following financial assets and financial liabilities approximate their fair value as all of them are short-term in nature: cash at bank and on hand, accounts receivable, other receivables, notes payable, accounts payable, other payables and short-term borrowings. The fair values of fixed rate long-term borrowings are likely to be different from their respective carrying amounts. Analysis of the fair values and carrying amounts of long-term borrowings and debentures payable are presented in Note 30 and Note 31, respectively.

The investment in other equity instruments and receivables financing are measured at fair value at the balance sheet date. The fair value of the investment in other equity instruments is mainly categorised into level 1 of the fair value hierarchy which are based on the unadjusted quoted prices in active markets for identical assets or liabilities as inputs used in the valuation techniques. The fair value of the receivables financing is mainly categorised into level 3 of the fair value hierarchy, which are short-term bills of acceptance issued by banks, their fair value approximate the face value of the bill.

59 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) Parent Company

(a) General information of parent company

CNPC, the immediate parent of the Company, is a limited liability company directly controlled by the PRC government.

	Type of Legal Entity	Place of incorporation	Legal representative	Principal activities
China National Petroleum Corporation	Limited liability company (wholly state-owned)	PRC	Dai Houliang	Oil and gas exploration and development, refining and petrochemical, oil product marketing, oil and gas storage and transportation, oil trading, construction and technical services and petroleum equipment manufacturing etc.

(All amounts in RMB millions unless otherwise stated)

(b) Equity interest and voting rights of parent company

	June 30, 2021		December 31, 2020	
	Equity interest %	Voting rights %	Equity interest %	Voting rights %
China National Petroleum Corporation	80.41	80.41	80.41	80.41

(2) Subsidiaries

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

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

Names of related parties	Relationship with the Company
PipeChina	Associate
CP Finance	Associate
CNPC Captive Insurance Co., Ltd.	Associate
China National Aviation Fuel Group Limited	Associate
China Marine Bunker (PetroChina) Co., Ltd.	Joint venture
Mangistau Investment B.V.	Joint venture
Trans-Asia Gas Pipeline Co., Ltd.	Joint venture
CNPC Bohai Drilling Engineering Co., Ltd.	Fellow subsidiary of CNPC
CNPC Oriental Geophysical Exploration Co., Ltd.	Fellow subsidiary of CNPC
CNPC Chuanqing Drilling Engineering Co., Ltd.	Fellow subsidiary of CNPC
Daqing Petroleum Administrative Bureau Co., Ltd.	Fellow subsidiary of CNPC
Liaohe Petroleum Exploration Bureau Co., Ltd.	Fellow subsidiary of CNPC
China Petroleum Pipeline Bureau Co., Ltd.	Fellow subsidiary of CNPC
CNPC Transportation Co., Ltd.	Fellow subsidiary of CNPC
CNPC Material Company Co., Ltd.	Fellow subsidiary of CNPC
China National Oil International Exploration and Development Co., Ltd.	Fellow subsidiary of CNPC
China National United Oil Corporation Co., Ltd.	Fellow subsidiary of CNPC

(4) Summary of significant related party transactions

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

On August 25, 2011, on the basis of Comprehensive Products and Services Agreement amended in 2008, the Company and CNPC entered into a new Comprehensive Products and Services Agreement ("the Comprehensive Products and Services Agreement") for a period of three years which took effect on January 1, 2012. The Comprehensive Products and Services Agreement provides for a range of products and services which may be required and requested by either party. The products and services to be provided by CNPC and its fellow subsidiaries to the Group under the Comprehensive Products and Services Agreement include construction and technical services, production services, supply of material services, social services, ancillary services and financial services. The products and services required and requested by either party are provided in accordance with (1) government-prescribed prices; or (2) where there is no government-prescribed price, with reference to relevant market prices; or (3) where neither (1) nor (2) is applicable, the actual cost incurred or the agreed contractual price. On the basis of the existing Comprehensive Products and Services Agreement, the Company and CNPC entered into a new Comprehensive Products and Services Agreement on August 24, 2017 for a period of three years which took effect on January 1, 2018. The new Comprehensive Products and Services Agreement includes all the terms of the existing Comprehensive Products and Services Agreement. On the basis of the existing Comprehensive Products and Services Agreement, the Company and CNPC entered into a new Comprehensive Products and Services Agreement on August 27, 2020 for a period of three years which took effect on January 1, 2021. The new Comprehensive Products and Services Agreement has already incorporated the terms of the current Comprehensive Products and Services Agreement which amended in 2017.

On August 25, 2011, based on the Land Use Rights Leasing Contract signed in 2000, the Company and CNPC entered into a Supplemental Land Use Rights Leasing Contract which took effect on January 1, 2012. The Company and CNPC each issued a confirmation letter to the Land Use Rights Leasing On August 24, 2017, and adjusted area and fee of leasing land. The Company agreed to lease an aggregate area of approximately 1,773 million square meters from CNPC, and adjusted the total fee of land, according to the newly confirmed area of leasing land and the situation of land market. In addition, the annual fee (exclusive of tax and government charges) of land was adjusted to no more than RMB 5,783. Besides area and fee of land, the other lease terms of the Land Use Rights Leasing Contract and Supplemental Land Use Rights Leasing Contract kept the same. The confirmation letter was effective since January 1, 2018. The Company and CNPC each issued a confirmation letter to the Land Use Rights Leasing Contract on August 27, 2020, which adjusted the rental payable and the area for the leased land parcels. The Company agreed to rent from CNPC parcels of land with an aggregate area of approximately 1,142 million square metres with annual rental payable (exclusive of tax and government charges) adjusted to no more than RMB 5,673 in accordance with the area of leased land parcels and the current situation of the property market. The Land Use Rights Leasing Contract shall remain unchanged, apart from the rental payable and the leased area. The confirmation letter shall be effective from January 1, 2021.

On August 25, 2011, based on the Buildings Leasing Contract and Supplemental Building Leasing Agreement, the Company and CNPC entered into a Revised Buildings Leasing Contract which took effective thereafter. On August 24, 2017, the Company and CNPC entered into a New Buildings Leasing Contract which took effect on January 1, 2018. The Revised Buildings Leasing Contract was terminated on the effective date of the New Buildings Leasing Contract. Under this contract, buildings covering an aggregate area of 1,152,968 square meters were leased at rental payable approximately RMB 730. The New Building Leasing Contract will expire at December 31, 2037. On August 27, 2020, based on the Buildings Leasing Contract and Supplemental Building Leasing Agreement, the Company and CNPC each issued a contract which took effect on January 1, 2021. Under this contract, buildings covering an aggregate area of 1,287,486 square meters were leased at annual rental payable approximately RMB 713. The area and total fee payable for the lease of all such property may, every three years, be adjusted with the Company's operating needs and by reference to market price which the adjusted prices will not exceed.

(All amounts in RMB millions unless otherwise stated)

	Notes	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Sales of goods and services rendered to CNPC and its subsidiaries	(1)	34,845	32,839
Purchase of goods and services from CNPC and its subsidiaries:			
Fees paid for construction and technical services	(2)	49,696	39,579
Fees for production services	(3)	54,769	47,944
Social services charges	(4)	700	578
Ancillary services charges	(5)	506	419
Material supply services	(6)	4,356	4,625
Financial services			
Interest income	(7)	67	130
Interest expense	(8)	1,923	3,906
Other financial services expense	(9)	1,132	707
Rental and other expenses paid to CNPC and its subsidiaries	(10)	3,123	4,158
Purchases of assets from CNPC and its subsidiaries	(11)	182	430

Notes:

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

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

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

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

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

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

(7) The bank deposits in CNPC and its fellow subsidiaries as of June 30, 2021 were RMB 44,449 (December 31, 2020: RMB 40,377).

(8) The loans from CNPC and its fellow subsidiaries including long-term borrowings, long-term borrowings due within one year and short-term borrowings as of June 30, 2021 were RMB 92,427 (December 31, 2020: RMB 96,298).

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

(10) Rental and other expenses paid to CNPC and its subsidiaries refer to: 1) Rental was calculated and paid in accordance with the Building and Land Use Rights leasing contract between the Group and CNPC. 2) Rents and other payments (including all rents, leasing service fees and prices for exercising purchase options) were paid according to other lease agreements entered in to by the Group and CNPC and its fellow subsidiaries.

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

(All amounts in RMB millions unless otherwise stated)

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

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

	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Sales of goods		
- Crude Oil	5,264	2,631
- Refined products	13,402	10,971
- Chemical products	301	585
- Natural Gas	2,459	-
Sales of services	25	23
Purchases of goods	12,382	11,406
Purchases of services	34,520	895

(5) Commissioned loans

The Company and its subsidiaries commissioned CP Finance and other financial institutions to provide loans to each other, charging interest in accordance with the prevailing interest rates. Loans between the Company and its subsidiaries have been eliminated in the consolidated financial statements. As of June 30, 2021, the eliminated commissioned loans include the loans provided by the Company to its subsidiaries amounted to RMB 168 (December 31, 2020: RMB 655) and the loans provided to the Company by its subsidiaries amounted to RMB 16,817 (December 31, 2020:RMB 19,185).

(6) Guarantees

CNPC and its subsidiaries provided guarantees of part of loans and debentures for the Group, see Note 29, Note 30 and Note 31.

(7) Receivables and payables with related parties

(a) Receivables from related parties

	June 30, 2021	December 31, 2020
CNPC and its subsidiaries		
Accounts receivable	5,365	7,814
Advances to suppliers	13,814	11,497
Other receivables	5,533	4,380
Other non-current assets	14,633	8,670
Associates and joint ventures		
Accounts receivable	1,427	842
Advances to suppliers	7	314
Other receivables	816	7,926
Other current assets	11,466	10,946
Other non-current assets	5,137	6,581

As of June 30, 2021, the provisions for bad debts of the receivables from related parties amounted to RMB 537 (December 31, 2020: RMB 5).

As of June 30, 2021, the receivables from related parties represented 33% (December 31, 2020: 42%) of total receivables.

(b) Payables to related parties

	June 30, 2021	December 31, 2020
CNPC and its subsidiaries		
Notes payable	457	992
Accounts payable	41,761	48,967
Other payables	24,573	11,159
Contract liabilities	590	2,671
Lease liabilities (including lease liabilities due within one year)	101,728	99,725
Associates and joint ventures		
Accounts payable	5,020	2,930
Other payables	151	3,214
Contract liabilities	19	21

As of June 30, 2021, the payables to related parties represented 32% (December 31, 2020: 33%) of total payables.

(8) Key management personnel compensation

	For the six months ended June 30, 2021 RMB'000	For the six months ended June 30, 2020 RMB'000
Key management personnel compensation	4,507	4,429

60 CONTINGENT LIABILITIES

(1) Bank and other guarantees

As of June 30, 2021 and December 31, 2020, the Group did not guarantee related parties or third parties any significant borrowings or others.

(2) Environmental liabilities

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

(All amounts in RMB millions unless otherwise stated)

(3) Legal contingencies

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

(4) Group insurance

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

61 COMMITMENTS

(1) Capital commitments

As of June 30, 2021, the Group's capital commitments contracted but not provided for were RMB 398 (December 31, 2020: RMB 714).

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

(2) Exploration and production licenses

The Company is obligated to make annual payments with respect to its exploration and production licenses to the Ministry of Natural Resources. Payments incurred were RMB 64 for the six months ended June 30, 2021 (six months ended June 30, 2020: nil).

Pursuant to the prevailing policies, estimated annual payments for the next five years are as follows:

	June 30, 2021
Within one year	500
Between one and two years	500
Between two and three years	500
Between three and four years	500
Between four and five years	500

(All amounts in RMB millions unless otherwise stated)

FINANCIAL STATEMENTS SUPPLEMENTARY INFORMATION

1 NON-RECURRING PROFIT/LOSS ITEMS

	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Net losses on disposal of non-current assets	(11)	(1,447)
Government grants recognised in the income statement	370	198
Reversal of provisions for bad debts against receivables	18	16
Net gains arising from the disposal of the subsidiaries	18,617	393
Other non-operating income and expenses	(1,858)	3,340
	17,136	2,500
Tax impact of non-recurring profit/loss items	(1,839)	(685)
Impact of non-controlling interests	(7,492)	(11)
Total	7,805	1,804

2 SIGNIFICANT DIFFERENCES BETWEEN IFRS AND CAS

The consolidated net profit for the six months under IFRS and CAS were RMB 67,817 and RMB 67,816 respectively, with a difference of RMB 1; the consolidated shareholders' equity as of June 30, 2021 under IFRS and CAS were RMB 1,392,652 and RMB 1,392,915 respectively, with a difference of RMB 263. These differences under the different accounting standards were primarily due to the revaluation for assets other than fixed assets and oil and gas properties revalued in 1999.

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

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2021 and June 30, 2020

(All amounts in RMB millions unless otherwise stated)

	Notes	Six months ended June 30	
		2021	2020
		RMB	RMB
REVENUE	4	1,196,581	929,045
OPERATING EXPENSES			
Purchases, services and other		(808,932)	(627,188)
Employee compensation costs		(66,828)	(60,746)
Exploration expenses, including exploratory dry holes		(11,141)	(10,569)
Depreciation, depletion and amortisation		(108,355)	(114,388)
Selling, general and administrative expenses		(30,326)	(29,883)
Taxes other than income taxes	5	(102,411)	(98,931)
Other income net		19,875	6,617
TOTAL OPERATING EXPENSES		(1,108,118)	(935,088)
PROFIT / (LOSS) FROM OPERATIONS		88,463	(6,043)
FINANCE COSTS			
Exchange gain		7,807	6,409
Exchange loss		(7,772)	(5,966)
Interest income		1,279	1,396
Interest expense		(10,194)	(14,886)
TOTAL NET FINANCE COSTS		(8,880)	(13,047)
SHARE OF PROFIT OF ASSOCIATES AND JOINT VENTURES		7,433	570
PROFIT / (LOSS) BEFORE INCOME TAX EXPENSE	6	87,016	(18,520)
INCOME TAX EXPENSE	7	(19,199)	(4,804)
PROFIT / (LOSS) FOR THE PERIOD		67,817	(23,324)
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified to profit or loss			
Fair value changes in equity investment measured at fair value through other comprehensive income		15	(64)
Items that are or may be reclassified subsequently to profit or loss			
Currency translation differences		(3,128)	(444)
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method		(69)	75
OTHER COMPREHENSIVE INCOME, NET OF TAX		(3,182)	(433)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		64,635	(23,757)
PROFIT / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		53,037	(29,983)
Non-controlling interests		14,780	6,659
		67,817	(23,324)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		50,675	(31,297)
Non-controlling interests		13,960	7,540
		64,635	(23,757)
BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (RMB)	8	0.290	(0.164)

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

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As of June 30, 2021 and December 31, 2020

(All amounts in RMB millions unless otherwise stated)

	Notes	June 30, 2021	December 31, 2020
		RMB	RMB
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,418,990	1,452,091
Investments in associates and joint ventures		257,500	250,603
Equity investments measured at fair value through other comprehensive income		909	902
Right-of-use assets		208,840	209,786
Intangible and other non-current assets		74,879	67,494
Deferred tax assets		13,599	11,364
Time deposits with maturities over one year		10,049	9,119
TOTAL NON-CURRENT ASSETS		1,984,766	2,001,359
CURRENT ASSETS			
Inventories	11	168,562	128,539
Accounts receivable	12	73,280	52,325
Prepayments and other current assets		111,500	109,262
Notes receivable		5,710	8,076
Time deposits with maturities over three months but within one year		33,639	27,319
Cash and cash equivalents		154,394	118,631
Assets held for sale		-	42,615
TOTAL CURRENT ASSETS		547,085	486,767
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	13	348,041	316,140
Contract liabilities		88,467	91,477
Income taxes payable		5,727	3,730
Other taxes payable		39,361	59,994
Short-term borrowings	14	114,974	117,542
Lease liabilities		6,071	6,579
Liabilities directly associated with the assets held for sale		-	9,956
TOTAL CURRENT LIABILITIES		602,641	605,418
NET CURRENT LIABILITIES		(55,556)	(118,651)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,929,210	1,882,708
EQUITY			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY:			
Share capital		183,021	183,021
Retained earnings		764,992	727,955
Reserves		303,452	304,182
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		1,251,465	1,215,158
NON-CONTROLLING INTERESTS		141,187	151,463
TOTAL EQUITY		1,392,652	1,366,621
NON-CURRENT LIABILITIES			
Long-term borrowings	14	267,758	251,379
Asset retirement obligations		117,627	114,819
Lease liabilities		124,361	122,644
Deferred tax liabilities		17,438	16,380
Other long-term obligations		9,374	10,865
TOTAL NON-CURRENT LIABILITIES		536,558	516,087
TOTAL EQUITY AND NON-CURRENT LIABILITIES		1,929,210	1,882,708

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

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2021 and June 30, 2020

(All amounts in RMB millions unless otherwise stated)

	Six months ended June 30	
	2021	2020
	RMB	RMB
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit /(loss) for the period	67,817	(23,324)
Adjustments for:		
Income tax expense	19,199	4,804
Depreciation, depletion and amortisation	108,355	114,388
Capitalised exploratory costs charged to expense	5,169	4,730
Safety fund reserve	1,196	2,067
Share of profit of associates and joint ventures	(7,433)	(570)
Accrual of provision for impairment of receivables, net	268	351
Write down in inventories, net	7	8,148
Impairment of other non-current assets	467	-
Loss on disposal and scrap of property, plant and equipment	249	2,283
Gain on disposal and scrap of other non-current assets	(238)	(836)
Gain on disposal of subsidiaries	(18,617)	(393)
Dividend income	(15)	(18)
Interest income	(1,279)	(1,396)
Interest expense	10,194	14,886
Changes in working capital:		
Accounts receivable, prepayments and other current assets	(23,070)	(6,319)
Inventories	(40,030)	(1,530)
Accounts payable and accrued liabilities	18,077	(31,850)
Contract liabilities	(3,010)	9,886
CASH FLOWS GENERATED FROM OPERATIONS	137,306	95,307
Income taxes paid	(21,272)	(16,227)
NET CASH FLOWS FROM OPERATING ACTIVITIES	116,034	79,080

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

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

For the six months ended June 30, 2021 and June 30, 2020

(All amounts in RMB millions unless otherwise stated)

	Six months ended June 30	
	2021	2020
	RMB	RMB
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(111,369)	(105,398)
Acquisition of investments in associates and joint ventures	(387)	(1,411)
Prepayments on long-term leases	(74)	(1,619)
Acquisition of intangible assets and other non-current assets	(281)	(2,242)
Acquisition of subsidiaries	-	(76)
Proceeds from disposal of property, plant and equipment	760	123
Proceeds from disposal of other non-current assets	335	85
Proceeds from disposal of investments and investments in associates	33,457	-
Interest received	1,050	1,167
Dividends received	8,957	1,166
Increase in time deposits with maturities over three months	(7,250)	(2,571)
NET CASH FLOWS USED FOR INVESTING ACTIVITIES	(74,802)	(110,776)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(377,257)	(418,212)
Repayments of long-term borrowings	(37,803)	(97,604)
Repayments of lease liabilities	(5,970)	(6,970)
Interest paid	(8,444)	(10,125)
Dividends paid to non-controlling interests	(3,778)	(7,768)
Dividends paid to owners of the Company	(1,308)	(1,071)
Cash paid to acquire non-controlling interests	-	(2)
Increase in short-term borrowings	346,861	432,515
Increase in long-term borrowings	83,141	143,723
Cash contribution from non-controlling interests	4	143
NET CASH FLOWS (USED FOR) / FROM FINANCING ACTIVITIES	(4,554)	34,629
TRANSLATION OF FOREIGN CURRENCY	(915)	993
Increase in cash and cash equivalents	35,763	3,926
Cash and cash equivalents at beginning of the period	118,631	86,409
Cash and cash equivalents at end of the period	154,394	90,335

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

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

For the six months ended June 30, 2021 and June 30, 2020

(All amounts in RMB millions unless otherwise stated)

	Attributable to Owners of the Company				Non-controlling Interests	Total Equity
	Share Capital	Retained Earnings	Reserves	Subtotal		
	RMB	RMB	RMB	RMB	RMB	RMB
Balance at January 1, 2020	183,021	743,124	304,011	1,230,156	214,149	1,444,305
(Loss) / profit for the six months ended June 30, 2020	-	(29,983)	-	(29,983)	6,659	(23,324)
Other comprehensive income for the six months ended June 30, 2020	-	-	(1,314)	(1,314)	881	(433)
Special reserve-safety fund reserve	-	-	1,926	1,926	141	2,067
Dividends	-	(12,081)	-	(12,081)	(10,481)	(22,562)
Transaction with non-controlling interests in subsidiaries	-	-	-	-	(2)	(2)
Capital contribution from non-controlling interests	-	-	-	-	143	143
Disposal of subsidiaries	-	-	1	1	(62)	(61)
Other	-	(8)	50	42	220	262
Balance at June 30, 2020	183,021	701,052	304,674	1,188,747	211,648	1,400,395
Balance at January 1, 2021	183,021	727,955	304,182	1,215,158	151,463	1,366,621
Profit for the six months ended June 30, 2021	-	53,037	-	53,037	14,780	67,817
Other comprehensive income for the six months ended June 30, 2021	-	-	(2,362)	(2,362)	(820)	(3,182)
Special reserve-safety fund reserve	-	-	1,129	1,129	67	1,196
Dividends	-	(16,000)	-	(16,000)	(13,315)	(29,315)
Capital contribution from non-controlling interests	-	-	-	-	901	901
Disposal of subsidiaries	-	-	-	-	(12,270)	(12,270)
Other	-	-	503	503	381	884
Balance at June 30, 2021	183,021	764,992	303,452	1,251,465	141,187	1,392,652

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

1 ORGANISATION AND PRINCIPAL ACTIVITIES

PetroChina Company Limited (the "Company") was established as a joint stock company with limited liability on November 5, 1999 by 中國石油天然氣集團公司 (China National Petroleum Corporation ("CNPC")) as the sole proprietor in accordance with the approval Guo Jing Mao Qi Gai [1999] No. 1024 "Reply on the approval of the establishment of PetroChina Company Limited" from the former State Economic and Trade Commission of the People's Republic of China ("China" or "PRC"). CNPC restructured ("the Restructuring") and injected its core business and the related assets and liabilities into the Company. 中國石油天然氣集團公司 was renamed 中國石油天然氣集團有限公司 (CNPC before and after the change of name) on December 19, 2017. CNPC is a wholly state-owned company registered in China. The Company and its subsidiaries are collectively referred to as the "Group".

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these new or amended standards. The accounting policies and methods of computation applied in the preparation of the interim financial statements are consistent with those of the consolidated financial statements for the year ended December 31, 2020, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The interim financial statements as of June 30, 2021 and for the six months ended June 30, 2021 and June 30, 2020 included herein are unaudited but reflect, in the opinion of the Board of Directors, all adjustments (which generally includes only normal recurring adjustments) necessary to properly prepare the interim financial statements, in all material respects, in accordance with IAS 34. The results of operations for the six months ended June 30, 2021 are not necessarily indicative of the results of operations expected for the year ending December 31, 2021.

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

(a) Estimation of oil and gas reserves

Estimates of oil and natural gas reserves are key elements in the Group's investment decision-making process. They are also important elements in testing for impairment. Changes in proved oil and gas reserves, particularly proved developed reserves, will affect unit-of-production depreciation, depletion and amortisation recorded in the Group's consolidated financial statements for property, plant and equipment related to oil and gas production activities. A reduction in proved developed reserves will increase depreciation, depletion and amortisation charges. Proved oil and gas reserves estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms, evolution of technology or development plans, etc.

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

Property, plant and equipment, including oil and gas properties, are reviewed for possible impairments when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination as to whether and how much an asset is impaired involves management estimates and judgements such as the future price of crude oil, natural gas refined and chemical products, the operation costs, the product mix, production volumes, production profile and the oil and gas reserves. The impairment reviews and calculations are based on assumptions that are consistent with the Group's business plans taking into account current economic conditions. Favourable changes to some assumptions, may allow the Group to avoid the need to impair any assets or make it necessary to reverse an impairment loss recognised in prior periods, whereas unfavourable changes may cause the assets to become impaired. For example, when the assumed future price and production profile of crude oil used for the expected future cash flows are different from the actual price and production profile of crude oil respectively experienced in future, the Group may either over or under recognise the impairment losses for certain assets.

(c) Estimation of impairment of goodwill

The recoverable amount cash-generating unit containing goodwill is the greater of its value in use and the fair value less costs to sell. It is difficult to precisely estimate selling price of the Group's long-lived assets because quoted market prices for such assets may not be readily available. In determining the value in use, expected future cash flows generated by the assets are discounted to their present value, which requires significant judgement relating to forecast sales volume, selling price and operating costs, and discount rate. Management uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions. Changes to key assumptions can significantly affect the result of the impairment assessment of goodwill.

(d) Estimation of asset retirement obligations

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

(e) Deferred tax assets

According to the requirements of the competent tax authority, the Company paid income taxes of its branches in the Eastern and Western China Regions in aggregate. The tax losses recorded by the branches in the Eastern China Region has given rise to deferred tax assets, which are expected to be recoverable from future taxable profits generated by the branches in the Eastern China Region. Any policy adjustments may increase or decrease the amount of income tax expenses of the Company.

(All amounts in RMB millions unless otherwise stated)

4 REVENUE

Revenue represents revenues from the sale of crude oil, natural gas, refined products and chemical products and from the transmission of crude oil, refined products and natural gas. The revenue information for the period ended June 30, 2021 and 2020 are as follows:

For the six months ended June 30, 2021 Type of Contract	Exploration and Production	Refining and Chemicals	Marketing	Natural Gas and Pipeline	Head Office and Other	Total
Type of goods and services						
Crude oil	199,754	-	330,181	-	-	529,935
Natural gas	65,962	-	114,837	180,603	-	361,402
Refined products	-	363,646	482,180	-	-	845,826
Chemical products	-	92,483	21,013	-	-	113,496
Pipeline transportation business	-	-	-	3,436	-	3,436
Non-oil sales in gas stations	-	-	13,430	-	-	13,430
Others	47,189	3,174	596	14,116	604	65,679
Intersegment elimination	(259,957)	(295,281)	(172,460)	(9,347)	(30)	(737,075)
Revenue from contracts with customers	52,948	164,022	789,777	188,808	574	1,196,129
Other revenue						452
Total						1,196,581
Geographical Region						
Chinese mainland	29,740	164,022	374,477	188,808	574	757,621
Others	23,208	-	415,300	-	-	438,508
Revenue from contracts with customers	52,948	164,022	789,777	188,808	574	1,196,129
Other revenue						452
Total						1,196,581

Contract revenue primarily represents revenue from the sales of crude oil, natural gas, refined petroleum products and chemical products, which are mainly recognised at a point in time.

PETROCHINA COMPANY LIMITED
NOTES TO THE UNAUDITED CONSOLIDATED
INTERIM CONDENSED FINANCIAL STATEMENTS
For the six months ended June 30, 2021
(All amounts in RMB millions unless otherwise stated)

For the six months ended June 30, 2020 Type of Contract	Exploration and Production	Refining and Chemicals	Marketing	Natural Gas and Pipeline	Head Office and Other	Total
Type of goods and services						
Crude oil	158,463	-	231,701	-	-	390,164
Natural gas	60,737	-	90,813	136,071	-	287,621
Refined products	-	298,095	402,271	-	-	700,366
Chemical products	-	68,712	12,750	-	-	81,462
Pipeline transportation business	-	-	-	33,462	-	33,462
Non-oil sales in gas stations	-	-	11,151	-	-	11,151
Others	36,162	2,936	443	9,564	456	49,561
Intersegment elimination	(212,621)	(258,798)	(136,436)	(17,285)	(89)	(625,229)
Revenue from contracts with customers	42,741	110,945	612,693	161,812	367	928,558
Other revenue						487
Total						929,045
Geographical Region						
Chinese mainland	13,050	110,945	273,758	161,812	367	559,932
Others	29,691	-	338,935	-	-	368,626
Revenue from contracts with customers	42,741	110,945	612,693	161,812	367	928,558
Other revenue						487
Total						929,045

5 TAXES OTHER THAN INCOME TAXES

	Six months ended June 30	
	2021	2020
	RMB	RMB
Consumption tax	73,356	73,377
Resource tax	11,016	9,393
Urban and township land use tax	1,931	1,863
Crude oil special gain levy	197	178
Other	15,911	14,120
	102,411	98,931

(All amounts in RMB millions unless otherwise stated)

6 PROFIT / (LOSS) BEFORE INCOME TAX EXPENSE

	Six months ended June 30	
	2021	2020
	RMB	RMB
Items credited and charged in arriving at the profit before income tax expense include:		
Credited		
Dividend income from equity investment measured at fair value through other comprehensive income	15	18
Reversal of provision for impairment of receivables	18	16
Reversal of write down in inventories	60	39
Gain on disposal of investment in subsidiaries	18,617	393
Charged		
Amortisation of intangible and other assets	2,902	2,342
Depreciation and impairment losses:		
Owned property, plant and equipment	98,847	104,962
Right-of-use assets	6,606	7,084
Cost of inventories recognised as expense	946,499	759,624
Provision for impairment of receivables	286	367
Interest expense (i)	10,194	14,886
Loss on disposal of property, plant and equipment	249	2,283
Variable lease payments, low-value and short-term lease payment not included in the measurement of lease liabilities	1,231	1,508
Research and development expenses	8,288	6,775
Write down in inventories	67	8,187
(i) Interest expense		
Interest expense	10,698	15,346
Include: Interest on lease liabilities	2,651	3,440
Less: Amount capitalised	(504)	(460)
	10,194	14,886

7 INCOME TAX EXPENSE

	Six months ended June 30	
	2021	2020
	RMB	RMB
Current taxes	20,109	8,838
Deferred taxes	(910)	(4,034)
	19,199	4,804

(All amounts in RMB millions unless otherwise stated)

In accordance with the relevant PRC income tax rules and regulations, the PRC corporate income tax rate applicable to the Group is principally 25%. In accordance with the Circular jointly issued by the MOF, the General Administration of Customs of the PRC and the SAT on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategy (Cai Shui [2011] No.58), the corporate income tax for the enterprises engaging in the encouraged industries in the Western China Region is charged at a preferential corporate income tax rate of 15% from January 1, 2011 to December 31, 2020. Certain branches and subsidiaries of the Company in the Western China Region obtained the approval for the use of the preferential corporate income tax rate of 15%. On April 23, 2020, the MOF, the SAT and the NDRC issued the Notice on Continuing the Income Tax Policy for Western Development (Notice No.23 of 2020 of the MOF, the SAT, the NDRC), the corporate income tax for the enterprises engaging in the encouraged industries in the Western China Region is charged at a preferential corporate income tax rate of 15% from January 1, 2021 to December 31, 2030.

8 BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE

Basic and diluted earnings per share for the six months ended June 30, 2021 and June 30, 2020 have been computed by dividing profit attributable to owners of the Company by 183,021 million shares issued and outstanding during the period.

There are no potentially dilutive ordinary shares.

9 DIVIDENDS

	Six months ended June 30	
	2021	2020
	RMB	RMB
Interim dividends attributable to owners of the Company for 2021 (a)	23,866	-
Interim dividends attributable to owners of the Company for 2020 (c)	-	16,000

(a) As authorised by shareholders in the Annual General Meeting on June 10, 2021, the Board of Directors resolved to distribute interim dividends attributable to owners of the Company in respect of 2021 of RMB 0.13040 yuan per share amounting to a total of RMB 23,866 on August 25, 2021. The dividends were not paid by the end of the reporting period, and were not recognised as liability at the end of the reporting period, as they were declared after the date of the statement of financial position.

(b) Final dividends attributable to owners of the Company in respect of 2020 of RMB 0.08742 yuan per share amounting to a total of RMB 16,000 were approved by the shareholders in the Annual General Meeting on June 10, 2021, and were paid on or before July 30, 2021.

(c) Interim dividends attributable to owners of the Company in respect of 2020 of RMB 0.08742 yuan per share amounted to a total of RMB 16,000, and were paid on or before November 13, 2020.

(d) Final dividends attributable to owners of the Company in respect of 2019 of RMB 0.06601 yuan per share amounting to a total of RMB 12,081 and were approved by the shareholders in the Annual General Meeting on June 11, 2020, and were paid on or before July 31, 2020.

(All amounts in RMB millions unless otherwise stated)

10 PROPERTY, PLANT AND EQUIPMENT

	RMB
Cost	
At January 1, 2021	3,648,030
Additions	72,736
Disposals or write offs	(10,558)
Currency translation differences	(1,817)
At June 30, 2021	3,708,391
Accumulated depreciation and impairment	
At January 1, 2021	(2,195,939)
Charge for the period and others	(98,594)
Disposals or write offs	3,347
Currency translation differences	1,785
At June 30, 2021	(2,289,401)
Net book value	
At June 30, 2021	1,418,990

	RMB
Cost	
At January 1, 2020	3,985,598
Additions	84,839
Disposals or write offs	(18,910)
Currency translation differences	(1,219)
At June 30, 2020	4,050,308
Accumulated depreciation and impairment	
At January 1, 2020	(2,202,374)
Charge for the period and others	(110,785)
Disposals or write offs	7,455
Currency translation differences	1,038
At June 30, 2020	(2,304,666)
Net book value	
At June 30, 2020	1,745,642

PETROCHINA COMPANY LIMITED
NOTES TO THE UNAUDITED CONSOLIDATED
INTERIM CONDENSED FINANCIAL STATEMENTS
For the six months ended June 30, 2021
(All amounts in RMB millions unless otherwise stated)

11 INVENTORIES

	June 30, 2021	December 31, 2020
	RMB	RMB
Crude oil and other raw materials	63,753	35,855
Work in progress	13,848	12,387
Finished goods	91,255	80,739
Spare parts and consumables	84	75
	168,940	129,056
Less: Write down in inventories	(378)	(517)
	168,562	128,539

12 ACCOUNTS RECEIVABLE

	June 30, 2021	December 31, 2020
	RMB	RMB
Accounts receivable	74,704	53,465
Less: Provision for impairment of accounts receivable	(1,424)	(1,140)
	73,280	52,325

The aging analysis of accounts receivable (net of impairment of accounts receivable) based on the invoice date (or date of revenue recognition, if earlier), as of June 30, 2021 and December 31, 2020 is as follows:

	June 30, 2021	December 31, 2020
	RMB	RMB
Within 1 year	72,349	51,641
Between 1 and 2 years	537	374
Between 2 and 3 years	221	209
Over 3 years	173	101
	73,280	52,325

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

(All amounts in RMB millions unless otherwise stated)

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

	Six months ended June 30	
	2021	2020
	RMB	RMB
At beginning of the period	1,140	2,431
Provision for impairment of accounts receivable	274	367
Receivables written off as uncollectible	-	(1)
Reversal of provision for impairment of accounts receivable	(17)	(8)
Other	27	-
At end of the period	1,424	2,789

13 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2021	December 31, 2020
	RMB	RMB
Trade payables	137,141	113,119
Salaries and welfare payable	12,567	8,649
Dividends payable	25,181	952
Interests payable	1,630	4,034
Construction fee and equipment cost payables	78,376	107,199
Other (i)	93,146	82,187
	348,041	316,140

(i) Other consists primarily of notes payables, insurance payable, etc.

The aging analysis of trade payables as of June 30, 2021 and December 31, 2020 is as follows:

	June 30, 2021	December 31, 2020
	RMB	RMB
Within 1 year	128,921	104,812
Between 1 and 2 years	1,703	1,696
Between 2 and 3 years	1,313	2,342
Over 3 years	5,204	4,269
	137,141	113,119

(All amounts in RMB millions unless otherwise stated)

14 BORROWINGS

	June 30, 2021	December 31, 2020
	RMB	RMB
Short-term borrowings excluding current portion of long-term borrowings	82,195	42,354
Current portion of long-term borrowings	32,779	75,188
	114,974	117,542
Long-term borrowings	267,758	251,379
	382,732	368,921

The movements in borrowings are analysed as follows:

	RMB
Balance at January 1, 2021	368,921
Increase in borrowings	430,002
Decrease in borrowings	(415,060)
Currency translation differences	(1,131)
Balance at June 30, 2021	382,732

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

	June 30, 2021	December 31, 2020
	RMB	RMB
Within 1 year	121,681	124,777
Between 1 and 2 years	37,330	53,526
Between 2 and 5 years	218,749	188,012
After 5 years	31,630	27,894
	409,390	394,209

15 SEGMENT INFORMATION

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

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

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

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

The Natural Gas and Pipeline segment is engaged in the transmission and sale of natural gas.

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

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

(All amounts in RMB millions unless otherwise stated)

The segment information for the operating segments for the six months ended June 30, 2021 and 2020 is as follows:

Six months ended June 30, 2021	Exploration and Production	Refining and Chemicals	Marketing	Natural Gas and Pipeline	Head Office and Other	Total
	RMB	RMB	RMB	RMB	RMB	RMB
Revenue	313,009	459,384	962,448	198,205	610	1,933,656
Less: intersegment sales	(259,957)	(295,281)	(172,460)	(9,347)	(30)	(737,075)
Revenue from external customers	53,052	164,103	789,988	188,858	580	1,196,581
Depreciation, depletion and amortisation	(84,123)	(11,559)	(8,736)	(3,157)	(780)	(108,355)
Profit / (loss) from operations	30,870	22,185	6,640	36,888	(8,120)	88,463
Finance costs:						
Exchange gain						7,807
Exchange loss						(7,772)
Interest income						1,279
Interest expense						(10,194)
Total net finance costs						(8,880)
Share of profit of associates and joint ventures	1,775	31	851	3,647	1,129	7,433
Profit before income tax expense						87,016
Income tax expense						(19,199)
Profit for the period						67,817
Capital expenditures	54,078	16,639	1,099	1,806	261	73,883
June 30, 2021						
Segment assets	1,469,902	434,693	548,913	145,918	1,571,691	4,171,117
Other assets						22,756
Investments in associates and joint ventures	43,099	1,314	19,168	164,549	29,370	257,500
Elimination of intersegment balances (a)						(1,919,522)
Total assets						2,531,851
Segment liabilities	625,749	206,855	381,215	111,849	574,042	1,899,710
Other liabilities						62,526
Elimination of intersegment balances (a)						(823,037)
Total liabilities						1,139,199

(All amounts in RMB millions unless otherwise stated)

Six months ended June 30, 2020	Exploration and Production	Refining and Chemicals	Marketing	Natural Gas and Pipeline	Head Office and Other	Total
	RMB	RMB	RMB	RMB	RMB	RMB
Revenue	255,450	369,811	749,203	179,341	469	1,554,274
Less: intersegment sales	(212,621)	(258,798)	(136,436)	(17,285)	(89)	(625,229)
Revenue from external customers	42,829	111,013	612,767	162,056	380	929,045
Depreciation, depletion and amortisation	(81,813)	(11,813)	(8,664)	(11,263)	(835)	(114,388)
Profit / (loss) from operations	10,351	(10,540)	(12,892)	14,372	(7,334)	(6,043)
Finance costs:						
Exchange gain						6,409
Exchange loss						(5,966)
Interest income						1,396
Interest expense						(14,886)
Total net finance costs						(13,047)
Share of (loss) / profit of associates and joint ventures	(103)	32	(956)	236	1,361	570
Loss before income tax expense						(18,520)
Income tax expense						(4,804)
Loss for the period						(23,324)
Capital expenditures	54,366	6,418	6,491	7,279	207	74,761
December 31, 2020						
Segment assets	1,452,554	432,022	489,984	195,353	1,631,577	4,201,490
Other assets						17,361
Investments in associates and joint ventures	41,461	1,289	18,239	160,730	28,884	250,603
Elimination of intersegment balances (a)						(1,981,328)
Total assets						2,488,126
Segment liabilities	658,521	186,332	321,460	192,456	573,340	1,932,109
Other liabilities						80,104
Elimination of intersegment balances (a)						(890,708)
Total liabilities						1,121,505

(All amounts in RMB millions unless otherwise stated)

Geographical information

	Revenue		Non-current assets (b)	
	Six months ended June 30, 2021	Six months ended June 30, 2020	June 30, 2021	December 31, 2020
	RMB	RMB	RMB	RMB
Chinese Mainland	758,070	560,413	1,780,133	1,789,349
Other	438,511	368,632	182,026	190,625
	1,196,581	929,045	1,962,159	1,979,974

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

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

16 CONTINGENT LIABILITIES

(a) Bank and other guarantees

At June 30, 2021 and December 31, 2020, the Group did not guarantee related parties or third parties any significant borrowings or others.

(b) Environmental liabilities

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

(c) Legal contingencies

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

(d) Group insurance

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

(All amounts in RMB millions unless otherwise stated)

17 COMMITMENTS

(a) Capital commitments

At June 30, 2021, the Group's capital commitments contracted but not provided for mainly relating to property, plant and equipment were RMB 398 (December 31, 2020: RMB 714).

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

(b) Exploration and production licenses

The Company is obligated to make annual payments with respect to its exploration and production licenses to the Ministry of Natural Resources. Payments incurred were RMB 64 for the six months ended June 30, 2021 (six months ended June 30, 2020: nil).

According to the current policy, estimated annual payments for the next five years are as follows:

	June 30, 2021	June 30, 2020
	RMB	RMB
Within one year	500	800
Between one and two years	500	800
Between two and three years	500	800
Between three and four years	500	800
Between four and five years	500	800

18 RELATED PARTY TRANSACTIONS

CNPC, the controlling shareholder of the Company, is a limited liability company directly controlled by the PRC government.

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

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

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

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

On August 25, 2011, based on the terms of the Comprehensive Products and Services Agreement amended in 2008, the Company and CNPC entered into a new Comprehensive Products and Services Agreement ("the Comprehensive Products and Services Agreement") for a period of three years which took effect on January 1, 2012. The Comprehensive Products and Services Agreement provides for a range of products and services which may be required and requested by either party. The products and services to be provided by CNPC and its fellow subsidiaries to the Group under the Comprehensive Products and Services Agreement include construction and technical services, production services, supply of material services, social services, ancillary services and financial services. The products and services required and requested by either party are provided in accordance with (1) government-prescribed prices; or (2) where there is no government-prescribed price, with reference to relevant market prices; or (3) where neither (1) nor (2) is applicable, the actual cost incurred or the agreed contractual price. On the basis of the existing Comprehensive Products and Services Agreement, the Company and CNPC entered into a new Comprehensive Products and Services Agreement on August 24, 2017 for a period of three years which took effect on January 1, 2018. The new Comprehensive Products and Services Agreement has already incorporated the terms of the current Comprehensive Products and previous Services Agreement. On the basis of the existing Comprehensive Products and Services Agreement, the Company and CNPC entered into a new Comprehensive Products and Services Agreement on August 27, 2020 for a period of three years which took effect on January 1, 2021. The new Comprehensive Products and Services Agreement has already incorporated the terms of the current Comprehensive Products and Services Agreement which amended in 2017.

On August 25, 2011, based on the Land Use Rights Leasing Contract signed in 2000, the Company and CNPC entered into a Supplemental Land Use Rights Leasing Contract which took effect on January 1, 2012. The Company and CNPC each issued a confirmation letter to the Land Use Rights Leasing Contract on August 24, 2017, which adjusted the rental payable and the area for the leased land parcels. The Company agreed to rent from CNPC parcels of land with an aggregate area of approximately 1,773 million square metres with annual rental payable (exclusive of tax and government charges) adjusted to no more than RMB 5,783 in accordance with the area of leased land parcels and the current situation of the property market. The Land Use Rights Leasing Contract shall remain unchanged, apart from the rental payable and the leased area. The confirmation letter shall be effective from January 1, 2018. The Company and CNPC each issued a confirmation letter to the Land Use Rights Leasing Contract on August 27, 2020, which adjusted the rental payable and the area for the leased land parcels. The Company agreed to rent from CNPC parcels of land with an aggregate area of approximately 1,142 million square metres with annual rental payable (exclusive of tax and government charges) adjusted to no more than RMB 5,673 in accordance with the area of leased land parcels and the current situation of the property market. The Land Use Rights Leasing Contract shall remain unchanged, apart from the rental payable and the leased area. The confirmation letter shall be effective from January 1, 2021.

On August 25, 2011, based on the Buildings Leasing Contract and Supplemental Building Leasing Agreement, the Company and CNPC entered into a Revised Buildings Leasing Contract which took effect thereafter. On August 24, 2017, based on the Buildings Leasing Contract and Supplemental Building Leasing Agreement, the Company and CNPC entered into a Revised Buildings Leasing Contract which took effect on January 1, 2018. Under this contract, buildings covering an aggregate area of 1,152,968 square meters were leased at annual rental payable approximately RMB 730. The Revised Building Leasing Contract will expire at December 31, 2037. On August 27, 2020, based on the Buildings Leasing Contract and Supplemental Building Leasing Agreement, the Company and CNPC each issued a contract which took effect on January 1, 2021. Under this contract, buildings covering an aggregate area of 1,287,486 square meters were leased at annual rental payable approximately RMB 713. The area and total fee payable for the lease of all such property may, every three years, be adjusted with the Company's operating needs and by reference to market price which the adjusted prices will not exceed.

- Sales of goods represent the sale of crude oil, refined products, chemical products and natural gas, etc. The total amount of these transactions amounted to RMB 53,259 for the six months ended June 30, 2021 (six months ended June 30, 2020: RMB 44,360).

- Sales of services principally represent the provision of services in connection with the transportation of crude oil and natural gas, etc. The total amount of these transactions amounted to RMB 3,037 for the six months ended June 30, 2021 (six months ended June 30, 2020: RMB 2,689).

- Purchases of goods and services principally represent construction and technical services, production services, social services, ancillary services and material supply services, etc. The total amount of these transactions amounted to RMB 156,929 for the six months ended June 30, 2021 (six months ended June 30, 2020: RMB 105,446).

(All amounts in RMB millions unless otherwise stated)

- Purchases of assets principally represent the purchases of manufacturing equipment, office equipment and transportation equipment, etc. The total amount of these transactions amounted to RMB 182 for the six months ended June 30, 2021 (six months ended June 30, 2020: RMB 430).

- Interest income represents interest from deposits placed with CNPC and its fellow subsidiaries. The total interest income amounted to RMB 67 for the six months ended June 30, 2021 (six months ended June 30, 2020: RMB 130). The balance of deposits at June 30, 2021 was RMB 44,449 (December 31, 2020: RMB 40,377).

- Purchases of financial service principally represents interest charged on the loans from CNPC and its fellow subsidiaries, insurance fee charged on the insurance services from CNPC and its fellow subsidiaries, etc. The total amount of these transactions amounted to RMB 3,055 for the six months ended June 30, 2021 (six months ended June 30, 2020: RMB 4,613).

- The borrowings from CNPC and its fellow subsidiaries at 30 June, 2021 were RMB 92,427 (December 31, 2020: RMB 96,298).

- Rents and other payments paid to CNPC and its fellow subsidiaries represent (1) the rental expense paid by the Group according to Land Use Rights Leasing Contract and Buildings Leasing Contract between the Group and CNPC; (2) the payable by the Group (including all rents, leasing service fees and prices for exercising purchase options) for the period according to the leasing agreements entered into by the Group and CNPC and its fellow subsidiaries. The total rents and other payments amounted to RMB 3,123 for the six months ended June 30, 2021 (six months ended June 30, 2020: RMB 4,158).

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

	June 30, 2021	December 31, 2020
	RMB	RMB
Accounts receivable	6,792	8,651
Prepayments and other receivables	20,170	24,117
Other current assets	11,466	10,946
Other non-current assets	19,770	15,251
Accounts payable and accrued liabilities	71,962	67,262
Contract liabilities	609	2,692
Lease liabilities	101,728	99,725

(b) Key management compensation

	Six months ended June 30	
	2021	2020
	RMB'000	RMB'000
Emoluments and other benefits	3,804	3,799
Contribution to retirement benefit scheme	703	630
	4,507	4,429

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

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

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

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

DOCUMENTS AVAILABLE FOR INSPECTION

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

1. The financial statements under the hand and seal of the Chairman Mr. Dai Houliang, Director and President Mr. Huang Yongzhang and Chief Financial Officer Mr. Chai Shouping of the Company.

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

3. The interim reports published on other stock markets.

CONFIRMATION FROM THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

According to the relevant provisions and requirements of the Securities Law of the People's Republic of China and the Measures for Information Disclosure of Companies Offering Shares to the Public promulgated by the China Securities Regulatory Commission, as the Directors, Supervisors and Senior Management of PetroChina Company Limited, we have carefully reviewed the interim report for 2021 and concluded that this interim report truly, accurately and completely represents the business performance of the Company, it contains no false representations, misleading statements or material omissions and its preparation and review process complies with laws, regulations and the requirements of the China Securities Regulatory Commission.

Signatures of the Directors, Supervisors and Senior Management:

Dai Houliang	Duan Liangwei	Liu Yuezhen	Jiao Fangzheng	Huang Yongzhang
Elsie Leung Oi-sie	Tokuchi Tatsuhito	Simon Henry	Cai Jinyong	Jiang, Simon X.
Lv Bo	Zhang Fengshan	Jiang Lifu	Lu Yaozhong	Wang Liang
Fu Suotang	Li Jiamin	Liu Xianhua	Sun Longde	Li Luguang
Tian Jinghui	Chai Shouping	Ling Xiao	Yang Jigang	Zhang Minglu
Zhu Guowen				

August 26, 2021

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

PetroChina

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