

PETROCHINA CO LTD
Form 20-F
April 25, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934
or

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2013.
or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
or

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report _____

For the transition period from _____ to _____

Commission File Number 1-15006

(Exact name of Registrant as specified in its charter)

PetroChina Company Limited

(Translation of Registrant's name into English)

The People's Republic of China

(Jurisdiction of incorporation or organization)

9 Dongzhimen North Street

Dongcheng District, Beijing 100007

The People's Republic of China,

(Address of principal executive offices)

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Address: 9 Dongzhimen North Street, Dongcheng District, Beijing 100007, The People's Republic of China

(Name, telephone, e-mail and/or facsimile number and address of registrant's contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

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Title of Each Class	Name of Each Exchange on Which Registered
American Depositary Shares, each representing 100 H Shares, par value RMB1.00 per share*	New York Stock Exchange, Inc.
H Shares, par value RMB1.00 per share	New York Stock Exchange, Inc.**

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

A Shares, par value RMB1.00 per share***	161,922,077,818 ⁽¹⁾
H Shares, par value RMB1.00 per share	21,098,900,000****

(1) Includes 158,033,693,528 A Shares held by CNPC and 3,888,384,290 A Shares held by the public shareholders.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Note: Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) or the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other
If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

- * PetroChina's H Shares are listed and traded on The Stock Exchange of Hong Kong Limited.
- ** Not for trading, but only in connection with the registration of American Depositary Shares.
- *** PetroChina's A Shares became listed on the Shanghai Stock Exchange on November 5, 2007.
- **** Includes 1,133,986,000 H Shares represented by American Depositary Shares.

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CERTAIN TERMS AND CONVENTIONS

Conventions Which Apply to this Annual Report

Unless the context otherwise requires, references in this annual report to:

CNPC or CNPC group are to our parent, China National Petroleum Corporation and its affiliates and subsidiaries, excluding PetroChina, its subsidiaries and its interests in long-term investments, and where the context refers to any time prior to the establishment of CNPC, those entities and businesses which were contributed to CNPC upon its establishment.

PetroChina, we, our, our company, the company and us are to: PetroChina Company Limited, a joint stock company incorporated in the People's Republic of China with limited liability and its subsidiaries and branch companies.

PRC or China is to the People's Republic of China, but does not apply to Hong Kong, Macau or Taiwan for purposes of this annual report.

We publish our consolidated financial statements in Renminbi or RMB. In this annual report, IFRS refers to International Financial Reporting Standards as issued by the International Accounting Standards Board.

Conversion Table

1 barrel-of-oil equivalent	= 1 barrel of crude oil	= 6,000 cubic feet of natural gas
1 cubic meter	= 35.315 cubic feet	
1 ton of crude oil	= 1 metric ton of crude oil	= 7.389 barrels of crude oil (assuming an API gravity of 34 degrees)

Certain Oil and Gas Terms

Unless the context indicates otherwise, the following terms have the meanings shown below:

acreage	The total area, expressed in acres, over which an entity has interests in exploration or production. Net acreage is the entity's interest, expressed in acres, in the relevant exploration or production area.
condensate	Light hydrocarbon substances produced with natural gas that condense into liquid at normal temperatures and pressures associated with surface production equipment.
crude oil	Crude oil, including condensate and natural gas liquids.
developed reserves	Under the reserve rules of the Securities and Exchange Commission, or SEC, developed reserves are reserves of any category that can be expected to be recovered:

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(i) through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well; and

(ii) through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.

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development cost	For a given period, costs incurred to obtain access to proved reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas.
finding cost	For a given period, costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects of containing oil and gas reserves, including costs of drilling exploratory wells and exploratory-type test wells. Finding cost is also known as exploration cost.
lifting cost	For a given period, costs incurred to operate and maintain wells and related equipment and facilities, including applicable operating costs of support equipment and facilities and other costs of operating and maintaining those wells and related equipment and facilities. Lifting cost is also known as production cost.
natural gas liquids	Hydrocarbons that can be extracted in liquid form together with natural gas production. Ethane and pentanes are the predominant components, with other heavier hydrocarbons also present in limited quantities.
offshore	Areas under water with a depth of five meters or greater.
onshore	Areas of land and areas under water with a depth of less than five meters.
primary distillation capacity	At a given point in time, the maximum volume of crude oil a refinery is able to process in its basic distilling units.
proved reserves	<p>Under the SEC reserve rules, proved reserves are those quantities of oil and 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 regulations prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.</p> <p>(i) The area of the reservoir considered as proved includes:</p> <p>(A) The area identified by drilling and limited by fluid contacts, if any, and (B) Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.</p> <p>(ii) In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons (LKH) as</p>

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seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty.

(iii) Where direct observation from well penetrations has defined a highest known oil (HKO) elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering, or performance data and reliable technology establish the higher contact with reasonable certainty.

(iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when:

(A) Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and (B) The project has been approved for development by all necessary parties and entities, including governmental entities.

(v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

reserve-to-production ratio

For any given well, field or country, the ratio of proved reserves to annual production of crude oil or, with respect to natural gas, to wellhead production excluding flared gas.

sales gas

Marketable production of gas on an as sold basis, excluding flared gas, injected gas and gas consumed in operations.

undeveloped reserves

Under the SEC reserve rules, undeveloped reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

(i) Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances.

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(ii) Undrilled locations can be classified as having undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances, justify a longer time.

(iii) Under no circumstances shall estimates for undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual projects in the same reservoir or an analogous reservoir, or by other evidence using reliable technology establishing reasonable certainty.

water cut

For a given oil region, the percentage that water constitutes of all fluids extracted from all wells in that region.

References to:

BOE is to barrels-of-oil equivalent,

Mcf is to thousand cubic feet, and

Bcf is to billion cubic feet.

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FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended. These forward-looking statements are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

the amounts and nature of future exploration, development and other capital expenditures;

future prices and demand for crude oil, natural gas, refined products and chemical products;

development projects;

exploration prospects;

reserves potential;

production of oil and gas and refined and chemical products;

development and drilling potential;

expansion and other development trends of the oil and gas industry;

the planned development of our natural gas operations;

the planned expansion of our refined product marketing network;

the planned expansion of our natural gas infrastructure;

the anticipated benefit from the acquisition of certain overseas assets from CNPC, our parent company;

the plan to continue to pursue attractive business opportunities outside China;

our future overall business development and economic performance;

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our anticipated financial and operating information regarding, and the future development and economic performance of, our business;

our anticipated market risk exposure arising from future changes in interest rates, foreign exchange rates and commodity prices; and

other prospects of our business and operations.

The words anticipate, believe, could, estimate, expect, intend, may, plan, seek, will and would and similar expressions, are intended to identify a number of these forward-looking statements.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will occur in the future and are beyond our control. The forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors set forth in this annual report and the following:

fluctuations in crude oil and natural gas prices;

failure to achieve continued exploration success;

failures or delays in achieving production from development projects;

continued availability of capital and financing;

acquisitions and other business opportunities that we may pursue;

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general economic, market and business conditions, including volatility in interest rates, changes in foreign exchange rates and volatility in commodity markets;

liability for remedial actions under environmental regulations;

the actions of competitors;

wars and acts of terrorism or sabotage;

changes in policies, laws or regulations of the PRC, including changes in applicable tax rates;

the other changes in global economic and political conditions affecting the production, supply and demand and pricing of crude oil, refined products, petrochemical products and natural gas; and

the other risk factors discussed in this annual report, and other factors beyond our control.
You should not place undue reliance on any forward-looking statements.

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Not applicable. However, see Item 6 Directors, Senior Management and Employees Directors, Senior Management and Supervisors and Item 16C Principal Accountant Fees and Services .

ITEM 2 OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3 KEY INFORMATION**Exchange Rates**

The following table sets forth the high and low noon buying rates between Renminbi and U.S. dollars for each month during the previous six months and the most recent practicable date:

	Noon Buying Rate ⁽¹⁾	
	High	Low
	(RMB per US\$)	
October 2013	6.1209	6.0815
November 2013	6.0993	6.0903
December 2013	6.0927	6.0537
January 2014	6.0600	6.0402
February 2014	6.1448	6.0591
March 2014	6.2273	6.1183
April 2014 (ending as of April 18)	6.2240	6.2064

(1) The exchange rates reflect the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.

Average Noon Buying Rates⁽¹⁾

The following table sets forth the average noon buying rates between Renminbi and U.S. dollars for each of 2009, 2010, 2011, 2012 and 2013, calculated by averaging the noon buying rates on the last day of each month during the relevant year:

	Average Noon Buying Rate (RMB per US\$)
2009	6.8295
2010	6.7603
2011	6.4475
2012	6.2990
2013	6.1412

(1) The exchange rates reflect the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.

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You should read the selected historical financial data set forth below in conjunction with the consolidated financial statements of PetroChina and their notes and Item 5 Operating and Financial Review and Prospects included elsewhere in this annual report. The selected historical income statement (except ADS data) and cash flow data for the years ended December 31, 2011, 2012 and 2013 and the selected historical statement of financial position data as of December 31, 2012 and 2013 set forth below are derived from our audited consolidated financial statements included elsewhere in this annual report. The selected historical income statement data and cash flow data for the years ended December 31, 2009 and 2010 and the selected statement of financial position data as of December 31, 2009, 2010 and 2011 set forth below are derived from our audited financial statements not included in this annual report. Our consolidated financial statements were prepared in accordance with IFRS as issued by the International Accounting Standards Board. The financial information included in this section may not necessarily reflect our results of operations, financial position and cash flows in the future.

	As at or for the Year Ended December 31				
	2009	2010	2011	2012	2013
	RMB	RMB	RMB	RMB	RMB
	(In millions, except for per share and per ADS data)				
Turnover	1,019,275	1,465,415	2,003,843	2,195,296	2,258,124
Total operating expenses	(875,831)	(1,277,638)	(1,821,382)	(2,020,777)	(2,069,482)
Profit from operations	143,444	187,777	182,461	174,519	188,642
Profit before income tax expense	140,032	189,305	184,215	166,811	178,063
Income tax expense	(33,473)	(38,513)	(38,256)	(36,191)	(35,789)
Profit for the year	106,559	150,792	145,959	130,620	142,274
Profit for the year attributable to owners of the parent company	103,387	139,992	132,961	115,326	129,599
Non-controlling interest	3,172	10,800	12,998	15,294	12,675
Basic and diluted earnings per share for profit attributable to owners of the parent company ⁽¹⁾	0.56	0.76	0.73	0.63	0.71
Basic and diluted net earnings per ADS ⁽²⁾	56.49	76.49	72.65	63.01	70.81
Total current assets	275,606	264,196	361,590	392,805	430,953
Total non-current assets	1,174,682	1,392,291	1,555,996	1,776,091	1,911,157
Total assets	1,450,288	1,656,487	1,917,586	2,168,896	2,342,110
Total current liabilities	388,553	429,736	560,038	574,748	645,489
Total non-current liabilities	154,034	216,622	275,002	413,400	426,686
Total liabilities	542,587	646,358	835,040	988,148	1,072,175
Equity attributable to owners of the parent company	847,223	938,926	1,002,745	1,064,010	1,132,735
Non-controlling interests	60,478	71,203	79,801	116,738	137,200
Total equity	907,701	1,010,129	1,082,546	1,180,748	1,269,935
Other Financial Data					
Dividend per share	0.25	0.34	0.33	0.28	0.32
Dividend per ADS	25.42	34.42	32.69	28.36	31.87
Capital expenditures	266,836	276,212	284,391	352,516	318,696
Net cash flows from operating activities	268,017	318,796	290,155	239,288	288,529
Net cash flows used for investing activities	(267,498)	(299,302)	(283,638)	(332,226)	(266,510)
Net cash flows from/used for financing activities	53,077	(60,944)	9,259	75,356	(12,239)
Return on net assets (%) ⁽³⁾	12.2	14.9	13.3	10.8	11.4

(1) As at December 31, 2009, 2010, 2011, 2012 and 2013, respectively, basic and diluted earnings per share were calculated by dividing the net profit with the number of shares issued for each of these financial years of 183.021 billion.

(2) Each ADS represents 100 H Shares. The basic and diluted earnings per ADS were calculated with the same method as that used for the calculation of the basic and diluted earnings per share.

(3) Return on net assets is calculated as Profit for the year attributable to owners of the parent company divided by Equity attributable to owners of the parent company.

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Risk Factors

Our business is primarily subject to various changing competitive, economic and social conditions. Such changing conditions entail certain risks, which are described below.

Risks Related to Macro Economic Conditions

Our operations may be adversely affected by the international and domestic economic conditions. As the oil and gas industry is sensitive to macro-economic trends, oil and gas prices tend to fluctuate along with the change of macro-economic conditions. We may experience pricing pressure on our refined products in recessionary periods, which would have an adverse effect on our profitability. In 2013, a weaker domestic economy affected the demand for certain of our products. These factors may also lead to intensified competition for market share, with consequential potential adverse effects on volumes. There has been an uptrend in China's overall inflation rate in recent years. Notwithstanding the measures taken by the PRC government to control inflation, China may continue to experience inflation in the near term and our operating costs may become higher than anticipated. The financial and economic situation may also have a negative impact on third parties with whom we do, or may do, business. Any of these factors may adversely affect our financial condition, results of operations and liquidity.

Risks Related to Competition

The oil, gas and petrochemicals industries are highly competitive. There is strong competition, both within the oil and gas industry and with other industries, in supplying the fuel needs of commercial, industrial and residential markets. Over recent years, with further diversification in China's petroleum and petrochemical industry, we have been facing increasingly intense competition from privately-owned companies and foreign-invested enterprises in chemical, sales and oil and gas service sectors. In addition, the rapid development of unconventional oil and gas resources and new energy sources also poses competition with the conventional energy industry. Competition puts pressure on product prices, affects oil products marketing and requires continuous management focus on identifying new trends, reducing unit costs and improving efficiency. The implementation of our growth strategy requires continued technological advances and innovation, including advances in exploration, production, refining, petrochemicals manufacturing technology and advances in technology related to energy usage. Our performance could be impeded if competitors developed or acquired intellectual property rights to technology that we required or if our innovation lagged the industry.

The eastern and southern regions of China have a higher demand for refined products and chemical products than the western and northern regions. Although we have strived to increase our refinery capacity in the southern regions of China over recent years, most of our refineries and chemical plants are located in the western and northern regions of China. We incur relatively higher transportation costs for delivery of our refined products and chemical products to certain areas of the eastern and southern regions from our refineries and chemical plants in western and northern China. We face strong competition from other domestic oil companies. As a result, we expect that we will continue to encounter difficulty in increasing our sales of refined products and chemical products in these regions.

Risks Related to Outbound Investments

We are subject to various political, legal and regulatory environments in foreign developing countries where we operate, some of which are known to be unstable and differ in certain significant respects from those prevailing in developed countries. Main factors affecting our outbound investments include unstable political situation, unstable tax policies and unstable regulatory regime. CNPC, our controlling shareholder, and its affiliates and subsidiaries may choose to undertake, without our involvement, overseas investments and operations in the oil and gas industry, including exploration and production of oil and gas, refining and transportation and trading and liquefied natural gas, or LNG projects or other business activities. CNPC's overseas asset portfolio includes oil and gas development projects in Iran, Sudan, Cuba and Syria, which

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countries are the subject of U.S. sanctions. Certain U.S.-based investors may not wish to invest, and have proposed or adopted divestment or similar initiatives regarding investments, in companies that do business with countries that are the subject of U.S. sanctions. These investors may not wish CNPC to make investments or conduct activities in the countries that are the subject of U.S. sanctions, and may divest their investment in us because of our relationship with CNPC and its investments and activities in those countries that are the subject of U.S. sanctions. As a result, the trading prices of our ADSs may be adversely affected.

In July 2012, the U.S. Treasury Department's Office of Foreign Assets Control, OFAC, added Bank of Kunlun Co., Ltd., or Kunlun Bank, an affiliate of our company due to common control by CNPC, to its List of Foreign Financial Institutions Subject to Part 561 pursuant to the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010. OFAC reported that Kunlun Bank provided financial services to at least six Iranian banks that were on OFAC's sanctions list during 2012. These financial services included holding accounts, making transfers, and in particular, transfer of a total of US\$0.1 billion for Bank Tejarat during early 2012, and paying letters of credit on behalf of the designated banks. Kunlun Bank has not informed us the revenue and profit it generated from such activities in relation to Iran and whether it will discontinue such activities. Our company has no involvement in or control over such activities of Kunlun Bank or CNPC and CNPC subsidiaries and affiliates, and we have never received any revenue or profit derived from these activities.

Risks Related to Government Regulation

Our operations, like those of other PRC oil and gas companies, are subject to extensive regulations and control by the PRC government. These regulations and control affect many material aspects of our operations, such as exploration and production licensing, industry-specific and product-specific taxes and fees and environmental and safety standards. As a result, we may face significant constraints on our ability to implement our business strategies, to develop or expand our business operations or to maximize our profitability. Our business may also be affected by future changes in certain policies of the PRC government with respect to the oil and gas industry.

Currently, the PRC government must approve the construction and major renovation of significant refining and petrochemical facilities as well as the construction of significant crude oil, natural gas and refined product pipelines and storage facilities. We presently have several significant projects pending approval from the relevant government authorities and will need approvals from the relevant government authorities in connection with several other significant projects. We do not have control over the timing and outcome of the final project approvals.

Because PRC laws, regulations and legal requirements dealing with economic matters continue to evolve, and because of the limited volume of published judicial interpretations and the non-binding nature of prior court decisions, the interpretation and enforcement of these laws, regulations and legal requirements involve some uncertainty. Because the PRC Company Law is different in certain important aspects from company laws in the United States, Hong Kong and other common law jurisdictions, and because the PRC securities laws and regulations are still at an early stage of development, you may not enjoy shareholders' protections that you may be entitled to in other jurisdictions.

Risks Related to Controlling Shareholder

As of December 31, 2013, CNPC beneficially owned approximately 86.507% of our share capital. This ownership percentage enables CNPC to elect our entire board of directors without the concurrence of any of our other shareholders. Accordingly, CNPC is in a position to:

control our policies, management and affairs;

subject to applicable PRC laws and regulations and provisions of our articles of association, affect the timing and amount of dividend payments and adopt amendments to certain of the provisions of our articles of association; and

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otherwise determine the outcome of most corporate actions and, subject to the regulatory requirements of the jurisdictions in which our shares are listed, cause our company to effect corporate transactions without the approval of minority shareholders. CNPC's interests may sometimes conflict with those of some or all of our minority shareholders. We cannot assure you that CNPC, as our controlling shareholder, will always vote its shares in a way that benefits our minority shareholders.

In addition to its relationship with us as our controlling shareholder, CNPC by itself or through its affiliates also provides us with certain services and products necessary for our business activities, such as construction and technical services, production services, materials supply services and financial services. The interests of CNPC and its affiliates as providers of these services and products to us may conflict with our interests.

Risks Related to Pricing and Exchange Rate

Our operations are affected by the volatility of prices for crude oil, refined products and natural gas. We set our crude oil median prices monthly based on the Singapore trading prices for crude oil.

Historically, international prices for crude oil have fluctuated widely in response to changes in many factors, such as global and regional economy and politics and supply and demand for crude oil. We do not have, and will not have, control over the factors affecting international prices for crude oil. Fluctuations in crude oil prices have a significant impact in our results of operations. A decline in crude oil prices may reduce revenues from, and may result in a loss in, our exploration and production segment. Further, if crude oil prices remain at a low level for a prolonged period, our company has to determine and estimate whether our oil and gas assets may suffer impairment losses and, if so, the amount of the impairment losses. An increase in crude oil prices may, however, increase the production costs of refined products reduce demand for our products and affect our operating profits.

Since 2008, the PRC government has further improved its refined oil pricing mechanism. Based on the refined oil pricing mechanism, when there is a change in the average crude oil price in the international market during a given time period, the PRC government can adjust the refined oil prices. However, when international crude oil price experiences sustained increases or becomes significantly volatile, the PRC government may increase its control over the refined oil prices. As a result, the regulation on refined product prices by the PRC government may reduce our profit and cause our refining assets to suffer impairment losses.

We negotiate the actual ex-factory price with natural gas users within the benchmark price and the adjustment range set by the PRC government. When the benchmark price is lower than the international natural gas price, the cost of our imported natural gas will be higher than the selling price of our natural gas, which may reduce our revenues or cause our natural gas assets to suffer impairment losses.

We receive most of our revenues in Renminbi. A portion of our Renminbi revenues must be converted into other currencies to meet our foreign currency obligations. The existing foreign exchange limitations under the PRC laws and regulations could affect our ability to obtain foreign exchange through debt financing, or to obtain foreign exchange for capital expenditures. The value of Renminbi against U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. On July 21, 2005, the PRC government introduced a floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of foreign currencies. Because most of our purchases of crude oil and our outbound investments are settled in foreign currencies, the exchange rates between RMB and U.S. dollars and any other relevant foreign currencies may have an effect on our crude oil purchase costs and investment costs.

Risks Related to Environmental Protection and Safety

Compliance with changes in laws, regulations and obligations relating to climate change or environmental protection could result in substantial capital expenditures and reduced profitability from changes in operating costs.

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A number of provinces in which our oil and gas exploration and production activities are located have promulgated environment protection regulations, which set forth specific abandonment and disposal processes for oil and gas exploration and production activities. We have established standard abandonment procedures in response to the issuance of these provincial regulations. We have included under our asset retirement obligations the costs for these abandonment activities and this asset retirement obligation is based on our best estimate of future abandonment expenditures. In addition, PRC central government or other provincial governments may enact similar regulations or stricter environmental protection regulations. Such potential new regulations could increase our asset retirement costs.

The process of gasoline and diesel fuel quality upgrade is gradually accelerating in China. The *Circular of the State Council regarding the Printing and Issue of the Action Plan for Prevention and Treatment of Air Pollution* issued in September 2013 set forth a definitive schedule for the upgrading of the quality of oil products. Pursuant to the schedule, the China IV standard for auto-use gasoline was implemented on January 1, 2014, the China IV standard for auto-use diesel, which requires that the sulfur content be reduced below 50ppm, will be implemented on January 1, 2015, and the China V standard for auto-use diesel, which requires the sulfur content be reduced below 10ppm, will be adopted across the nation in 2018. Some local governments have earlier implemented local gasoline and diesel fuel standards equivalent to the Euro IV standard. New governmental requirements to improve oil quality impose challenges to our refining and chemicals segment and could increase our costs in oil refining.

Exploring for, producing and transporting crude oil and natural gas and producing and transporting refined products and chemical products involve many hazards. These hazards may result in:

fires;

explosions;

spills;

blow-outs; and

other unexpected or dangerous conditions causing personal injuries or death, property damage, environmental damage and interruption of operations.

Some of our oil and natural gas fields are surrounded by residential areas or located in areas where natural disasters, such as earthquakes, floods and sandstorms, tend to occur more frequently than in other areas. As with many other companies around the world that conduct similar businesses, we have experienced accidents that have caused property damage and personal injuries and death.

Significant operating hazards and natural disasters such as earthquake, tsunami and health epidemics may cause partial interruptions to our operations and property and environmental damage that could have an adverse impact on our financial condition.

Risks Related to Climate Change

In recent years, the oil industry has faced an increasingly severe challenge imposed by the global climate change. Numerous international, domestic and regional treaties and agreements to restrict the emission of greenhouse gas have been executed and become effective. If China or any other country in which we operate business remains committed to the reduction of the emission of greenhouse gas, the legal and regulatory requirements for that purpose may lead to a substantial increase in our capital expenditures and tax expenses and in turn, an increase in our operating costs. As a result, our results of operations and our strategic investment may be adversely affected.

Risks Related to Insurance Coverage

Due to the fact that oil industry is susceptible to high and industry-specific risks in nature, the current ordinary commercial insurance cannot cover all the business areas in which we operate. We maintain

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insurance coverage against some, but not all, potential losses. We may suffer material losses resulting from uninsurable or uninsured risks or insufficient insurance coverage.

Risks Related to Oil and Gas Reserves

The crude oil and natural gas reserve data in this annual report are only estimates. The reliability of reserve estimates depends on a number of factors, assumptions and variables, such as the quality and quantity of our technical and economic data and the prevailing oil and gas prices applicable to our production, some of which are beyond our control and may prove to be incorrect over time. Results of drilling, testing and production after the date of the estimates may require substantial upward or downward revisions in our reserve data. Our actual production, revenues and expenditures with respect to our reserves may differ materially from these estimates because of these revisions.

We are actively pursuing business opportunities outside China to supplement our domestic resources. For instance, we acquired certain overseas crude oil and natural gas assets from CNPC. We cannot assure you, however, that we can successfully locate sufficient alternative sources of crude oil supply or at all due to the complexity of the international political, economic and other conditions. If we fail to obtain sufficient alternative sources of crude oil supply, our results of operations and financial condition may be materially and adversely affected.

Risks Related to Liquidity

We have tried our best endeavors to ensure an appropriate level of liquidity and financing ability. However, as we are currently undergoing constructions in response to a peak in our oil and gas reserves, strengthening capacity building in key areas, constructing new, and expanding some existing, refinery and petrochemical facilities and constructing several natural gas and oil pipelines, we may have to make substantial capital expenditures and investments. We cannot assure you that the cash generated by our operations will be sufficient to fund these development plans or that our actual future capital expenditures and investments will not significantly exceed our current planned amounts. If either of these conditions arise, we may have to seek external financing to satisfy our capital needs. Our inability to obtain sufficient funding for our development plans could adversely affect our business, financial condition and results of operations.

Risks Related to Effectiveness of Internal Control over Financial Reporting

SEC, as required by Section 404 of the Sarbanes-Oxley Act of 2002, adopted rules requiring every public company in the United States to include a management report on such company's internal control over financial reporting in its annual report, which contains management's assessment of the effectiveness of the company's internal control over financial reporting. Although our management concluded that our internal control over our financial reporting for the fiscal year ended December 31, 2013 was effective, we may discover other deficiencies in the course of our future evaluation of our internal control over our financial reporting and may be unable to remediate such deficiencies in a timely manner. If we fail to maintain the adequacy of our internal control over financial reporting, we may not be able to conclude that we have effective internal control over financial reporting on an ongoing basis, in accordance with the Sarbanes-Oxley Act. Moreover, effective internal control is necessary for us to produce reliable financial reports and is important to prevent fraud. As a result, our failure to maintain effective internal control over financial reporting could result in the loss of investor confidence in the reliability of our financial statements, which in turn could harm our business and negatively impact the trading prices of our ADSs, H Shares or A Shares.

Risks Related to Audit Reports Prepared by an Auditor who is not Inspected by the Public Company Accounting Oversight Board

Auditors of companies that are registered with the SEC and publicly traded in the United States, including our independent registered public accounting firm, must be registered with the United States Public

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Company Accounting Oversight Board, or the PCAOB, and are required by the laws of the United States to undergo regular inspections by the PCAOB to assess their compliance with the laws of the United States and professional standards. Because the auditors of our company are located in the PRC, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the Chinese authorities, the auditors of our company are not currently inspected by the PCAOB. As a result, investors do not have the benefits of PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in the PRC makes it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedures as compared to auditors outside the PRC that are subject to PCAOB inspections.

Risks Related to SEC Litigation Against Five PRC-based Accounting Firms

In December 2012, the SEC instituted administrative proceedings against the Chinese affiliates of Ernst & Young LLP, KPMG LLP, PricewaterhouseCoopers LLP, and Deloitte LLP, including our independent registered public accounting firm, and also against BDO China Dahua CPA Co., Ltd. (the former BDO affiliate in China), alleging that these firms had violated U.S. securities laws and the SEC's rules and regulations thereunder by failing to provide to the SEC the firms' audit work papers with respect to certain PRC-based companies that are publicly traded in the United States. On January 22, 2014, the Administrative Law Judge (the ALJ) presiding over the matter reached an initial decision that the firms had each violated the SEC's rules of practice by failing to produce audit work papers directly to the SEC. The initial decision further determined that each of the firms should be censured and barred from practicing before the SEC for a period of six months. This initial decision, however, does not take effect unless and until it is endorsed by the full SEC Commission. Any SEC Commission endorsement or other determination itself could be appealed by the accounting firms in the U.S. court system. While we cannot predict the outcome of the SEC's proceedings, if the accounting firms, including our independent registered public accounting firm, were denied, temporarily or permanently, the ability to practice before the SEC, and we are unable to timely find another registered public accounting firm which can audit and issue a report on our financial statements, we will not be able to meet the reporting requirements under the Securities Exchange Act of 1934, as amended, or the Exchange Act, which may ultimately result in our deregistration by the SEC and delisting from the NYSE, or our market capitalization could decline sharply and the value of your investment in our ADSs could be materially and adversely affected. Moreover, any negative publicity about the SEC's proceedings against these accounting firms may erode investor confidence in China-based, United States listed companies in general and the trading price of our ADSs may be adversely affected.

Risks Related to Employee Misconduct

We may not be able to detect or prevent employee misconduct, including misconduct by senior management, and such misconduct may damage our reputation and could adversely affect the trading price of our ordinary shares and ADSs.

Several former senior management members and directors of our company are being investigated by relevant PRC authorities. We have very limited knowledge of the status or scope of the ongoing investigations and it is difficult for us to assess their ultimate outcome or their impact on our business.

We have re-examined our internal control and corporate governance policies and procedures in order to strengthen our ability to detect and prevent similar and other misconduct. We cannot assure you, however, that we are able to detect or prevent such misconduct in a timely fashion, or at all. If we fail to prevent employee misconduct, our reputation may be harmed, and the trading price of our ordinary shares and ADSs could be adversely affected.

See also Item 4 Information on the Company Regulatory Matters, Item 5 Operating and Financial Review and Prospects, Item 8 Financial Information and Item 11 Quantitative and Qualitative Disclosures About Market Risk.

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ITEM 4 INFORMATION ON THE COMPANY

Introduction

History and Development of Our Company

Our legal name is _____ and its English translation is PetroChina Company Limited.

We are 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 world. We are engaged in a broad range of petroleum and natural gas related activities, including the exploration, development, production and marketing of crude oil and natural gas; the refining of crude oil and petroleum products, as well as the production and marketing of basic petrochemical products, derivative chemical products and other chemical products; the marketing of refined oil products and trading; and the transmission of natural gas, crude oil and refined oil products as well as the sale of natural gas.

Currently, substantially all of our crude oil and natural gas reserves and production-related assets are located in China. Our exploration, development and production activities commenced in the early 1950s. Over more than six decades, we have conducted crude oil and natural gas exploration activities in many regions of China.

We commenced limited refining activities in the mid-1950s. Our chemicals operations commenced in the early 1950s. In the early 1960s, we began producing ethylene. Our natural gas transmission and marketing activities commenced in Sichuan in southwestern China in the 1950s.

We have increased our efforts to pursue attractive business opportunities outside China as part of our business growth strategy to utilize both domestic and international resources to strengthen our competitiveness. Since 2005, we have acquired interests in various oil and natural gas assets in several countries, which significantly expanded our overseas operations and effectively increased our oil and gas reserves and production volumes. We are currently assessing the feasibility of making further investments in international oil and gas markets. At the same time, we have been gradually increasing the proportion of the imported crude oil. In the year ended December 31, 2013, we imported approximately 476.5 million barrels of crude oil, as compared to 465.6 million barrels and 441.2 million barrels of crude oil in the years ended December 31, 2012 and 2011, respectively.

We were established as a joint stock company with limited liability under the Company Law of the PRC on November 5, 1999 as part of a restructuring in which CNPC transferred to us most of the assets and liabilities of CNPC relating to its exploration and production, refining and marketing, chemicals and natural gas businesses.

On April 7, 2000, we completed a global offering of H Shares and ADSs. In September 2005, we completed a follow-on offering of over 3 billion H Shares at the price of HK\$6.00 per share. In October 2007, we issued 4 billion A Shares at an issue price of RMB 16.7 per share. The A Shares were listed on the Shanghai Stock Exchange on November 5, 2007. As of December 31, 2013, CNPC beneficially owned 158,325,211,528 shares in PetroChina, which include 291,518,000 H Shares indirectly held by CNPC through Fairy King Investments Limited, an overseas wholly owned subsidiary of CNPC, representing approximately 86.507% of the share capital of PetroChina.

For a description of our principal subsidiaries, see Note 19 to our consolidated financial statements.

Our headquarters are located at 9 Dongzhimen North Street, Dongcheng District, Beijing, China, 100007, and our telephone number at this address is (86-10) 5998-6223. Our website address is www.petrochina.com.cn. The information on our website is not part of this annual report.

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Our agent for service of process in the United States is CT Corporation System, located at 111 Eighth Avenue, New York, New York 10011.

Our Corporate Organization Structure

The following chart illustrates our corporate organization structure as of December 31, 2013.

- (1) Indicates approximate shareholding.
- (2) Indicates approximate shareholding, including the 291,518,000 H Shares indirectly held by CNPC as of December 31, 2013 through Fairy King Investments Limited, a wholly owned overseas subsidiary of CNPC.
- (3) Includes PetroChina Planning & Engineering Institute, PetroChina Exploration & Development Research Institute, IT Service Center, PetroChina Petrochemical Research Institute and several other companies.

Acquisitions

In June 2013, the Company, Taikang Asset Management Co., Ltd. (Taikang Asset) and Beijing Guolian Energy Industry Investment Fund (Limited Partnership) (Guolian Fund) jointly incorporated PetroChina United Pipelines Company Limited (the Joint Venture) with a registered capital of RMB40 billion. The Company subscribed to 50% shares of the joint venture by contributing certain pipeline net assets and operations. Taikang Asset subscribed to 30% shares of the Joint Venture for RMB36 billion in cash and Guolian Fund subscribed to 20% shares of the Joint Venture for RMB24 billion in cash.

In addition, we have launched a series of overseas acquisitions, for example:

In January 2013, we acquired from Techwin a 95% interest in a risk service contract with a term of 20 years between Techwin and Petroliam Nasional Berhad entered into in 2012, for a consideration of US\$223 million.

On February 20, 2013, we entered into a series of agreements with ConocoPhillips to acquire 20% interest in the Poseidon offshore discovery in the Browse Basin and 29% interest in the Goldwyer Shale onshore Canning Basin, for total consideration of US\$369 million. We completed this transaction in June 2013.

On June 7, 2013, we acquired from BHP Billiton all of its equity interest in the Browse project located in Western Australia, consisting of a 20% equity interest in the West Browse project and a 8.33% equity interest in the East Browse project, for a total consideration of US\$1.71 billion.

In November 2013, we entered into an agreement with Petrobras to acquire all shares in Petrobras Energia Peru S.A. for a total consideration of US\$2.6 billion. The acquisition is subject to government approval.

In December 2013, we acquired from ExxonMobil a 25% interest in the West Qurna-1 project in Iraq for a total consideration of US\$590 million. In March 2014, we further increased our interest to 32.7% for an additional consideration of US\$442 million.

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We engage in crude oil and natural gas exploration, development and production. Substantially all of our total estimated proved crude oil and natural gas reserves are located in China, principally in northeastern, northern, southwestern and northwestern China. Meanwhile, we have been further extending our overseas cooperation and expediting our strategic deployment in five major overseas oil and gas cooperation regions by conducting new project development. In the year ended December 31, 2013, the crude oil and natural gas produced by us at overseas regions accounted for 12.2% and 4.9% of our total production of crude oil and natural gas, respectively.

We currently hold exploration and exploitation licenses for oil and gas (including coal seam gas) covering a total area of approximately 420.93 million acres, consisting of the exploration licenses covering a total area of approximately 394.786 million acres and the exploitation licenses covering a total area of approximately 26.145 million acres.

The following table sets forth the financial and operating data of our exploration and production segment for each of the years ended December 31, 2011, 2012 and 2013:

	Year Ended December 31,		
	2011	2012	2013
Revenue (RMB in millions)	774,777	789,818	783,694
Income from operations (RMB in millions)	219,539	214,955	189,698
Proved developed and undeveloped reserves			
Crude oil (million barrels)	11,128.2	11,018.0	10,820.3
Natural gas (Bcf)	66,653.0	67,581.2	69,322.6
Production			
Crude oil (million barrels)	886.1	916.5	932.9
Natural gas for sale (Bcf)	2,396.4	2,558.8	2,801.9

Reserves

Our estimated proved reserves as of December 31, 2013 totaled approximately 10,820.3 million barrels of crude oil and approximately 69,322.6 Bcf of natural gas. As of December 31, 2013, proved developed reserves for crude oil and natural gas accounted for 66.7% and 47.3% of our total proved crude oil and natural gas reserves, respectively. Total proved hydrocarbon reserves on a BOE basis increased by 0.4% from approximately 22,281.5 million BOE as of December 31, 2012 to approximately 22,374.1 million BOE as of December 31, 2013, taking account of our overseas crude oil reserves of 843.2 million barrels and overseas natural gas reserves of 1,238.0 Bcf, totaling 1,049.6 million BOE. Natural gas as a percentage of total proved hydrocarbon reserves increased from 50.6% as of December 31, 2012 to 51.6% as of December 31, 2013.

We prepared our reserve estimates as of December 31, 2011, 2012 and 2013 on the basis of reports prepared by independent engineering consultants, namely DeGolyer and MacNaughton, Gaffney, Cline & Associates (Consultants) Pte Ltd, Gaffney, Cline & Associates, Inc., McDaniel & Associates Consultants Ltd. and GLJ Petroleum Consultants. Our reserve estimates include only crude oil and natural gas which we believe can be reasonably produced within the current terms of our production licenses or within the terms of the licenses which we are reasonably certain can be renewed. See [Regulatory Matters](#) [Exploration Licenses and Production Licenses](#) for a discussion of our production licenses. Also see [Item 3](#) [Key Information](#) [Risk Factors](#) for a discussion of the uncertainty inherent in the estimation of proved reserves.

Our reserve data for 2011, 2012 and 2013 were prepared in accordance with the SEC's final rules on [Modernization of Oil and Gas Reporting](#).

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Internal Controls Over Reserves Estimates

We have appointed a Reserve Assessment Directing Team, or the RAD Team. The leader of the RAD Team is our Vice President in charge of our upstream business.

Over recent years, we have been implementing a practicing professional certification regime to supervise our employees engaged in oil and gas reserve evaluation and auditing functions. We have set up a team of reserve auditors covering our headquarter office and major regional companies to perform the auditing of our reserves. Meanwhile, we have established a special reserve management department in our exploration and production segment. Each of the officers and employees of that department has over 20 years' experience in oil industry and over 10 years' experience in SEC-guided reserve evaluation. Many members of that department have national-level registered qualifications in reserve expertise. Each regional company has established a reserve management committee and a multi-disciplinary reserve research office. Mr. Zhang Junfeng, the Director of the Reserve Administration Department of the exploration and production segment, is in charge of the reserve estimation of the company. Mr. Zhang holds a doctor's degree in geology. He has over 15 years of working experience in oil and gas exploration and development. He has been working in reserve study and management since 2009 and is a state-certified reserve valuer. Mr. Zhang has been the technical person primarily responsible for overseeing the preparation of the reserves estimates, oil and gas reserve estimation technology and management for several years. The reserve research offices of the regional companies are responsible for the calculation of the newly discovered reserves and updating of the assessment of the existing reserves. The results of our oil and gas reserve assessment are subject to a two-level review by both the regional companies and our exploration and production company and the final examination and approval of the RAD Team.

In addition, we commissioned independent assessment firms to independently reassess our annually assessed proved reserves in accordance with relevant SEC rules. We disclose the proved reserves so assessed by the independent assessment firms pursuant to relevant SEC requirements.

Third-Party Reserve Report

DeGolyer and MacNaughton, an independent petroleum engineering consulting firm based in the United States, carried out an independent assessment of our reserves in China and certain other countries as of December 31, 2011, 2012 and 2013. Mr. Thomas C. Pence, the Senior Vice President of DeGolyer and MacNaughton, is primarily responsible for supervising the preparation of our reserve report. Mr. Pence is a Registered Professional Engineer, a member of the International Society of Petroleum Engineers, and has over 30 years of experience in oil and gas reservoir studies and reserve evaluations.

Gaffney, Cline & Associates (Consultants) Pte Ltd., an engineering consulting firm based in Singapore, carried out an independent assessment of our reserves estimation and valuation in certain countries such as Algeria and Chad as of December 31, 2011, 2012 and 2013. The reserve report of Gaffney, Cline & Associates (Consultants) Pte Ltd has been compiled under the supervision of Mr. David S. Ahye, the firm's director for the Asia Pacific region. He has over 30 years' experience in the petroleum industry and holds a Bachelor's Degree (Honors) in Chemical Engineering.

Gaffney, Cline & Associates, Inc., an engineering consulting firm based in Houston, carried out an assessment of our reserves in the Halfaya oilfield in Iraq as of December 31, 2012 and 2013. Mr. Sakowski is the project manager for the reserves evaluation project of our Halfaya oilfield. He is a mechanical engineer and holds a master's degree in project management. Mr. Sakowski is a member of the Society of Petroleum Engineers, and Alberta APGG. He has nearly 35 years' international experience in the oil and gas industry.

McDaniel & Associates Consultants Ltd., a petroleum consulting firm with its headquarters in Canada, carried out an independent assessment of our reserves held through PetroKazakhstan Inc. as of December 31, 2012 and 2013. Mr. Bryan Emslie, the Senior Vice President of McDaniel & Associates Consultants Ltd., is

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responsible for supervising the preparation of our reserve report. Mr. Bryan Emslie is a member of the Society of Petroleum Evaluation Engineers and the Society of Petroleum Engineers. He has over 30 years' experience in oil and gas reservoir evaluation.

GLJ Petroleum Consultants (GLJ), a petroleum consulting firm based in Canada, carried out an independent assessment of our reserves for Groundbirch gas field as of December 31, 2013. Ms. Trisha MacDonald is the project manager for the evaluation of our Groundbirch gasfield natural gas reserve. She is a senior engineer and has over 10 years' relevant experience. Mr. Jodi L. Anhorn, the Executive Vice President and Chief Operation Officer of GLJ, is the technical supervisor for the evaluation of our Groundbirch gas field natural gas reserve. As an internationally recognized oil and gas resource evaluation expert, Mr. Jodi L. Anhorn has over 20 years of working experience.

None of the above consulting firms or their partners, senior officers or employees has any direct or indirect financial interest in our company and the remunerations to the firms are not in any way contingent upon reported reserve estimates.

For detailed information about our net proved reserves estimates, please refer to the summary reports of reserves filed hereto as exhibits 15.1, 15.2, 15.3, 15.4 and 15.5 of this annual report.

The following table sets forth our estimated proved reserves (including proved developed reserves and proved undeveloped reserves), proved developed reserves and proved undeveloped reserves of crude oil and natural gas as of December 31, 2011, 2012 and 2013.

	Crude Oil (Millions of barrels)	Natural Gas ⁽¹⁾ (Bcf)	Combined (BOE, in millions)
Proved developed and undeveloped reserves			
Reserves as of December 31, 2011	11,128.2	66,653.0	22,237.0
Revisions of previous estimates	(16.3)	(2,730.5)	(471.2)
Extensions and discoveries	736.5	6,217.5	1,772.7
Improved recovery	86.1		86.1
Production for the year	(916.5)	(2,558.8)	(1,343.1)
Reserves as of December 31, 2012	11,018.0	67,581.2	22,281.5
Revisions of previous estimates	(124.1)	(6,415.4)	(1,193.2)
Extensions and discoveries	774.8	10,958.7	2,601.3
Improved recovery	84.4		84.4
Production for the year	(932.9)	(2,801.9)	(1,400.0)
Reserves as of December 31, 2013	10,820.3	69,322.6	22,374.1
Proved developed reserves			
As of December 31, 2011	7,458.3	32,329.4	12,846.5
As of December 31, 2012	7,395.7	31,606.5	12,663.4
As of December 31, 2013	7,219.6	32,813.1	12,688.5
Proved undeveloped reserves			
As of December 31, 2011	3,669.9	34,323.6	9,390.5
As of December 31, 2012	3,622.3	35,974.7	9,618.1
As of December 31, 2013	3,600.7	36,509.5	9,685.6

(1) Represents natural gas remaining after field separation for condensate removal and reduction for flared gas.

Our proved undeveloped reserves were 9,685.6 million BOE in 2013. The main changes in our proved undeveloped reserves in 2013 include (i) the conversion of 1,596.4 million BOE of proved undeveloped reserves into proved developed reserves; and (ii) an increase of 1,663.9 million BOE in proved undeveloped reserves through extensions and discoveries as well as revisions of previous data as a result of improved discoveries. In

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2013, we spent RMB131,700 million on developing proved undeveloped reserves. The overwhelming majority of our proved undeveloped reserves are situated around the oil fields that are currently producing. The majority of our proved undeveloped reserves are already scheduled for development within five years after initial booking.

Some of our natural gas proved undeveloped reserves are being developed more than five years after their initial disclosure primarily due to the effect of long-term natural gas supply contracts. The sale of natural gas produced from our reserves located in China is subject to our long-term contractual obligations to provide a stable supply of natural gas to customers. We sell all of the natural gas through our pipelines and under long-term supply arrangements with customers.

There are mainly two types of long-term supply arrangements. The first is multi-years supply contracts with terms ranging from 20 to 30 years that can be extended upon mutual agreement. The second type is renewable annual contracts. Majority of the natural gas produced from our gas fields in China is put into our nationwide, long-range pipeline system and sold to customers who have entered into multi-years supply contracts with us in the areas where the long-range pipeline system covers. A small portion of the natural gas produced by our company is put into local or internal pipeline systems and sold to customers in the areas adjacent to the company's gas fields. These customers typically have formed de-facto long-term relationships with our company over the years and enter into supply contracts with us before the yearend to determine the amount of gas to be purchased for the next year, with such contracts being renewed every year. In general, our supply relationships with customers under the annual contracts have existed for more than ten years.

Mainly as a result of our contractual obligations to ensure long-term stable supply of natural gas to customers, we must maintain a relatively large amount of proved undeveloped natural gas reserves and develop them over an extended period of time, and in some cases longer than five years.

The following tables set forth our crude oil and natural gas proved reserves and proved developed reserves by region as of December 31, 2011, 2012 and 2013.

	2011		As of December 31, 2012		2013	
	Proved Developed and Undeveloped	Proved Developed	Proved Developed and Undeveloped (Millions of barrels)	Proved Developed	Proved Developed and Undeveloped	Proved Developed
Crude oil reserves						
Daqing	2,925.2	2,296.3	2,697.1	2,078.1	2,484.9	1,895.2
Changqing	2,097.3	1,439.8	2,257.7	1,623.2	2,383.5	1,745.3
Xinjiang	1,477.0	1,081.5	1,512.5	1,050.2	1,548.6	1,024.7
Other regions ⁽¹⁾	4,628.7	2,640.7	4,550.7	2,644.2	4,403.3	2,554.4
Total	11,128.2	7,458.3	11,018.0	7,395.7	10,820.3	7,219.6

	2011		As of December 31, 2012		2013	
	Proved Developed and Undeveloped	Proved Developed	Proved Developed and Undeveloped (bcf)	Proved Developed	Proved Developed and Undeveloped	Proved Developed
Natural gas reserves⁽²⁾						
Changqing	22,113.1	11,446.7	22,521.1	11,111.9	22,610.0	11,275.3
Tarim	19,270.8	7,148.3	20,250.4	7,939.3	20,770.7	8,967.2
Sichuan	10,938.1	4,339.7	10,976.7	3,270.3	12,490.3	3,488.4
Other regions ⁽¹⁾	14,331.0	9,394.7	13,833.0	9,285.0	13,451.6	9,082.2

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Total	66,653.0	32,329.4	67,581.2	31,606.5	69,322.6	32,813.1
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- (1) Represents other oil regions in China and our overseas oil and gas fields.
 (2) Represents natural gas remaining after field separation for condensate removal and reduction for flared gas.

Exploration and Development

We are currently conducting exploration and development efforts in 12 provinces, two municipalities under the direct administration of the central government and three autonomous regions in China as well as in certain regions in other countries. We believe that we have more extensive experience in the exploration and development of crude oil and natural gas than any of our principal competitors in China.

The following table sets forth the number of wells we drilled, or in which we participated, and the results thereof, for the periods indicated.

Year	Daqing	Xinjiang	Changqing	Others ⁽¹⁾	Total
2011					
Net exploratory wells drilled⁽²⁾	258	197	697	643	1,795
Crude oil	231	153	381	344	1,109
Natural gas	7	4	72	96	179
Dry ⁽³⁾	20	40	244	203	507
Net development wells drilled⁽²⁾	4,664	1,554	8,298	3,762	18,278
Crude oil	4,626	1,547	7,076	3,328	16,577
Natural gas	25	7	1,089	403	1,524
Dry ⁽³⁾	13		133	31	177
2012					
Net exploratory wells drilled⁽²⁾	178	129	737	707	1,751
Crude oil	163	84	434	313	994
Natural gas	8		129	229	366
Dry ⁽³⁾	7	45	174	165	391
Net development wells drilled⁽²⁾	4,498	2,018	9,289	4,127	19,932
Crude oil	4,464	2,012	8,098	3,052	17,626
Natural gas	10	6	1,050	1,030	2,096
Dry ⁽³⁾	24		141	45	210
2013					
Net exploratory wells drilled⁽²⁾	182	128	1,072	636	2,018
Crude oil	164	89	638	298	1,189
Natural gas	8		150	179	337
Dry ⁽³⁾	10	39	284	159	492
Net development wells drilled⁽²⁾	4,909	1,716	5,981	4,181	16,787
Crude oil	4,893	1,700	4,899	2,804	14,296
Natural gas	9	16	994	1,336	2,355
Dry ⁽³⁾	7		88	41	136

(1) Represents the Liaohe, Jilin, Huabei, Dagang, Sichuan, Tarim, Tuha, Qinghai, Jidong, Yumen, Zhejiang, southern and other oil regions.

(2) Net wells refer to the wells after deducting interests of others. No third parties own any interests in any of our wells.

(3) Dry wells are wells with insufficient reserves to sustain commercial production.

We had 945 wells in the process of being drilled and 9,619 wells with multiple completions as of December 31, 2013.

Table of Contents**Oil-and-Gas Properties**

The following table sets forth our interests in developed and undeveloped acreage by oil region and in productive crude oil and natural gas wells as of December 31, 2013.

Oil Region	Productive Wells ⁽¹⁾		Acreage ⁽¹⁾			
	Crude Oil	Natural Gas	Developed		Undeveloped	
			Crude Oil	Natural Gas	Crude Oil	Natural Gas
(Thousands of acres)						
Daqing	66,399	300	1,000.23	94.78	676.08	104.11
Changqing	49,866	8,387	964.92	4,595.24	551.39	1,428.70
Xinjiang	29,485	202	375.50	65.10	158.08	18.10
Other regions ⁽²⁾	67,262	4,988	1,471.10	904.45	840.77	1,173.29
Total	213,012	13,877	3,811.75	5,659.57	2,226.32	2,724.20

(1) Includes all wells and acreage in which we have an interest. No third parties own any interests in any of our wells or acreage.

(2) Represents the Liaohe, Jilin, Huabei, Dagang, Sichuan, Tarim, Tuha, Qinghai, Jidong, Yumen, Zhejiang, southern and other oil regions.

Production

The following table sets forth our historical average net daily crude oil and natural gas production by region and our average sales price for the periods ended December 31, 2011, 2012 and 2013.

	For the Year Ended			% of
	December 31,			
	2011	2012	2013	2013 Total
Crude oil production⁽¹⁾				
(thousands of barrels per day, except percentages or otherwise indicated)				
Daqing	804.4	799.3	797.5	31.2
Changqing	405.2	456.4	492.0	19.3
Xinjiang	220.7	222.7	234.8	9.2
Other ⁽²⁾	997.4	1,025.8	1,031.4	40.3
Total	2,427.7	2,504.2	2,555.8	100.0
Annual production (million barrels)	886.1	916.5	932.9	
Average sales price (US\$ per barrel)	104.20	103.65	100.42	
Natural gas production⁽¹⁾⁽³⁾				
(millions of cubic feet per day, except percentages or otherwise indicated)				
Tarim	1,548.7	1,739.2	1,995.3	26.0
Changqing	2,122.9	2,421.5	2,865.9	37.3
Sichuan	1,296.8	1,198.6	1,148.9	15.0
Other ⁽⁴⁾	1,597.1	1,632.1	1,666.1	21.7
Total	6,565.5	6,991.4	7,676.3	100.0
Annual production (Bcf)	2,396.4	2,558.8	2,801.9	
Average realized price (US\$ per Mcf) ⁽⁵⁾	4.74	5.04	5.61	

- (1) Production volumes for each region include our share of the production from all of our cooperative projects with foreign companies in that region.

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- (2) Represents production from the Liaohe, Jilin, Huabei, Dagang, Tarim, Tuha, Qinghai, Jidong, Yumen and other oil regions and our share of overseas production as a result of our acquisition of overseas assets.
- (3) Represents production of natural gas for sale.
- (4) Represents production from the Daqing, Qinghai, Tuha, Xinjiang, Liaohe, Huabei, Dagang, Jilin, Jidong, Yumen and other oil and gas regions and our share of overseas production as a result of our acquisition of overseas assets.
- (5) For natural gas citygate price, please refer to Item 5 Operating and Financial Review and Prospects Overview .

In 2013, we supplied a substantial majority of our total crude oil sales to our refineries. In addition, we entered into a crude oil mutual supply framework agreement with Sinopec on January 1, 2014 for the supply of crude oil to each other's refineries in 2014. Under this agreement, we agreed in principle to supply 4.08 million tons of crude oil to Sinopec in 2014. For the years ended December 31, 2011, 2012 and 2013, the average lifting costs of our crude oil and natural gas production were US\$11.23 per BOE, US\$11.74 per BOE and US\$13.23 per BOE, respectively.

Principal Oil and Gas Regions

Daqing Oil Region

The Daqing oil region, our largest oil and gas producing property, is located in the Songliao basin and covers an area of approximately one million acres. In 2011, 2012 and 2013, our crude oil production volume in the Daqing oil region was 804.4 thousand barrels per day, 799.3 thousand barrels per day and 797.5 thousand barrels per day, respectively. As of December 31, 2013, we produced crude oil from 37 fields in the Daqing oil region.

As of December 31, 2013, our proved crude oil reserves in the Daqing oil region were 2,484.9 million barrels, representing 23.0% of our total proved crude oil reserves. As of December 31, 2011 and 2012, the proved crude oil reserves in our Daqing oil region were 2,925.2 million barrels and 2,697.1 million barrels, respectively. In 2013, the crude oil reserve-to-production ratio of the Daqing oil region was 8.4 years.

Daqing's crude oil has a low sulfur and high paraffin content. As many refineries in China, particularly those in northeastern China, are configured to refine Daqing crude oil, we have a stable market for the crude oil we produce in the Daqing oil region.

Xinjiang Oil Region

The Xinjiang oil region is one of our four largest crude oil producing properties and is located in the Junggar basin in northwestern China. We commenced our operations in the Xinjiang oil region in 1951. The Xinjiang oil region covers a total area of approximately 900,000 acres.

As of December 31, 2013, our proved crude oil reserves in the Xinjiang oil region were 1,548.6 million barrels, representing 14.3% of our total proved crude oil reserves. In 2013, our oil fields in the Xinjiang oil region produced an average of 234.8 thousand barrels of crude oil per day, representing approximately 9.2% of our total daily crude oil production. In 2013, the crude oil reserve-to-production ratio at the Xinjiang oil region was 18.1 years.

Sichuan Gas Region

We began natural gas exploration and production in Sichuan in the 1950s. The Sichuan gas region covers a total area of approximately 2.3 million acres. The natural gas reserve-to-production ratio in the Sichuan gas region was approximately 29.8 years in 2013. As of December 31, 2013, we had 114 natural gas fields under

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development in the Sichuan gas region. In 2013, our proved gas reserves increased by 187.5 billion cubic meters in the Anyue gasfield located in the Sichuan gas region. This is the largest ever monomer marine uncompartimentalized carbonate gas reservoir discovered in China and represents one of our major breakthroughs in the exploration of gas reserves.

As of December 31, 2013, our proved natural gas reserves in the Sichuan gas region were 12,490.3 Bcf, representing 18.0% of our total proved natural gas reserves and an increase of 13.8% from 10,976.7 Bcf as of December 31, 2012. In 2013, our natural gas production for sale in the Sichuan gas region reached 419.4 Bcf, representing 15.0% of our total natural gas production for sale.

Changqing Oil and Gas Region

The Changqing oil and gas region covers parts of Shaanxi Province and Gansu Province and the Ningxia and Inner Mongolia Autonomous Regions. As of December 31, 2013, our proved crude oil reserves in the Changqing oil region were 2,383.5 million barrels, representing 22.0% of our total proved crude oil reserves. In 2013, our crude oil production in the Changqing oil region was an average of 492.0 thousand barrels per day, representing approximately 19.3% of our total daily crude oil production. In 2013, the crude oil reserve-to-production ratio at the Changqing oil region was 13.3 years.

In the early 1990s, we discovered the Changqing gas region, which had total estimated proved natural gas reserves of 22,610.0 Bcf as of December 31, 2013, representing 32.6% of our total proved natural gas reserves. In January 2001, we discovered the Sulige gas field in Changqing gas region, which had total estimated proved natural gas reserves of 11,131.9 Bcf as of December 31, 2013. Sulige gas field is currently the largest gas field in China. In 2013, we produced 1,046.1 Bcf of natural gas for sale in the Changqing oil and gas region, representing an increase of 18.0% from 886.3 Bcf in 2012.

Tarim Oil and Gas Region

The Tarim oil and gas region is located in the Tarim basin in northwestern China with a total area of approximately 590,000 acres. In 1998, we discovered the Kela 2 natural gas field in the Tarim oil and gas region. As of December 31, 2013, the proved natural gas reserves in the Tarim oil and gas region reached 20,770.7 Bcf, representing 30.0% of our total proved natural gas reserves.

In 2013, we produced 728.3 Bcf of natural gas for sale in the Tarim oil and gas region. We have completed the construction of the pipelines to deliver natural gas in the Tarim oil and gas region to the central and eastern regions of China where there is strong demand for natural gas transmitted through our West-East Gas Pipeline. See [Natural Gas and Pipeline](#) [Natural Gas Transmission Infrastructure](#) for a discussion of our West-East Gas Pipeline.

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Table of Contents**Refining and Chemicals**

We now operate 29 enterprises located in nine provinces, four autonomous regions and three municipalities to engage in refining of crude oil and petroleum products, as well as the production and marketing of basic petrochemical products, derivative chemical products and other chemical products.

The following table sets forth the financial and operating data of our refining and chemicals segment for each of the years ended December 31, 2011, 2012 and 2013:

	Year Ended December 31,		
	2011	2012	2013
Revenue (RMB in millions)	847,711	883,218	871,815
Loss from operations (RMB in millions)	(61,866)	(43,511)	(24,392)
Crude oil processed (million barrels)	984.6	1,012.5	992.3
Crude oil primary distillation capacity (million barrels/year)	1,129.0	1,160.8	1,174.1
Production of refined oil products (thousand tons)	87,150	91,016	90,282

Refining**Refined Products**

We produce a wide range of refined products at our refineries. Some of the refined products are for our internal consumption and used as raw materials in our petrochemical operation. The table below sets forth production volumes for our principal refined products for each of the years ended December 31, 2011, 2012 and 2013.

Principal Product	Year Ended December 31,		
	2011	2012	2013
	(In thousands of tons)		
Diesel	59,040	59,227	56,876
Gasoline	25,447	28,381	29,294
Kerosene	2,663	3,408	4,112
Lubricants	1,573	1,838	1,886
Fuel oil	3,717	3,874	3,802
Naphtha	10,301	9,876	9,056

Our Refineries

Most of our refineries are strategically located close to our crude oil production and storage bases, along our crude oil and refined product transmission pipelines and railways, which provide our refineries with secure supplies of crude oil and facilitate our distribution of refined products to the domestic markets. In 2013, we further optimized our production processes and increased our refinery capacity. We completed 14 gasoline quality upgrading projects in 2013 and all our auto-use gasoline are in compliance with the China IV standard. In 2013, we completed a 10 million tons per year refinery project at Sichuan Petrochemical, and commenced the construction of a 10 million tons per year refinery project at Yunnan Petrochemical after having obtained the governmental approval. In each of the years ended December 31, 2011, 2012 and 2013, our exploration and production operations supplied approximately 64.9% , 66.3% and 68.8%, respectively, of the crude oil processed in our refineries.

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The table below sets forth certain operating statistics regarding our refineries as of December 31, 2011, 2012 and 2013.

	As of December 31,		
	2011	2012	2013
Primary distillation capacity⁽¹⁾ (thousand barrels per day)			
Lanzhou Petrochemical	212.6	212.6	212.6
Dalian Petrochemical	415.0	415.0	415.0
Fushun Petrochemical	236.9	236.9	222.7
Dushanzi Petrochemical	202.4	202.4	202.4
Guangxi Petrochemical	202.4	202.4	202.4
Jilin Petrochemical	198.4	198.4	198.4
Other refineries	1,625.6	1,712.6	1,763.2
Total	3,093.3	3,180.3	3,216.7
Refining throughput (thousand barrels per day)			
Lanzhou Petrochemical	213.2	202.3	212.6
Dalian Petrochemical	302.8	329.1	281.9
Fushun Petrochemical	134.7	152.2	167.8
Dushanzi Petrochemical	169.5	180.7	183.4
Guangxi Petrochemical	183.5	174.1	137.3
Jilin Petrochemical	185.0	168.5	173.5
Other refineries	1,508.7	1,559.6	1,562.0
Total	2,697.4	2,766.5	2,718.5

(1) Represents the primary distillation capacity of crude oil and condensate.

In each of the years ended December 31, 2011, 2012 and 2013, the average utilization rate of the primary distillation capacity at our refineries was 92.0% , 90.1% and 87.3%, respectively, and the average yield for our four principal refined products (gasoline, kerosene, diesel and lubricants) at our refineries was 66.6%, 67.8% and 68.6%, respectively. Yield represents the number of tons of a refined product expressed as a percentage of the number of tons of crude oil from which that product is processed. In each of the years ended December 31, 2011, 2012 and 2013, the yield for all refined products at our refineries was 94.0%, 93.8% and 93.4%, respectively.

Dalian Petrochemical, Lanzhou Petrochemical, Dushanzi Petrochemical, Jilin Petrochemical, Fushun Petrochemical and Guangxi Petrochemical were our leading refineries in terms of both primary distillation capacity and refining throughput in 2013.

To maintain effective operations of our facilities and lower production costs, we have endeavored to achieve the most cost-efficient proportions of various types of crude oil in our refining process. We purchase a portion of our crude oil requirements from third-party international suppliers located in different countries and regions. As a result, in 2013, we purchased a small amount of crude oil, through independent suppliers, from Sudan, which is on the U.S. sanction list. The crude oil so purchased was mingled with crude oil from other sources during the refining process. The revenue generated from our refinery from the crude oil purchased from Sudan accounted for 0.19% of our total revenue in 2013.

Chemicals

Most of our chemical plants are near to our refineries and are also connected with the refineries by pipelines, providing additional production flexibility and opportunities for cost competitiveness. The raw materials required by our chemicals operations have been supplied by our own refineries.

Table of Contents**Our Chemical Products**

The table below sets forth the production volumes of our principal chemical products for each of the years ended December 31, 2011, 2012 and 2013.

	Year Ended December 31,		
	2011	2012	2013
	(In thousand tons)		
Basic petrochemicals			
Propylene	3,807	4,074	4,257
Ethylene	3,467	3,690	3,982
Benzene	1,510	1,627	1,689
Derivative petrochemicals			
Synthetic resin	5,690	6,089	6,537
Other synthetic fiber raw materials and polymer	2,031	1,595	1,218
Synthetic rubber	606	633	665
Other chemicals			
Urea	4,484	4,408	3,771

We are one of the major producers of ethylene in China. We use the bulk of the ethylene we produce as a principal feedstock for the production of many chemical products, such as polyethylene. As of December 31, 2013, our annual ethylene production capacity was 5,110 thousand tons. We produce a number of synthetic resin products, including polyethylene, polypropylene and ABS. As of December 31, 2013, our production capacities for polyethylene, polypropylene and ABS were 4,462 thousand tons, 3,744 thousand tons and 705 thousand tons, respectively. In 2013, a 800 thousand tons-per-year ethylene project at Sichuan PetroChemical was substantially completed. In addition, in order to satisfy the demand for oilfield surfactant, Daqing Refinery commenced the construction of a sulfur salt production facility in 2013 with an annual production capacity of 35 thousand tons.

Marketing of Chemicals

Our chemical products are distributed to a number of industries that manufacture components used in a wide range of applications, including automotive, construction, electronics, medical manufacturing, printing, electrical appliances, household products, insulation, packaging, paper, textile, paint, footwear, agriculture and furniture industries.

The following table sets forth the sales volumes of our chemical products by principal product category for each of the years ended December 31, 2011, 2012 and 2013.

Product	Year Ended December 31,		
	2011	2012	2013
	(In thousands tons)		
Derivative petrochemicals			
Synthetic resin	5,625.9	5,980.4	6,540.8
Synthetic fiber	108.7	107.4	101.8
Synthetic rubber	605.0	661.4	804.6
Intermediates	6,774.1	8,201.0	9,312.7
Other chemicals			
Urea	4,226.6	4,303.6	3,943.7

In each of the years ended December 31, 2011, 2012 and 2013, our capital expenditures for our refining and chemicals segment were approximately RMB42,781 million, RMB36,009 million and RMB26,671 million, respectively. These capital expenditures were incurred primarily in connection with the expansion of our refining

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facilities and the upgrading of our product quality and the construction of large ethylene projects. In addition, we have also focused on enhancing our processing technologies and methods. These efforts have enabled us to improve the quality of refined products at our refineries, particularly that of gasoline and diesel. We believe that our refined products are capable of meeting product specification and environmental protection requirements as set by the PRC government.

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Table of Contents**Marketing**

We engage in the marketing of refined products through 37 regional sales branch companies including three distribution branch companies, one lubricants branch company and one fuel oil company. These operations include the transportation and storage of the refined products, and the wholesale, retail and export of gasoline, diesel, kerosene, lubricant, asphalt and other refined products. In addition, we have been actively developing international trade and have made some new achievements in Asia, Europe and America, the three oil and gas operating centers in the world, which further improved our international operations.

The following table sets forth the financial and operating data of our marketing segment for each of the years ended December 31, 2011, 2012 and 2013:

	Year Ended December 31,		
	2011	2012	2013
Revenue (RMB in millions)	1,693,130	1,890,558	1,946,806
Income from operations (RMB in millions)	20,653	16,391	7,562
External sales volume of refined oil products (thousand tons)	145,532	153,277	159,133

We market a wide range of refined products, including gasoline, diesel, kerosene and lubricants, through an extensive network of sales personnel and independent distributors and a broad wholesale and retail distribution system across China. As of December 31, 2013, our marketing network consisted of:

Numerous nationwide wholesale distribution outlets. All of these outlets are located in high demand areas such as economic centers across China, particularly in the coastal areas, along major railways and along the Yangtze River; and

20,272 service stations, consisting of 19,710 service stations owned and operated by us and 562 franchise service stations owned and operated by third parties.

The PRC government and other institutional customers, including railway, transportation and fishery operators, are our long-term purchasers of the gasoline and diesel that we produce. We sell gasoline and diesel to these customers at the supply prices for special customers published by the PRC government. See [Regulatory Matters](#) [Pricing](#) [Refined Products](#) for a discussion of refined product pricing.

The following table sets forth our sales volumes of diesel, gasoline, kerosene and lubricants for each of the years ended December 31, 2011, 2012 and 2013.

Product	Year Ended December 31,		
	2011	2012	2013
	(In thousands tons)		
Diesel	91,787	94,515	93,301
Gasoline	43,967	47,407	52,350
Kerosene	9,778	11,355	13,482
Lubricants	1,761	2,104	1,740

Wholesale Marketing

We sell refined products both directly and through independent distributors into various wholesale markets, as well as to utility, commercial, petrochemical, aviation, agricultural, fishery and transportation companies in China. Our gasoline and diesel sales also include the amount we transferred to our retail operations.

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Retail Marketing

The weighted average sales volume of gasoline and diesel per business day at our service station network was 11.1 tons per service station in 2011, 11.1 tons per service station in 2012 and 11.0 tons per service station in 2013.

Capital expenditures for the marketing segment for the years ended December 31, 2011, 2012 and 2013 amounted to RMB15,136 million, RMB14,928 million and RMB7,101 million, respectively, which were used mainly for the construction of sales network facilities including service stations and oil storage tanks.

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Table of Contents**Natural Gas and Pipeline**

We are China's largest natural gas transporter and seller in terms of sales volume. We sell natural gas primarily to industrial companies, power plants, fertilizer and chemical companies, commercial users and municipal utilities owned by local governments. In addition, we also conduct the operation of crude oil and refined product transmission in the natural gas and pipeline segment.

The following table sets forth the financial and operating data of our natural gas and pipeline segment for each of the years ended December 31, 2011, 2012 and 2013:

	As of December 31 or Year Ended December 31,		
	2011	2012	2013
Revenue (RMB in millions)	173,058	202,196	232,751
Income (loss) from operations (RMB in millions)	15,530	(2,110)	28,888
Total length of natural gas pipelines (km)	36,116	40,995	43,872
Total length of crude oil pipeline (km)	14,782	16,344	17,614
Total length of refined oil products pipeline (km)	9,334	9,437	9,534
Total volume of natural gas sold ⁽¹⁾ (Bcf)	2,658.5	3,015.5	3,480.0

(1) Represents the natural gas sold to third parties

Our Principal Markets for Natural Gas

In 2013, in addition to satisfying the demand of the northwestern, central and northeastern regions of China, we sold our natural gas mainly to the northern, eastern and southeastern regions of the PRC.

Sichuan Province and Chongqing Municipality are two of our principal markets for natural gas in southwest China. We supply natural gas to Sichuan Province and Chongqing Municipality from our exploration and production operations in the Sichuan oil and gas region. Beijing Municipality, Tianjin Municipality, Hebei Province and Shandong Province in northern China have a relatively high energy consumption levels. These areas are important markets for our natural gas transmission and marketing business. We supply natural gas to these areas primarily from the Changqing oil region through the Shaanxi to Beijing natural gas pipeline.

Shanghai Municipality, Jiangsu Province, Zhejiang Province and Anhui Province located in Yangtze River Delta of eastern China, and Henan Province and Hubei Province located in the central China have become our significant natural gas markets.

We have entered into contracts to provide approximately 4,301.3 Bcf of natural gas to certain users in 2014. However, the committed quantity of supply may be adjusted by us and the users in the course of the performance of the contracts in light of the actual situation.

Each year, we must supply natural gas to customers subject to the government-formulated guidance supply plan first as required by the PRC government. We enter into natural gas supply contracts with those customers on the basis of the amount of natural gas to be supplied according to the guidance supply plan for the following year's supply.

Driven by environmental and efficiency concerns, the PRC government is increasingly encouraging industrial and residential use of natural gas to meet primary energy and environmental protection needs. The PRC government has adopted a number of laws and regulations to require municipal governments to increase the use of clean energy, such as natural gas and liquefied petroleum gas, to replace the use of raw coal. Several local governments, including that of Beijing, have adopted policies to facilitate an increase in natural gas consumption

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in order to reduce the air pollution level. The PRC government has also adopted a preferential value-added tax rate of 13% for natural gas production as compared to a 17% value-added tax rate for crude oil production.

We believe that these policies have had a positive effect on the development and consumption of natural gas in many municipalities that are our existing or potential markets for natural gas. We believe that these favorable policies will continue to benefit our natural gas business.

Natural Gas Transmission Infrastructure

As of December 31, 2013, we owned and operated approximately 43,872 kilometers of natural gas pipelines in China. Our natural gas pipelines represent the vast majority of China's onshore natural gas pipelines. Our existing natural gas pipelines form a national trunk network for natural gas supply and the regional natural gas supply networks in northwestern, southwestern, northern and central China as well as the Yangtze River Delta.

The First West-East Gas Pipeline

The construction of the First West-East Gas Pipeline commenced officially in July 2002 and was completed and put into operation on October 1, 2004. The main line of our West-East Gas Pipeline links our natural gas fields in Xinjiang and Changqing with Henan Province, Anhui Province, Jiangsu Province, Shanghai Municipality and other areas in the Yangtze River Delta. It is designed to mainly transmit the natural gas produced at Tarim oil region to Henan, Anhui, Jiangsu, Zhejiang and Shanghai. The First West-East Gas Pipeline includes one main line, three main branch lines and numerous accessory branch lines, and two underground storage facilities, with a total length of 4,380 kilometers, of which the main line has a total length of 3,839 kilometers. The First West-East Gas Pipeline has a designed annual throughput capacity of 600.4 Bcf.

The Second West-East Gas Pipeline

In February 2008, we commenced the construction of the Second West-East Gas Pipeline. The west section of the Second West-East Gas Pipeline was put into operation in December 2009. In June 2011, the east section was put into operation. By the end of 2012, the main line and branch lines as well as the Hong Kong branch line of the Second West-East Gas Pipeline were all completed and put into operation. The Second West-East Gas Pipeline includes one main line, eight main branch lines and numerous accessory branch lines and three underground storage facilities, with a total length of 8,819 kilometers. The main line of the Second West-East Gas Pipeline has a length of 4,886 kilometers. The western section of the main line extends from Horgos to Zhongwei with a length of 2,325 kilometers and a designed annual throughput capacity of 1,059.5 Bcf. The eastern section of the main line extends from Zhongwei to Guangzhou with a length of 2,561 kilometers and a designed annual throughput capacity of 988.8 Bcf.

The Third West-East Gas Pipeline

The main line of the Third West-East Gas Pipeline extends from Horgos to Fuzhou via Zhongwei. It consists of five main branch lines, including the Yining-Horgos Line, and numerous accessory branch lines, with a total length of 6,840 kilometers and a designed annual throughput capacity of 1,059.4 Bcf. By the end of 2013, the western section of the Third West-East Gas Pipeline that extends from Horgos to Zhongwei was completed, with a length of 2,445 kilometers. The middle section that extends from Zhongwei to Ji'an is 2,016 kilometers long and is scheduled to be completed by 2016. The eastern section which extends from Ji'an to Fuzhou is 817 kilometers long and is scheduled to be completed and put into operation by 2015.

In addition, we also operate other natural gas pipelines, such as the Zhong County-to-Wuhan natural gas pipeline, the first, the second and the third Shaanxi-to-Beijing natural gas pipelines and Sebei-to-Lanzhou natural gas pipelines.

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Crude Oil Transportation and Storage Infrastructure

We have an extensive network for the transportation, storage and distribution of crude oil, which covers many regions of China.

As of December 31, 2013, the crude oil transportation and storage infrastructure operated by us consisted of:

17,614 kilometers of crude oil pipelines; and

crude oil storage facilities with an aggregate storage capacity of approximately 29.3 million cubic meters.

Russia to China Crude Oil Pipeline

In May 2009, we commenced the construction of the Russia to China crude oil transmission pipeline (the Mohe-to-Daqing section) upon the approval of the National Development and Reform Commission, or NDRC. We are the constructor and operator of the section crossing the Heilongjiang River and the section lies in China. This pipeline extends from the Skovorodino off-take station of Russia's Far East Pipeline, through Galinda at the Russian border, Heilongjiang Province and Inner Mongolia, to Daqing terminal station. With a designed transmission capacity of 15 million tons, this pipeline is 935 kilometers long. This pipeline was completed on September 27, 2010 and was put into commercial operation on January 1, 2011.

In addition, we also operate other crude oil pipelines, including the crude oil pipeline network for western regions and the crude oil pipeline network for northeastern regions.

Refined Product Transportation and Storage Infrastructure

As of December 31, 2013, the refined product transportation and storage infrastructure operated by us consisted of:

9,534 kilometers of refined product pipelines; and

refined product storage facilities with a total storage capacity of approximately 30.3 million cubic meters.

The Lanzhou-to-Zhengzhou-to-Changsha Pipeline

We received the approval from the NDRC for and commenced the construction of the Lanzhou-to-Zhengzhou-to-Changsha refined oil pipeline in December 2007. The pipeline starts from Lanzhou of Gansu Province and terminates at Changsha of Hunan Province, with a total length of 3,111 kilometers, including the length of all the main lines and branch lines. We finished the construction and commenced the operation of the section from Lanzhou to Zhengzhou in April 2009 and the section from Zhengzhou to Wuhan in August 2009. The construction of all the main line and branch lines was completed by October 2013.

In addition, we also operate other refined product pipelines, such as the refined product pipelines for western regions and Lanzhou-to-Chengdu-to-Chongqing refined product pipeline.

During the past three years, we have not experienced any delays in delivering natural gas, crude oil and refined products due to pipeline capacity constraints.

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Competition

As an oil and gas company operating in a competitive industry, we compete in each of our business segments in both China and international markets for desirable business prospects and for customers. Our principal competitors in China are China Petroleum and Chemical Corporation, or Sinopec, including its subsidiary, China National Star Petroleum Corporation, or CNSPC, and CNOOC.

Exploration and Production Operations

We are the largest onshore oil and gas company in China in terms of proved crude oil and natural gas reserves as well as crude oil and natural gas production and sales. However, we compete with other domestic oil and gas companies for the acquisition of desirable crude oil and natural gas prospects. Similarly, we face some competition in the development of offshore oil and gas resources. In addition, the gradual development of the low-cost shale gas and shale oil in the United States has had a material effect on our business. We believe that our experience in crude oil and natural gas exploration and production and our advanced exploration and development technologies that are suitable for diverse geological conditions in China will enable us to maintain our dominant position in discovering and developing crude oil and natural gas reserves in China.

Refining and Chemicals Operations and Marketing Operations

We compete with Sinopec in our refining and chemicals operations and marketing operations on the basis of price, quality and customer service. Most of our refineries and chemical plants are located in the northeastern and northwestern regions of China where we have the dominant market share for refined products and chemical products. We sell the remainder of our refined products and chemical products to the eastern, southern, southwestern and central-southern regions of China, where our products have a considerable market share. The eastern and southern regions of China, where refined products and chemical products are in higher demand, are important markets for our refined products and chemical products. Sinopec has a strong presence in the eastern and southern regions of China in competition with us, and most of Sinopec's refineries, chemical plants and distribution networks are located in these regions in close proximity to these markets. Moreover, as the newly constructed facilities of CNOOC commenced operation in the same region, large quantity of chemical products have been marketed into that area. In addition, the further diversification of the market players in China's domestic market and the continuous increase in production capacity of low-cost petrochemical products in the Middle East have had a material effect on our business. As a result, the competition has further intensified. We expect that we will continue to face competition from other competitors in our refined products and chemical products sales in these regions. See Item 3 Key Information Risk Factors .

We also face competition from imported refined products and chemical products on the basis of price and quality. As a result of China's entry into the WTO, competition from foreign producers of refined products and chemical products has increased and the retail and wholesale markets in China for refined products and chemical products will be gradually opened to foreign competition as tariff and non-tariff barriers for imported refined products and chemical products are being lifted over time. For example, sales of chemical products imported from the Middle East have increased rapidly in China in recent years. We will face more and more challenges in the competition of refined and chemical products. All of these force us to reduce our production costs, improve the quality of our products and optimize our product mix. See Item 3 Key Information Risk Factors .

Natural Gas and Pipeline Operations

We are the largest natural gas supplier in the PRC in terms of sales volume. Currently, we face competition from Sinopec, CNOOC and coal-based natural gas producers in the supply of natural gas in the Beijing Municipality, Tianjin Municipality, Hebei Province, Shanghai Municipality, Jiangsu Province, Anhui Province, Henan Province, Hubei Province, Hunan Province and the northwestern regions of China, our existing principal markets for natural gas. Currently, Sinopec has natural gas fields in Sichuan Province and Chongqing

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Municipality and sells natural gas to users in places such as Sichuan, Chongqing, Hunan, Jiangsu, Zhejiang and Shanghai. Further, we intend to expand our markets for natural gas into the coastal regions in southeastern China where we may face competition from CNOOC and Sinopec. We believe that our dominant natural gas resources base, our relatively advanced technologies and skills in managing long distance pipelines will enable us to continue to be a dominant player in the natural gas markets in China.

Environmental Matters

Together with other companies in the industries in which we operate, we are subject to numerous national, regional and local environmental laws and regulations and environmental regulations promulgated by the governments in whose jurisdictions we have operations. These laws and regulations concern our oil and gas exploration and production operations, petroleum and petrochemical products and other activities. In particular, some of these laws and regulations:

require an environmental evaluation report to be submitted and approved prior to the commencement of exploration, production, refining and chemical projects;

restrict the type, quantities, and concentration of various substances that can be released into the environment in connection with drilling and production activities;

limit or prohibit drilling activities within protected areas and certain other areas; and

impose penalties for pollution resulting from oil, natural gas and petrochemical operations, including criminal and civil liabilities for serious pollution.

These laws and regulations may also restrict air emissions and discharges to surface and subsurface water resulting from the operation of natural gas processing plants, chemical plants, refineries, pipeline systems and other facilities that we own. In addition, our operations are subject to laws and regulations relating to the generation, handling, storage, transportation, disposal and treatment of solid waste materials.

We anticipate that the environmental laws and regulations to which we are subject will become increasingly strict and are therefore likely to have an increasing impact on our operations. It is difficult, however, to predict accurately the effect of future developments in such laws and regulations on our future earnings and operations. Some risk of environmental costs and liabilities is inherent in certain of our operations and products, as it is with other companies engaged in similar businesses. We cannot assure you that material costs and liabilities will not be incurred. However, we do not currently expect any material adverse effect on our financial condition or results of operations as a result of compliance with such laws and regulations. We paid pollutant discharge fees of approximately RMB324 million, RMB327 million and RMB378 million, in 2011, 2012 and 2013, respectively.

To meet future environmental obligations, we are engaged in a continuous program to develop effective environmental protection measures. This program includes research on:

building environment-friendly projects;

reducing sulphur levels in gasoline and diesel fuel;

reducing paraffin and benzene content in gasoline, and continuously reducing the quantity of emissions and effluents from our refineries and petrochemical plants; and

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developing and installing monitoring systems at our pollutant discharge openings and developing environmental impact assessments for construction projects.

Our capital expenditures on environmental programs in 2011, 2012 and 2013 were approximately RMB1.65 billion, RMB1.94 billion and RMB2.55 billion, respectively.

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Because a number of our production facilities are located in populated areas, we have established a series of preventative measures to improve the safety of our employees and surrounding residents and minimize disruptions or other adverse effects on our business. These measures include:

providing each household in areas surrounding our production facilities with printed materials to explain and illustrate safety and protection knowledge and skills; and

enhancing the implementation of various effective safety production measures we have adopted previously.

We believe that these preventative measures have helped reduce the possibility of incidents that may result in serious casualties and environmental consequences. In addition, the adoption of these preventative measures has not required significant capital expenditures to date, and therefore, will not have a material adverse effect on our results of operations and financial condition.

Legal Proceedings

On September 3 and 6, 2013, two respective class action complaints were filed with the United States District Court for the Southern District of New York (the Court) against the Company, Mr. Jiang Jiemin, former chairman of the board of directors, Mr. Zhou Jiping, chairman of the board of directors, Mr. Zhou Mingchun, former CFO and Mr. Yu Yibo, CFO of the Company for alleged violations of the securities laws of the United States by reason of the PRC authorities' investigation of certain former directors and senior management of the Company. The Company (through the designated legal documents delivery agent of the Company in the United States) has been served with the notices of the complaints, with no details on the amount claimed under the complaints. On April 4, 2014, the Court entered an order consolidating the related actions and appointing lead plaintiff and lead counsel. The plaintiffs will have 60 days thereafter to file an amended complaint. The Company will vigorously contest the complaint with its best efforts to protect the legitimate rights and interests of the Company.

Other than the foregoing, we are involved in several legal proceedings concerning matters arising in the ordinary course of our business. We believe, based on currently available information, that these proceedings, individually or in the aggregate, will not have a material adverse effect on our results of operations or financial condition.

Properties

Under a restructuring agreement we entered into with CNPC on March 10, 2000, CNPC undertook to us the following:

CNPC would use its best endeavors to obtain formal land use right licenses to replace the entitlement certificates in relation to the 28,649 parcels of land, which were leased or transferred to us from CNPC, within one year from August, September and October 1999 when the relevant entitlement certificates were issued;

CNPC would complete, within one year from November 5, 1999, the necessary governmental procedures for the requisition of the collectively owned land on which 116 service stations owned by us are located; and

CNPC would obtain individual building ownership certificates in our name for all of the 57,482 buildings transferred to us by CNPC, before November 5, 2000.

As of December 31, 2013, CNPC obtained formal land use right certificates for 28,607 of the 28,649 parcels of land and ownership certificates for some buildings. The remaining 42 parcels of land are owned by farmers.

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collectives. As a result, we have been unable to obtain the land use right certificates for these 42 parcels of land and have returned them back to the farmers. A total of 42 gas stations built on the collectively-owned land have been removed and closed down.

We hold exploration and production licenses covering all of our interests in developed and undeveloped acreage, oil and natural gas wells and relevant facilities.

Intellectual Property

Our company logo is jointly owned by us and CNPC and has been used since December 26, 2004. Together with CNPC, we have applied for trademark registrations of the logo with the State Trademark Bureau of the PRC. To date, several of our applications have been approved and others are either in the process of review or public announcement phase. In addition, together with CNPC, we have applied for international trademark registration for our logo in other jurisdictions. We have received 136 International Trademark Registration Certificates for our logo covering more than 50 jurisdictions.

As of December 31, 2013, we owned approximately 7,347 patents in China and other jurisdictions. We were granted 1,847 patents in China in 2013.

Regulatory Matters

Overview

China's oil and gas industry is subject to extensive regulation by the PRC government with respect to a number of aspects of exploration, production, transmission and marketing of crude oil and natural gas as well as production, transportation and marketing of refined products and chemical products. The following central government authorities exercise control over various aspects of China's oil and gas industry:

The Ministry of Land and Resources has the authority for granting, examining and approving oil and gas exploration and production licenses, the administration of registration and transfer of exploration and production licenses.

The Ministry of Commerce:

grants the import and export volume quotas for crude oil and refined products in accordance with the market supply and demand in China as well as the WTO requirements for China;

issues import and export licenses for crude oil and refined products to oil and gas companies that have obtained import and export quotas; and

examines and approves production sharing contracts in relation to oil and coal seam gas and Sino-foreign equity and cooperative joint venture contracts.

The National Development and Reform Commission:

has the authority for industry administration, industry policy and policy coordination over China's oil and gas industry;

determines mandatory minimum volumes and applicable prices of natural gas to be supplied to certain fertilizer producers;

publishes guidance prices for natural gas and retail highest guidance prices for certain refined products, including gasoline and diesel;

formulates the plan for aggregate import and export volume of crude oil and refined products in accordance with the market supply and demand in China;

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approves significant petroleum, natural gas, oil refinery and chemical projects set forth under the Catalogues of Investment Projects Approved by the Central Government; and

approves Sino-foreign equity and cooperative projects exceeding certain capital amounts.

Exploration Licenses and Production Licenses

The Mineral Resources Law authorizes the Ministry of Land and Resources to exercise administrative authority over the exploration and production of mineral resources within the PRC. The Mineral Resources Law and its supplementary regulations provide the basic legal framework under which exploration licenses and production licenses are granted. The Ministry of Land and Resources has the authority to issue exploration licenses and production licenses. Applicants must be companies approved by the State Council to engage in oil and gas exploration and production activities.

Applicants for exploration licenses must first register with the Ministry of Land and Resources blocks in which they intend to engage in exploration activities. The holder of an exploration license is obligated to make a progressively increasing annual minimum exploration investment relating to the exploration blocks in respect of which the license is issued. Investments range from RMB2,000 per square kilometer for the initial year to RMB5,000 per square kilometer for the second year, and to RMB10,000 per square kilometer for the third and subsequent years. Additionally, the holder has to pay an annual exploration license fee that starts at RMB100 per square kilometer for each of the first three years and increases by an additional RMB100 per square kilometer per year for subsequent years up to a maximum of RMB500 per square kilometer. The maximum term of an oil and natural gas exploration license is seven years, subject to renewal upon expiration of the original term, with each renewal being up to two years. At the exploration stage, an applicant can also apply for a progressive exploration and production license that allows the holder to test and develop reserves not yet fully proven. Upon the detection and confirmation of the quantity of reserves in a certain block, the holder must apply for a production license based on economic evaluation, market conditions and development planning in order to shift into the production phase in a timely fashion. In addition, the holder needs to obtain the right to use that block of land. Generally, the holder of a full production license must obtain a land use rights certificate for industrial land use covering that block of land.

The Ministry of Land and Resources issues production licenses to applicants on the basis of the reserve reports approved by the relevant authorities. Production license holders are required to pay an annual production right usage fee of RMB1,000 per square kilometer. Administrative rules issued by the State Council provide that the maximum term of a production license is 30 years. In accordance with a special approval from the State Council, the Ministry of Land and Resources has issued production licenses with terms coextensive with the projected productive life of the assessed proven reserves as discussed above. Each of our production licenses is renewable upon our application 30 days prior to expiration. If oil and gas prices increase, the productive life of our crude oil and natural gas reservoirs may be extended beyond the current terms of the relevant production licenses.

Among the major PRC oil and gas companies, the exploration licenses and production licenses held by PetroChina, Sinopec and CNOOC account for the majority of mining rights in China. Among those companies, PetroChina and Sinopec primarily engage in onshore exploration and production, while CNOOC primarily engages in offshore exploration and production.

Pricing

Crude Oil

PetroChina and Sinopec set their crude oil median prices each month based on the average Singapore market FOB prices for crude oil of different grades in the previous month. In addition, PetroChina and Sinopec negotiate a premium or discount to reflect transportation costs, the differences in oil quality and market supply

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and demand. The National Development and Reform Commission will mediate if PetroChina and Sinopec cannot agree on the amount of premium or discount.

Refined Products

Since October 2001, PetroChina has set its retail prices within an 8% floating range of the published retail median guidance prices of gasoline and diesel published by the NDRC. After March 26, 2006, the price of diesel for fishing vessels has been set in line with the published retail base price, with no upward adjustment for the time being. These retail median guidance prices of gasoline and diesel vary in each provincial level distribution region. From October 2001 to early 2006, the NDRC published the retail median guidance prices of gasoline and diesel from time to time based on the weighted average FOB Singapore, Rotterdam and New York trading prices for diesel and gasoline plus transportation costs and taxes. Generally, adjustments were made only if the weighted average prices fluctuate beyond 8% of the previously published retail median guidance price. In 2006, the PRC government, under its macroeconomic controls, introduced a mechanism for determining the prices of refined products.

On December 18, 2008, the NDRC issued the *Notice on Implementing Price and Tax Reform of Refined Oil (Guo Fa [2008] No. 37)*, which further improved the pricing mechanism for refined oil products. Under the improved mechanism, the domestic ex-factory prices of refined oil products are determined on the basis of the relevant international crude oil prices, by taking into consideration the average domestic processing cost, tax and a pre-determined profit margin. The prices of diesel and gasoline continue to follow the government guiding prices. The highest retail price set for gasoline and diesel is calculated by using the relevant ex-factory price and a determined profit margin for retailing activities.

On May 7, 2009, the NDRC promulgated and implemented the *Measures for Administration of Petroleum Price (on trial) (Fa Gai Jia Ge [2009] No. 1198)*, which officially specifies the relevant conditions and mechanisms for the adjustment of prices of China's domestic refined oil products. Under the Oil Price Measures, when the change in the average price of crude oil on the international market for 22 consecutive days exceeds 4%, prices of domestic refined oil products may be adjusted accordingly. When the price of crude oil on the international market becomes lower than US\$80 per barrel, the prices of domestic refined oil products shall be computed on the basis of normal profit margin for processing. On the contrary, when the price of crude oil on the international market becomes higher than US\$80 per barrel, the profit margin for processing shall be reduced until being reduced to zero. When the price of crude oil becomes higher than US\$130 per barrel, appropriate financial and tax policies shall be adopted to ensure the production and supply of refined oil products and the stability of the domestic gasoline and diesel prices. Retailers of refined oil products may set the retail prices freely as long as their retail prices are not higher than the highest retail prices of gasoline and diesel set by the government.

On March 26, 2013, the NDRC issued the *Notice on Further Improvement of Refined Oil Pricing Mechanism (Fa Gai Jia Ge [2013] No. 624)* and the amended and restated *Measures for Oil Prices Management (on trial)*. The amended and restated *Measures for Oil Prices Management (on trial)* follow the provisions of the document under Fa Gai Jia Ge [2009] No. 1198. Under this new system, (i) the price adjustment period was shortened from 22 working days to 10 and the 4% limit on the price adjustment range was eliminated; (ii) the composition of the basket of crudes to which refined oil products prices are linked will be adjusted accordingly in light of the composition of the imported crudes and changes in crudes trading on the international market; and (iii) the refined oil products pricing mechanism will be further enhanced.

In order to promote the oil product quality upgrading, on September 16, 2013, the NDRC issued the *Circular of the NDRC regarding Relevant Opinions on the Pricing Policy for Oil Product Quality Upgrading*, pursuant to which the price increase standard for the auto-use gasoline and diesel upgraded to China IV Standard shall be set as RMB290 per ton and RMB370 per ton, respectively and the price increase standard for the auto-

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use gasoline and diesel upgraded from China IV to China V Standard shall be set at RMB170 per ton and RMB160 per ton, respectively.

Chemical Products

PetroChina determines the prices of all of its chemical products based on market conditions.

Natural Gas

The citygate price of natural gas has two components: ex-factory price and pipeline transportation tariff.

Prior to December 26, 2005, ex-factory prices varied depending on whether or not the natural gas sold was within the government-formulated natural gas supply plan. For natural gas sold within the government-formulated supply plan, the National Development and Reform Commission fixed ex-factory prices according to the nature of the customers. Most of these customers were fertilizer producers. For natural gas sold to customers not subject to the government-formulated supply plan, the National Development and Reform Commission published median guidance ex-factory prices, and allowed natural gas producers to adjust prices upward or downward by up to 10%.

On December 26, 2005, the NDRC reformed the mechanism for setting the ex-factory prices of domestic natural gas by changing the ex-factory prices to governmental guidance prices, and categorizing domestic natural gas into two categories. On the basis of the ex-factory price set by the government, subject to the negotiations between the seller and the buyer, the actual ex-factory price of the first category may float upward or downward up to 10%; while the actual ex-factory price of the second category may float upward up to 10% and downward to any level. The price of the first category will be adjusted to the same level as the second category within three to five years. The National Development and Reform Commission does not allow PetroChina and Sinopec to charge different prices towards internal and external enterprises. On November 10, 2007, the National Development and Reform Commission increased the ex-factory price of the industrial use natural gas by RMB400/thousand cubic meters. On June 1, 2010, the NDRC raised the median ex-factory prices of the domestic onshore natural gas and as a result of that, the median ex-factory price of all the oil and gas fields in China increased by RMB0.23/cubic meter. At the same time, the National Development and Reform Commission combined the first category and the second category median ex-factory prices of the natural gas from Dagang Oil Field, Liaohe Oil Field and Zhongyuan Oil Field, thus ending the dual-track natural gas pricing system as described above. In addition, the National Development and Reform Commission expanded the floating range of the median ex-factory price by allowing the median ex-factory price to float upward to 10% and downward to any level.

PetroChina negotiates the actual ex-factory price with natural gas users within the benchmark price and the adjustment range set by the government.

On December 26, 2011, the NDRC implemented a natural gas price formation mechanism pilot reform in Guangdong Province and Guangxi Zhuang Autonomous Region. In general, the approaches under this reform consist of (i) modifying the natural gas pricing method from the current cost plus pricing to the netback pricing by choosing a pricing reference point and an alternative energy to establish a price linkage mechanism between the natural gas and the alternative energy; (ii) determining the gate station natural gas price in each province (region or municipality) based on the natural gas price of the pricing reference point and by taking into account the direction of the main flows of the natural gas market resources and the pipeline transportation cost of natural gas; (iii) implementing a dynamic adjustment mechanism for the gate station natural gas price under which the gate station natural gas price will be initially adjusted on an annual basis and subsequently on a semi-annual or quarterly basis in response to the change in the price of the alternative energy; and (iv) lifting the control over the ex-works prices of unconventional natural gas such as the shale gas, coal seam gas and coal gas to allow them to be formed through market competition.

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In the fourth quarter of 2012, in order to secure a stable supply on the local natural gas market, Sichuan Province and Chongqing Municipality implemented a natural gas pricing mechanism reform and adjusted their local natural gas supply price by referring to the reform model in Guangdong Province and Guangxi Province. After such adjustment, the natural gas citygate price in Sichuan and Chongqing increased by RMB0.18/cubic meter on average.

On June 28, 2013, the NDRC announced a new program for the adjustment of the price of natural gas, which was put into effect nationwide on July 10, 2013. The new program is of great significance to the promotion of the healthy and sustainable development of China's natural gas industry and market. The new program consists of (i) changing the mechanism administering the price of natural gas from ex-factory control to citygate control, and no longer differentiating the prices payable by the users in different provinces by considering the difference in gas sources and transportation routes; (ii) establishment of the mechanism linking the citygate price of natural gas to the price of alternative energy in order to establish the pricing mechanism for natural gas and alternative energy and finally achieve a completely market-driven pricing for natural gas; (iii) adopting differential pricing approaches towards the existing usage and the incremental usage so as to establish as soon as practicable a new pricing mechanism for natural gas while reducing the impact that the pricing reform will have on existing gas users, under this program, the adjustment to the price of the incremental usage will be implemented in one step while the adjustment to the price of the existing usage will be implemented in multiple steps and is targeted to be fully implemented by the end of the 12th Five-year Plan.

The NDRC sets the pipeline transportation tariff for the natural gas transported by pipelines constructed prior to 1991. For natural gas transported by pipelines constructed after 1991, PetroChina submits to the NDRC for examination and approval proposed pipeline transmission tariffs based on the capital investment made in the pipeline, the depreciation period for the pipeline, the ability of end users to pay and PetroChina's profit margin.

On April 25, 2010, the NDRC adjusted the originally government-set flat pipeline transportation tariff for the natural gas transported by pipelines. As a result of such adjustment, our average pipeline transportation tariff for the natural gas transported by pipelines increased from RMB0.06 per cubic meter to RMB0.14 per cubic meter.

Production and Marketing

Crude Oil

Each year, the NDRC publishes the projected target for the production and process of crude oil in China based on the domestic consumption estimates submitted by domestic producers, including but not limited to PetroChina, Sinopec and CNOOC, the production of these companies as well as the forecast of international crude oil prices. The actual production levels are determined by the producers themselves and may vary from the submitted estimates. Since January 1, 2007, when the Measures on the Administration of the Refined Products Market promulgated by the Ministry of Commerce became effective, qualified domestic producers are permitted to engage in the sale and storage of crude oil. Foreign companies with required qualifications are also allowed to establish and invest in enterprises to conduct crude oil business.

Refined Products

Previously, only PetroChina, Sinopec and joint ventures established by the two companies had the right to conduct gasoline and diesel wholesale business. Other companies, including foreign invested companies, were not allowed to engage in wholesale of gasoline and diesel in China's domestic market. In general, only domestic companies, including Sino-foreign joint venture companies, were permitted to engage in retail of gasoline and diesel. Since December 11, 2004, wholly foreign-owned enterprises are permitted to conduct refined oil retail

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business. Since January 1, 2007, when the Measures on the Administration of the Refined Products Market became effective, all entities meeting certain requirements are allowed to submit applications to the Ministry of Commerce to conduct refined oil products wholesale, retail and storage businesses.

Natural Gas

The NDRC determines each year the annual national natural gas production target based on the natural gas production targets submitted by domestic natural gas producers including PetroChina. Domestic natural gas producers determine their annual natural gas production targets on the basis of consumption estimates. The actual production volume of each producer is determined by the producer itself, which may deviate from the production target submitted by it. The NDRC also formulates the annual natural gas guidance supply plan, which requires natural gas producers to distribute a specified amount of natural gas to designated key municipalities and key enterprises.

Foreign Investments

Cooperation in Exploration and Production with Foreign Companies

Currently, CNPC is one of the few Chinese companies that have the right to cooperate with foreign companies in onshore crude oil and natural gas exploration and production in China. CNOOC has the right to cooperate with foreign companies in offshore crude oil and natural gas exploration and production in China.

Sino-foreign cooperation projects and foreign parties in onshore oil and gas exploration and production in China are generally selected through open bids and bilateral negotiations. Those projects are generally conducted through production sharing contracts. The Ministry of Commerce must approve those contracts.

As authorized by the Regulations of the PRC on Exploration of Onshore Petroleum Resources in Cooperation with Foreign Enterprises, CNPC has the right to enter into joint cooperation arrangements with foreign oil and gas companies for onshore crude oil and natural gas exploration and production. PetroChina does not have the capacity to enter into production sharing contracts directly with foreign oil and gas companies under existing PRC law. Accordingly, CNPC will continue to enter into production sharing contracts. After signing a production sharing contract, CNPC will, subject to approval of the Ministry of Commerce, assign to PetroChina most of its commercial and operational rights and obligations under the production sharing contract as required by the Non-competition Agreement between CNPC and PetroChina.

Transportation and Refining

Since December 1, 2007, PRC regulations encourage foreign investment in the construction and operation of oil and gas pipelines and storage facilities but currently restrict foreign investment in refineries with an annual capacity of ten million tons or lower. Furthermore, when appropriate, projects must receive necessary approvals from relevant PRC government agencies. See [Item 3 Key Information Risk Factors](#).

Import and Export

Since January 1, 2002, state-owned trading companies have been allowed to import crude oil under an automatic licensing system. Non-state-owned trading companies have been allowed to import crude oil and refine products subject to quotas. The export of crude oil and refined oil products by both state-owned trading companies and non-state-owned trading companies is subject to quota control. The Ministry of Commerce has granted PetroChina the right to conduct crude oil and refined product import and export business.

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Capital Investment and Financing

Capital investments in exploration and production of crude oil and natural gas made by Chinese oil and gas companies are subject to approval by or filing with relevant government authorities. The following projects are subject to approval by the NDRC:

- (1) overall development plans for oil and gas development projects in China to be conducted in cooperation with foreign parties;
- (2) facilities for taking delivery of, storing or transporting imported liquefied natural gas, and cross-province (region or municipality) major oil transmission pipeline facilities;
- (3) cross-province (region or municipality) gas transmission facilities, or gas transmission facilities with an annual capacity of 500 million cubic meters or above;
- (4) new refineries, first expansion of existing refineries, new ethylene projects, and transformation or expansion of existing ethylene projects which will result in an additional annual capacity of 200 thousand tons;
- (5) new Purified Terephthalic Acid (PTA), P-Xylene (PX), diphenylmethane diisocyanate (MDI) and toluene diisocyanate (TDI) projects, and transformation of existing PTA and PX projects which will result in an additional capacity of 100 thousand tons;
- (6) potassium mineral fertilizer projects with an annual capacity of 500 thousand tons or more; and
- (7) national crude oil reserve facilities.

Taxes, Fees and Royalties

PetroChina is subject to a variety of taxes, fees and royalties. The table below sets forth the major taxes, fees and royalty fees payable by PetroChina or by Sino-foreign oil and gas exploration and development cooperative projects. PetroChina's subsidiaries which have legal person status should report and pay enterprise income tax to the relevant tax authorities based on the applicable laws and regulations.

Tax Item	Tax Base	Tax Rate
<i>Enterprise income tax</i>	Taxable income	Effective from January 1, 2008, the statutory corporate tax rate is 25%, whereas a statutory corporate tax rate of 15% is applicable to operations in certain western regions in China qualified for certain tax incentives through the year 2020
<i>Value-added tax</i>	Turnover	13% for liquified natural gas, natural gas, liquified petroleum gas, agricultural film and fertilizers and 17% for other items. On November 16, 2011, the Ministry of Finance and the State Administration of Taxation promulgated the Plan for Implementation of the Pilot Reform for Collection of Value-added Tax in Lieu of Business Tax which sets forth the guidelines, principles and major contents of the pilot reform. Pursuant to the Plan, effective from January 1 and September 1, 2012, respectively, in pilot provinces and municipalities including Shanghai and Beijing, a pilot reform has been implemented on a step-by-step basis or completed to collect value-added tax in lieu of business tax on the revenue generated from transportation services and certain modern services, and effective from August 1, 2013, the pilot reform has been implemented across the nation. Certain pipeline

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Tax Item	Tax Base	Tax Rate
		transmission services and research and development technical services of our company have since then been subject to value-added-tax at the rates of 11% and 6%, respectively.
<i>Business tax</i>	Income from oil and gas transportation services	3%
<i>Consumption tax</i>	Aggregate volume sold or self-consumed	Effective January 1, 2009, the unit tax amount of the consumption tax for refined oil products was increased as follows: RMB1.0 per liter for unleaded gasoline RMB0.8 per liter for diesel. RMB1.0 per liter for naphtha, solvent naphtha and lubricants. RMB0.8 per liter for fuel oil
<i>Resource tax</i>	Value sold	Starting from December 1, 2010, the resource tax on crude oil and natural gas has been assessed on the basis of value instead of quantity and collected at the rate of 5% of the value sold for 12 provinces in western China. This taxation method has been applied nationwide since November 1, 2011.
		Certain oil fields, however, may enjoy certain preferential treatment in respect of the resource tax based on the quality of their actual resources, scale of exploration and production activities, and actual production cost.
<i>Compensatory fee for mineral resources</i>	Turnover	1% for crude oil and natural gas
<i>Crude oil special gain levy</i>	Sales amount above specific threshold	Effective from November 1, 2011, the threshold above which crude oil special gain levy levied on the domestic crude oil sold was raised from US\$ 40 per barrel to US\$ 55 per barrel, with the five-level progressive tax rates varying from 20% to 40% remaining.
<i>Exploration license fee</i>	Area	RMB100 to 500 per square kilometer per year
<i>Production license fee</i>	Area	RMB1,000 per square kilometer per year
<i>Royalty fee⁽¹⁾</i>	Production volume	Progressive rate of 0-12.5% for crude oil and 0-3% for natural gas

- (1) It shall be paid in cash and is only applicable to Sino-foreign oil and gas exploration and development cooperative projects in China. However, effective from December 1, 2010, the royalty fee payable by new Sino-foreign oil and gas exploration and development cooperative projects in western regions was replaced by the resource tax, while those cooperative projects under contracts signed before December 1, 2010 continue to be subject to the royalty fee until the contracts expire. Effective from November 1, 2011, the royalty fee payable by new Sino-foreign oil and gas exploration and development cooperative projects in the whole country was replaced by the resource tax, while those cooperative projects under contracts signed before November 1, 2011 continue to be subject to the royalty fee until the contracts expire.

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Environmental Regulations

We are subject to various PRC national environmental laws and regulations and also environmental regulations promulgated by the local governments in whose jurisdictions we have operations. China has adopted extensive environmental laws and regulations that affect the operation of the oil and gas industry. There are national and local standards applicable to emissions control, discharges to surface and subsurface water and disposal, and the generation, handling, storage, transportation, treatment and disposal of solid waste materials.

The environmental regulations require a company, such as us, to register or file an environmental impact report with the relevant environmental authority for approval before it undertakes any construction of a new production facility or any major expansion or renovation of an existing production facility. The new facility or the expanded or renovated facility will not be permitted to operate unless the relevant environmental authority has inspected to its satisfaction that environmental equipment that satisfies the environmental protection requirements has been installed for the facility. A company that wishes to discharge pollutants, whether it is in the form of emission, water or materials, must submit a pollutant discharge declaration statement detailing the amount, type, location and method of treatment. After reviewing the pollutant discharge declaration, the relevant environmental authority will determine the amount of discharge allowable under the law and will issue a pollutant discharge license for that amount of discharge subject to the payment of discharge fees. If a company discharges more than is permitted in the pollutant discharge license, the relevant environmental authority can fine the company up to several times the discharge fees payable by the offending company for its allowable discharge, or require the offending company to close its operation to remedy the problem.

ITEM 4A UNRESOLVED STAFF COMMENTS

We do not have any unresolved staff comment.

ITEM 5 OPERATING AND FINANCIAL REVIEW AND PROSPECTS

General

You should read the following discussion together with our consolidated financial statements and their notes included elsewhere in this annual report. Our consolidated financial statements have been prepared in accordance with IFRS.

Overview

We are engaged in a broad range of petroleum and natural gas related activities, including:

the exploration, development, production and sale of crude oil and natural gas;

the refining of crude oil and petroleum products, and the production and marketing of basic petrochemical products, derivative chemical products and other chemical products;

marketing of refined oil products and trading; and

the transmission of natural gas, crude oil and refined oil products as well as the sale of natural gas.

We are China's largest producer of crude oil and natural gas and are one of the largest companies in China in terms of revenue. In 2013, we produced approximately 932.9 million barrels of crude oil and approximately 2,801.9 Bcf of natural gas for sale. Our refineries also processed approximately 992.3 million barrels of crude oil in 2013. In 2013, we had turnover of RMB2,258,124 million and profit attributable to owners of our company of RMB129,599 million.

Table of Contents**Factors Affecting Results of Operations**

Our results of operations and the period-to-period comparability of our financial results are affected by a number of external factors, including changes in the prices, production and sales volume of our principal products and the regulatory environment.

Prices of Principal Products

The fluctuations in the prices of crude oil, refined products, chemical products and natural gas have a significant impact on our turnover. See Item 4 Information on the Company Regulatory Matters Pricing for a more detailed discussion of current PRC pricing regulations and Item 3 Risk Factors Risks Related to Pricing and Exchange Rate .

The table below sets forth the average realized prices of our principal products in 2011, 2012 and 2013.

	2011	2012	2013
Crude oil (US\$/barrel)	104.20	103.65	100.42
Natural gas (US\$/thousand cubic feet) ⁽¹⁾	6.42	6.74	7.35
Gasoline (US\$/barrel)	142.16	149.23	149.42
Kerosene (US\$/barrel)	121.63	128.32	122.94
Diesel (US\$/barrel)	143.51	148.84	146.61

(1) Natural gas citygate price

Production and Sales Volume for Oil and Gas Products

Our results of operations are also affected by production and sales volumes. Our crude oil and natural gas production volumes depend primarily on the level of the proved developed reserves in the fields in which we have an interest, as well as other factors such as general economic environment and market supply and demand conditions.

Regulatory Environment

Our operating activities are subject to extensive regulations and controls by the PRC government, including the issuance of exploration and production licenses, the imposition of industry-specific taxes and levies and the implementation of environmental policies and safety standards. Our results of operations will be affected by any future changes of such regulatory environment.

Critical Accounting Policies

The preparation of our consolidated financial statements requires our management to select and apply significant accounting policies, the application of which may require management to make judgments and estimates that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of our financial statements, and the reported amounts of turnover and expenses during the reporting period. Notwithstanding the presentation of our principal accounting policies in Note 3 to our consolidated financial statements included elsewhere in this annual report, we have identified the accounting policies below as most critical to our business operations and the understanding of our financial condition and results of operations presented in accordance with IFRS. Although these estimates are based on our management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Table of Contents***Accounting for Oil and Gas Exploration and Production Activities***

We use the successful efforts method of accounting, with specialized accounting rules that are unique to the oil and gas industry, for oil and gas exploration and production activities. Under this method, geological and geophysical costs incurred are expensed when incurred. However, all costs for developmental wells, support equipment and facilities, and proved mineral interests in oil and gas properties are capitalized. Costs of exploratory wells are capitalized as construction in progress pending determination of whether the wells find proved reserves. For exploratory wells located in regions that do not require substantial capital expenditures before the commencement of production, the evaluation of the economic benefits of the reserves in such wells will be completed within one year following the completion of the exploration drilling. Where such evaluation indicates that no economic benefits can be obtained, the relevant costs of exploratory wells will be converted to dry hole exploration expenses. The relevant costs will be classified as oil and gas assets and go through impairment review if the evaluation indicates that economic benefits can be obtained. For wells that found economically viable reserves in areas where a major capital expenditure would be required before production can begin, the related well costs remain capitalized only if additional drilling is under way or firmly planned. Otherwise the well costs are expensed as dry holes. We have no material costs of unproved properties capitalized in oil and gas properties.

Oil and Gas Reserves

The estimation of the quantities of recoverable oil and gas reserves in oil and gas fields is integral to effective management of our exploration and production operations. Because of the subjective judgments involved in developing and assessing such information, engineering estimates of the quantities of recoverable oil and gas reserves in oil and gas fields are inherently imprecise and represent only approximate amounts.

Before estimated oil and gas reserves are designated as proved, certain engineering criteria must be met in accordance with industry standards and the regulations of the SEC. Proved oil and gas reserves are the estimated quantities of crude oil and natural gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulation before the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether the estimate is a deterministic estimate or probabilistic estimate. Therefore, these estimates do not include probable or possible reserves. Our proved reserve estimates are updated annually by independent, qualified and experienced oil and gas reserve engineering firms in the United States, Singapore and Canada. Our oil and gas reserve engineering department has policies and procedures in place to ensure that these estimates are consistent with these authoritative guidelines. Among other factors as required by authoritative guidelines, this estimation takes into account recent information about each field, including production and seismic information, estimated recoverable reserves of each well, and oil and gas prices and operating costs as of the date the estimate is made. The price shall be the average price during the 12-month period before the ending date of the period covered by this report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions. The costs shall be that prevailing at the end of the period.

Despite the inherent imprecision in these engineering estimates, estimated proved oil and gas reserve quantity has a direct impact on certain amounts reported in the financial statements. In addition to the capitalization of costs related to oil and gas properties on the balance sheet discussed earlier, estimated proved reserves also impact the calculation of depreciation, depletion and amortization expenses of oil and gas properties. The cost of oil and gas properties is amortized at the field level on the unit of production method. Unit of production rates are based on the total oil and gas reserves estimated to be recoverable from existing facilities based on the current terms of our production licenses. Our reserve estimates include only crude oil and natural gas which management believes can be reasonably produced within the current terms of the production licenses that are granted by the Ministry of Land and Resources, ranging from 30 years to 55 years from the effective date

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of issuance in March 2000, renewable upon application 30 days prior to expiration. Consequently, the impact of changes in estimated proved reserves is reflected prospectively by amortizing the remaining book value of the oil and gas property assets over the expected future production. If proved reserve estimates are revised downward, earnings could be affected by higher depreciation expense or an immediate write-down of the property's book value had the downward revisions been significant. See **Property, Plant and Equipment** below. Given our large number of producing properties in our portfolio, and the estimated proved reserves, it is unlikely that any changes in reserve estimates will have a significant effect on prospective charges for depreciation, depletion and amortization expenses.

In addition, due to the importance of these estimates to better understanding the perceived value and future cash flows of a company's oil and gas operations, we have also provided supplemental disclosures of proved oil and gas reserve estimates prepared in accordance with authoritative guidelines elsewhere in this annual report.

Property, Plant and Equipment

Where it is probable that property, plant and equipment, including oil and gas properties, will generate future economic benefits, their costs are initially recorded in the consolidated statement of financial position as assets. Cost represents the purchase price of the asset and other costs incurred to bring the asset into existing use. Subsequent to their initial recognition, property, plant and equipment are carried at cost less accumulated depreciation, depletion and amortization (including any impairment).

Depreciation, to write off the cost of each asset, other than oil and gas properties, to their residual values over their estimated useful lives is calculated using the straight-line method.

The company uses the following useful lives for depreciation purposes:

Buildings and plant	8-40 years
Equipment and machinery	4-30 years
Motor vehicles	4-14 years
Other	5-12 years

No depreciation is provided on construction in progress until the assets are completed and ready for use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Property, plant and equipment, including oil and gas properties, are reviewed for possible impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of a cash generating unit exceeds the higher of its fair value less costs to sell and its value in use, which is the estimated net present value of future cash flows to be derived from the cash generating unit.

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are recorded in the consolidated profit or loss.

Interest and other costs on borrowings to finance the construction of property, plant and equipment are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Costs for repairs and maintenance activities are expensed as incurred except for costs of components that result in improvements or betterments which are capitalized as part of property, plant and equipment and depreciated over their useful lives.

Table of Contents**Provision for Asset Decommissioning**

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

Operating Results

The following discussion is based on our historical results of operations. As a result of the factors discussed above, such results of operations may not be indicative of our future operating performance.

Our income statement for each of the years ended December 31, 2011, 2012 and 2013 is summarized in the table below.

	Year Ended December 31,		
	2011	2012	2013
	(RMB in millions)		
Turnover	2,003,843	2,195,296	2,258,124
Operating expenses	(1,821,382)	(2,020,777)	(2,069,482)
Profit from operations	182,461	174,519	188,642
Exchange (loss)/gain, net	(936)	131	52
Interest expense, net	(8,212)	(16,101)	(20,859)
Share of profit of affiliates and joint ventures	10,902	8,262	10,228
Profit before income tax expense	184,215	166,811	178,063
Income tax expense	(38,256)	(36,191)	(35,789)
Profit for the year attributable to non-controlling interest	12,998	15,294	12,675
Profit for the year attributable to owners of the company	132,961	115,326	129,599

The table below sets forth our turnover by business segment for each of the years ended December 31, 2011, 2012 and 2013 as well as the percentage changes in turnover for the periods shown.

	2011	2012	2012 vs 2011		2013 vs. 2012
			2011	2013	
	(RMB in millions, except percentages)				
Turnover					
Exploration and production	774,777	789,818	1.9%	783,694	(0.8%)
Refining and chemicals	847,711	883,218	4.2%	871,815	(1.3%)
Marketing	1,693,130	1,890,558	11.7%	1,946,806	3.0%
Natural gas and pipeline	173,058	202,196	16.8%	232,751	15.1%
Other	2,354	2,530	7.5%	2,687	6.2%
Total	3,491,030	3,768,320	7.9%	3,837,753	1.8%
Less intersegment sales	(1,487,187)	(1,573,024)	5.8%	(1,579,629)	0.4%
Consolidated net sales from operations	2,003,843	2,195,296	9.6%	2,258,124	2.9%

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The table below sets forth our operating income by business segment for each of the years ended December 31, 2011, 2012 and 2013, as well as the percentage changes in operating income for the periods shown. Other profit from operations shown below consists of research and development, business services and infrastructure support to our operating business segments.

	2011	2012	2012 vs. 2011	2013	2013 vs. 2012
	(RMB in millions, except percentages)				
Profit/(loss) from operations					
Exploration and production	219,539	214,955	(2.1%)	189,698	(11.7%)
Refining and chemicals	(61,866)	(43,511)	(29.7%)	(24,392)	(43.9%)
Marketing	20,653	16,391	(20.6%)	7,562	(53.9%)
Natural gas and pipeline	15,530	(2,110)		28,888	
Other	(11,395)	(11,206)	(1.7%)	(13,114)	17.0%
Total	182,461	174,519	(4.4%)	188,642	8.1%

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012*Consolidated Results of Operations**Overview*

Our turnover was RMB2,258,124 million for the year ended December 31, 2013, representing an increase of 2.9% compared with the preceding year. Profit attributable to owners of the company for the year ended December 31, 2013 was RMB129,599 million, representing an increase of 12.4% compared with the preceding year. For the year ended December 31, 2013, the basic and diluted earnings per share attributable to owners of the company were RMB0.71, representing an increase of RMB0.08 compared with the preceding year.

Turnover. Turnover increased by 2.9% from RMB2,195,296 million for 2012 to RMB2,258,124 million for 2013. This was primarily due to an increase in selling prices of natural gas coupled with the increase in the sales volume of natural gas, gasoline and other products. The table below sets out the external sales volume and average realized prices for major products sold by the company and the respective percentage change in 2013 and 2012, respectively:

	Sales Volume (thousand tons)			Average Realized Price (RMB per ton)		
	2013	2012	Percentage of Change (%)	2013	2012	Percentage of Change (%)
Crude oil ⁽¹⁾	75,482	76,203	(0.9)	4,533	4,678	(3.1)
Natural gas (hundred million cubic metre, RMB/ 000 cubic metre)	985.41	853.88	15.4	1,226	1,125	9.0
Gasoline	52,350	47,407	10.4	7,866	8,007	(1.8)
Diesel	93,301	94,515	(1.3)	6,810	7,046	(3.3)
Kerosene	13,482	11,355	18.7	6,015	6,399	(6.0)
Heavy oil	14,788	12,615	17.2	4,443	4,612	(3.7)
Polyethylene	3,391	3,045	11.4	9,665	9,082	6.4
Lubricant	1,740	2,104	(17.3)	9,319	8,973	3.9

(1) The sales volume of crude oil listed in the table above represents all external sales volume of crude oil of the company.

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Operating Expenses. Operating expenses increased by 2.4% from RMB2,020,777 million for 2012 to RMB2,069,482 million for 2013, of which:

Purchases, Services and Other. Purchases, services and other operating expenses increased by 3.8% from RMB1,411,036 million for 2012 to RMB1,464,805 million for 2013. This was primarily due to the company's expansion of its trading capacity.

Employee Compensation Costs. Employee compensation costs (including salaries and such additional costs as various insurances, provident funds and training fees for 544,083 employees of the company and 319,741 temporary or seasonal staff recruited from the market) increased by 9.6% from RMB106,189 million for 2012 to RMB116,422 million for 2013. The increase was primarily due to the company's initiative to increase the compensation of its front-line employees to reflect the expansion of its operations and consequent increase in business volumes, and rises in the domestic consumer price index, wage inflation and rises in social security contributions in line with changes to local government policies.

Exploration Expenses. Exploration expenses increased by 5.5% from RMB23,972 million for 2012 to RMB25,301 million for 2013. This was primarily due to the fact that the company continued to increase its investments in oil and gas exploration in order to further strengthen its oil and gas resource reserves.

Depreciation, Depletion and Amortization. Depreciation, depletion and amortization increased by 7.5% from RMB151,975 million for 2012 to RMB163,365 million for 2013. This was primarily due to the increased average carrying value of fixed assets and the increased average net value of oil and gas properties of the company.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by 5.8% from RMB74,692 million for 2012 to RMB79,021 million for 2013. This was primarily due to the expansion of business scale and the corresponding increase in the maintenance, transportation, lease, warehousing and other costs of the company.

Taxes other than Income Taxes. Taxes other than income taxes decreased by 2.7% from RMB254,921 million for 2012 to RMB248,086 million for 2013. This was primarily due to the drop in the price of crude oil in 2013, leading to a decrease in the crude oil special gain levy payable by the company from RMB79,119 million for 2012 to RMB72,726 million for 2013.

Other Income, net. Other income, net, for 2013 was RMB27,518 million, representing an increase of RMB25,510 million from RMB2,008 million for 2012. This was primarily because the company recognised the gain on disposal of certain pipeline assets and operations during the reporting period.

Profit from Operations. The profit from operations for 2013 was RMB188,642 million, representing an increase of 8.1% from RMB174,519 million for 2012.

Net Exchange Gain/Loss. Net exchange gain for 2013 was RMB52 million, representing a decrease of RMB79 million from the net exchange gain of RMB131 million for 2012. This was primarily due to the continued appreciation of Renminbi and the depreciation of Canadian dollars against US dollars during the reporting period.

Net Interest Expenses. Net interest expenses increased by 29.6% from RMB16,101 million for 2012 to RMB20,859 million for 2013. The increase was primarily due to increase in the principal amount of interest-bearing debt of the company to finance production, operation, investment and construction.

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Profit Before Income Tax Expense. Profit before income tax expense increased by 6.7% from RMB166,811 million for 2012 to RMB178,063 million for 2013.

Income Tax Expenses. Income tax expense decreased by 1.1% from RMB36,191 million for 2012 to RMB35,789 million for 2013.

Profit for the Year. Profit for the year increased by 8.9% from RMB130,620 million for 2012 to RMB142,274 million for 2013.

Profit attributable to non-controlling interests of the company. Profit attributable to non-controlling interests decreased by 17.1% from RMB15,294 million for 2012 to RMB12,675 million for 2013, which was primarily due to a decrease in the profits of certain of our overseas subsidiaries attributable to the drop in the international crude oil price and changes to oil and gas cooperation policies introduced by governments of those countries in which such resources are located.

Profit attributable to owners of the company. Profit attributable to owners of our company increased by 12.4% from RMB115,326 million for 2012 to RMB129,599 million for 2013.

Segment Information

Exploration and Production

Turnover. Realized turnover of the Exploration and Production segment decreased by 0.8% from RMB789,818 million for 2012 to RMB783,694 million in 2013. This was primarily due to the decrease of the average realized crude oil price of the company by 3.1% from US\$103.65 per barrel in 2012 to US\$100.42 per barrel in 2013.

Operating Expenses. Operating expenses of the Exploration and Production segment increased by 3.3% from RMB574,863 million for 2012 to RMB593,996 million for 2013. Of which, depreciation, depletion and amortisation increased by RMB11,690 million as compared with last year.

The oil and gas lifting cost of the company increased by 12.7% from US\$11.74 per barrel in 2012 to US\$13.23 per barrel in 2013. Excluding the effect of exchange rate movements, the oil and gas lifting cost increased by 10.6% as compared with last year, which was primarily due to an increase in the basic operational costs in 2013 as compared with last year.

Profit from Operations. Profit from operations of the exploration and production segment decreased by 11.7% from RMB214,955 million for 2012 to RMB189,698 million for 2013. This decrease was primarily attributable to a reduction in the price of crude oil, the increase in costs and changes to oil and gas cooperation policies introduced by governments in countries in which we have operations. Nevertheless, the exploration and production segment remained the most important profit contributing segment of the company.

Refining and Chemicals

Turnover. Turnover of the refining and chemicals segment decreased by 1.3% from RMB883,218 million for 2012 to RMB871,815 million for 2013. The decrease was primarily due to an adjustment in the crude oil processing volume in response to market changes, resulting in a decrease in output and sales volume of refined oil.

Operating Expenses. Operating expenses of the refining and chemicals segment decreased by 3.3% from RMB926,729 million for 2012 to RMB896,207 million for 2013. The decrease was primarily due to a reduction in the volume of crude oil imported as a result of the company's initiatives in optimizing its resource allocation.

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The cash processing cost of refineries of the company increased by 3.8% from RMB154.61 per ton in 2012 to RMB160.55 per ton in 2013, which was primarily due to increase in fuel cost and production expenses as compared with the preceding year.

Profit from Operations. The refining and chemicals segment recorded a loss of RMB24,392 million for 2013 which represented a decrease in losses of RMB19,119 million as compared to the previous year. This decrease in losses was primarily due to the introduction of a new statutory pricing mechanism for refined oil products and the company's initiatives in optimizing resource allocation and product mix. The operating losses of the refining operations decreased by RMB28,964 million as compared to the previous year, resulting in a loss of RMB4,708 million for 2013. The operating losses of the chemicals operations increased by RMB9,845 million as compared to the previous year, resulting in a loss of RMB19,684 million for 2013. The increase was primarily due to the weaker market for chemicals and the provision for impairment of assets.

Marketing

Turnover. Turnover of the marketing segment increased by 3.0% from RMB1,890,558 million for 2012 to RMB1,946,806 million for 2013, which was primarily due to increase in the sales volume of petroleum and the turnover of oil products trading business.

Operating Expenses. Operating expenses of the marketing segment increased by 3.5% from RMB1,874,167 million for 2012 to RMB1,939,244 million for 2013, which was primarily due to an increase in the expenses arising from the oil products trading business.

Profit from Operations. The marketing segment recorded a profit from operations of RMB7,562 million for 2013, representing a decrease of 53.9% from RMB16,391 million for 2012. This was primarily attributable to the weaker domestic economy and less demand for refined oil products in 2013.

Natural Gas and Pipeline

Turnover. Turnover of the natural gas and pipeline segment increased by 15.1% from RMB202,196 million for 2012 to RMB232,751 million for 2013. The increase was primarily due to (i) an increase in both the sales volume and the selling price of natural gas; and (ii) an increase in the sales revenue generated from city gas, CNG and other businesses in 2013.

Operating Expenses. Operating expenses of the natural gas and pipeline segment amounted to RMB203,863 million for 2013, which was broadly in line with the operating expenses of RMB204,306 million for 2012.

Profit from Operations. The natural gas and pipeline segment achieved an operating profit of RMB28,888 million for 2013, representing an increase of RMB30,998 million as compared with an operating loss of RMB2,110 million for 2012. The increase was primarily due to the contribution of certain pipeline assets and operations, improved control of pipeline transmission costs and increased focus by the company on the its sales and pricing strategies.

In 2013, the natural gas and pipeline segment recorded a loss of RMB28,259 million on sales of 27.453 billion cubic meters of natural gas imported from Central Asia, a loss of RMB20,281 million on sales of 7.335 billion cubic meters of imported LNG, and a loss of RMB420 million on the sales of 0.409 billion cubic meters of natural gas imported from Myanmar. Excluding the refund of the import value-added tax totaling RMB7,088 million, a net loss of RMB41,872 million was recorded on sales of imported gas for 2013, which was broadly in line with the previous year.

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In 2013, the company's overseas operation^(note) realized a turnover of RMB754,227 million, representing 33.4% of the company's total turnover. Profit before income tax expense amounted to RMB20,520 million, representing 11.5% of the company's profit before income tax expense.

Note: The four operating segments of the company are exploration and production, refining and chemicals, marketing as well as natural gas and pipeline. Overseas operations do not constitute a separate operating segment of the company. The financial data of overseas operations are included in the financial data of respective operating segment mentioned above.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011**Consolidated Results of Operations****Overview**

Our turnover was RMB2,195,296 million for the year ended December 31, 2012, representing an increase of 9.6% compared with the previous period. Profit attributable to owners of the company for the year ended December 31, 2012 was RMB115,326 million, representing a decrease of 13.3% compared with the previous period. For the year ended December 31, 2012, the basic and diluted earnings per share attributable to owners of the company were RMB0.63 while the same for the year ended December 31, 2011 was RMB0.73.

Turnover. Turnover increased by 9.6% from RMB2,003,843 million for the year ended December 31, 2011 to RMB2,195,296 million for the year ended December 31, 2012. This was primarily due to increases in the selling prices and in the sales volume of major products including crude oil, natural gas, gasoline and diesel.

The table below sets out the external sales volume and average realized prices for major products sold by the company in 2012 and 2011 and percentage of changes in the sales volume and average realized prices during these two years.

	Sales Volume (thousand tons)			Average Realized Price (RMB per ton)		
	2012	2011	Percentage of Change (%)	2012	2011	Percentage of Change (%)
Crude oil	76,203	62,057	22.8	4,678	4,748	(1.5)
Natural gas (hundred million cubic meter, RMB/ 000 cubic meter)	853.88	752.81	13.4	1,125	1,082	4.0
Gasoline	47,407	43,967	7.8	8,007	7,804	2.6
Diesel	94,515	91,787	3.0	7,046	6,952	1.4
Kerosene	11,355	9,778	16.1	6,399	6,206	3.1
Heavy oil	12,615	9,325	35.3	4,612	4,376	5.4
Polyethylene	3,045	2,885	5.5	9,082	9,425	(3.6)
Lubricant	2,104	1,761	19.5	8,973	9,601	(6.5)

Operating Expenses. Operating expenses increased by 10.9% from RMB1,821,382 million for the year ended December 31, 2011 to RMB2,020,777 million for the year ended December 31, 2012, of which:

Purchases, Services and Other. Purchases, services and other increased by 14.9% from RMB1,227,533 million for the year ended December 31, 2011 to RMB1,411,036 million for the year ended December 31, 2012. This was primarily due to the increase of the purchase costs as a result of the expansion of oil products trading and the increased import of natural gas to meet the increasing domestic demand.

Employee Compensation Costs. Employee compensation costs (including salaries of 548,355 employees and 318,311 temporary employees in 2012 and such additional costs as contributions to social security and

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housing fund scheme and employee training expenses) of the company were RMB106,189 million for the year ended December 31, 2012, representing an increase of 9.3% compared with that in 2011 at RMB97,162 million. This was primarily due to the fact that the company has adjusted its front-line employees' salaries to appropriate level, taking into consideration of certain factors, such as the rise of the domestic consumer price index, the increase of our turnover and the expansion of operations and the rise of the social security contribution as a result of changes in local government policies.

Exploration Expenses. Exploration expenses was RMB23,972 million for the year ended December 31, 2012, being substantially the same as RMB23,908 million for the year ended December 31, 2011.

Depreciation, Depletion and Amortization. Depreciation, depletion and amortization increased by 10.1% from RMB138,073 million for the year ended December 31, 2011 to RMB151,975 million for the year ended December 31, 2012. This was primarily due to the fact that both the average carrying value of fixed assets and the average net value of oil and gas properties increased as a result of an increase in capital expenditure of the company, leading to an increase in depreciation and depletion provisions during 2012.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by 6.8% from RMB69,969 million for the year ended December 31, 2011 to RMB74,692 million for the year ended December 31, 2012. Such increase was primarily due to an increase in leasing costs as a result of business expansion and an increase in the transportation costs due to the increase in the volume of products transported and the cost of transportation per unit.

Taxes other than Income Taxes. Taxes other than income taxes decreased by 4.3% from RMB266,343 million for the year ended December 31, 2011 to RMB254,921 million for the year ended December 31, 2012. In particular, crude oil special gain levy decreased from RMB102,458 million for the year ended December 31, 2011 to RMB79,119 million for the year ended December 31, 2012 because the threshold of the crude oil special gain levy was raised in 2011. Resource tax borne by the company increased from RMB19,784 million for the year ended December 31, 2011 to RMB28,079 million for the year ended December 31, 2012, primarily due to the promulgation of new resource tax policy by the PRC government.

Other Income, net. Other income, net, of the company for the year ended December 31, 2012 was RMB2,008 million, representing an increase of 25.0% from the other income, net, of the company in the amount of RMB1,606 million for the year ended December 31, 2011. This was primarily due to the fact that the refund of value-added tax, or VAT, for imported natural gas was recognized by the company in 2012.

Profit from Operations. The profit from operations of the company for the year ended December 31, 2012 was RMB174,519 million, representing a decrease of 4.4% from RMB182,461 million for the preceding year.

Net Exchange Gain/Loss. We recorded a net exchange gain of RMB131 million for the year ended December 31, 2012, representing an increase of RMB1,067 million as compared with the net exchange loss of RMB936 million for the year ended December 31, 2011. The realization of the net exchange gain was primarily because the decline of the exchange rate of US dollars against RMB slowed down in 2012 and the exchange rate of CAD against RMB increased in 2012.

Net Interest Expenses. Net interest expenses increased by RMB7,889 million, from RMB8,212 million for the year ended December 31, 2011 to RMB16,101 million for the year ended December 31, 2012. The increase in net interest expenses was primarily attributable to an increase in the amount of interest-bearing debts prompted by the need to secure required funding for production, operation and capital investment.

Profit Before Income Tax Expense. Profit before income tax expense decreased by 9.4% from RMB184,215 million for the year ended December 31, 2011 to RMB166,811 million for the year ended December 31, 2012.

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Income Tax Expenses. Income tax expenses decreased by 5.4% from RMB38,256 million for the year ended December 31, 2011 to RMB36,191 million for the year ended December 31, 2012. The decrease was primarily due to a decrease in the taxable income for the year.

Profit for the year. Profit for the year decreased by 10.5% from RMB145,959 million for the year ended December 31, 2011 to RMB130,620 million for the year ended December 31, 2012.

Profit attributable to non-controlling interests of the company. Profit attributable to non-controlling interests increased by 17.7% from RMB12,998 million for the year ended December 31, 2011 to RMB15,294 million for the year ended December 31, 2012, due to the increase of net profits of certain subsidiaries of the company.

Profit attributable to owners of the company. Profit attributable to owners of the company decreased by 13.3% from RMB132,961 million for the year ended December 31, 2011 to RMB115,326 million for the year ended December 31, 2012. Such decrease was primarily due to the combined effect of the increase of the imported natural gas and the purchase price of the imported natural gas exceeding its sales price and the macro regulation over the domestic refined oil price.

Segment Information

Exploration and Production

Turnover. Turnover increased by 1.9% from RMB774,777 million for the year ended December 31, 2011 to RMB789,818 million for the year ended December 31, 2012. The increase was primarily due to an increase in the sales volumes of crude oil and natural gas. The average realized crude oil price of the company in 2012 was US\$103.65 per barrel, being substantially the same as US\$104.20 per barrel in 2011.

Operating Expenses. Operating expenses increased by 3.5% from RMB555,238 million for the year ended December 31, 2011 to RMB574,863 million for the year ended December 31, 2012, primarily driven by the increase of expenses associated with depreciation and amortization of RMB15,770 million as compared with the previous year.

The oil and gas lifting cost increased by 4.5% from US\$11.23 per barrel in 2011 to US\$11.74 per barrel in 2012. Excluding the impact of the fluctuation of exchange rates, the oil and gas lifting cost increased by 2.2% compared the previous period.

Profit from Operations. The profit from operations for the year ended December 31, 2012 was RMB214,955 million, representing a decrease of 2.1% from RMB219,539 million for the preceding year. Such decrease was primarily attributable to the increase of depreciation and amortization. The exploration and production segment remains as the most important profit contributing segment of the company.

Refining and Chemicals

Turnover. Turnover increased by 4.2% from RMB847,711 million for the year ended December 31, 2011 to RMB883,218 million for the year ended December 31, 2012. The increase was primarily due to an increase in both the selling prices and sales volumes of key refined products.

Operating Expenses. Operating expenses increased by 1.9% from RMB909,577 million for the year ended December 31, 2011 to RMB926,729 million for the year ended December 31, 2012. The operating expenses incurred for purchases, services and other increased by RMB15,751 million as compared with last year. Such increase was primarily due to an increase in expenses incurred for purchasing crude oil, raw materials and power.

The cash processing cost of refineries increased by 5.7% from RMB146.27 per ton in 2011 to RMB154.61 per ton in 2012, which was primarily due to an increase in the costs of power and additives.

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Profit from Operations. Due to the fact that international crude oil prices remained high in 2011, the prices of domestic refined products were subject to government regulation and control and the demand in the petrochemical market was down, the refining and chemicals segment recorded operating losses of RMB43,511 million for the year ended December 31, 2012, of which, the refining operations and the chemicals operations recorded operating losses of RMB33,672 million and RMB9,839 million for the year ended December 31, 2012, respectively. The operating losses of the refining operations decreased by RMB26,415 million compared to the previous year and the operating losses of the chemical operations increased by RMB8,060 million.

Marketing

Turnover. Turnover increased by 11.7% from RMB1,693,130 million for the year ended December 31, 2011 to RMB1,890,558 million for the year ended December 31, 2012. The increase was primarily due to an increase in turnover from the oil products trading business.

Operating Expenses. Operating expenses increased by 12.1% from RMB1,672,477 million for the year ended December 31, 2011 to RMB1,874,167 million for the year ended December 31, 2012, primarily due to an increase in the purchase cost relating to the oil products trading business.

Profit from Operations. Profit from operations was RMB16,391 million for 2012, representing a decrease of 20.6% from RMB20,653 million for the year ended December 31, 2011, which was primarily due to the weak demand of oil products in 2012.

Natural Gas and Pipeline

Turnover. Turnover amounted to RMB202,196 million in 2012, representing an increase of 16.8% from RMB173,058 million in 2011. This increase was primarily due to (i) increases in both the sales and transmission volumes as well as sales price of the natural gas; and (ii) an increase in the turnover generated from the sales of city gas and LPG in 2012 due to an expansion of such business activities.

Operating Expenses. Operating expenses amounted to RMB204,306 million in 2012, representing an increase of 29.7% from RMB157,528 million in 2011. Such increase was primarily due to an increase of purchase costs of natural gas.

Profit from Operations. The natural gas and pipeline segment recorded operating losses of RMB2,110 million for the year ended December 31, 2012, representing a decrease of RMB17,640 million from the profit from operations of RMB15,530 million for the previous year, which was primarily due to an increase in losses of the sales of natural gas and LNG imported from Central Asia. RMB41,900 million of the operating losses in 2012 were attributable to the losses from the sales of the imported natural gas and LNG.

In 2012, our overseas operations^(note) further increased their contribution to the company. Turnover of overseas operations amounted to RMB702,660 million in 2012, or 32.0% of our total turnover. Profit before income tax expense of overseas operations amounted to RMB32,672 million in 2012, or 19.6% of our profit before income tax expense.

Note: The four operating segments of the company are namely exploration and production, refining and chemicals, marketing as well as natural gas and pipeline. Overseas operations do not constitute a separate operating segment of the company. The financial data of overseas operations are included in the financial data of the respective operating segments mentioned above.

Table of Contents**Liquidity and Capital Resources**

Our primary sources of funding include cash generated by operating activities and short-term and long-term borrowings. Our primary uses of funds were for operating activities, acquisitions, capital expenditures, repayment of short-term and long-term borrowings and distributions of dividends to shareholders. Our payments to CNPC are limited to dividends and payments for services provided to us by CNPC. For the year ended December 31, 2013, we distributed as dividends 45% of our reported income for the year attributable to our shareholders. See Item 8 Financial Information – Dividend Policy for a discussion of factors which may affect the determination by our board of directors of the appropriate level of dividends.

Our financing ability may be limited by our financial condition, our results of operations and the international and domestic capital markets. Prior to accessing the international and domestic capital markets, we must obtain approval from the relevant PRC government authorities. In general, we must obtain PRC government approval for any project involving significant capital investment for our refining and chemicals, marketing and natural gas and pipeline segments. For a more detailed discussion of factors which may affect our ability to satisfy our financing requirements, see Item 3 Key Information – Risk Factors .

We plan to fund the capital and related expenditures described in this annual report principally through cash from operating activities, short-term and long-term borrowings and cash and cash equivalents. Net cash flows from operating activities in the year ended December 31, 2013 was RMB288,529 million. As of December 31, 2013, we had cash and cash equivalents of RMB51,407 million. While each of the projects described in this annual report for which significant capital expenditures will be required is important to our future development, we do not believe that failure to implement any one of these projects would have a material adverse effect on our financial condition or results of operations. If the price of crude oil undergoes a steep decline in the future, it is likely that we would delay or reduce the scale of the capital expenditures for our exploration and production segment.

We currently do not have any outstanding options, warrants or other rights for any persons to require us to issue any common stock at a price below its market value. We do not currently intend to issue any such rights or to otherwise issue any common stock for a price below its market value.

In addition, we did not have for the year ended December 31, 2013, and do not currently have, any transactions, arrangements or other relationships with unconsolidated entities or other persons that are reasonably likely to materially affect the liquidity or availability of or requirements for our capital resources.

The table below sets forth our cash flows for each of the years ended December 31, 2011, 2012 and 2013 and our cash equivalents at the end of each period.

	Year Ended December 31,		
	2011	2012	2013
	(RMB in millions)		
Net cash flows from operating activities	290,155	239,288	288,529
Net cash flows used for investing activities	(283,638)	(332,226)	(266,510)
Net cash flows from /(used for) financing activities	9,259	75,356	(12,239)
Currency translation difference	(313)	(195)	(1,768)
Cash and cash equivalents at year end	61,172	43,395	51,407

Our cash and cash equivalents increased by 18.5% from RMB43,395 million as of December 31, 2012 to RMB51,407 million as of December 31, 2013.

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Net Cash Flows from Operating Activities

Our net cash flows from operating activities for the year ended December 31, 2013 was RMB288,529 million, representing an increase of 20.6% from RMB239,288 million for the year ended December 31, 2012. This was mainly due to the combined effect of the increase in profits during the reporting period as compared with the preceding year and changes in inventory and other account payables, as a result of the strengthening of our management and optimization of production and operation. As at December 31, 2013, we had cash and cash equivalents of RMB51,407 million. The cash and cash equivalents were mainly denominated in Renminbi (approximately 77.8% were denominated in Renminbi, approximately 8.8% were denominated in US Dollars, approximately 7.3% were denominated in HK Dollars and approximately 6.1% were denominated in other currencies).

Our net cash flows from operating activities for the year ended December 31, 2012 was RMB239,288 million, representing a decrease of 17.5% from RMB290,155 million in the year ended December 31, 2011. This was mainly due to the combined impact of the decrease in profit, changes in accounts receivables and payables, inventories and other kinds of working capital, and the increase in taxes and levies paid. As at December 31, 2012, we had cash and cash equivalents of RMB43,395 million. The cash and cash equivalents were mainly denominated in Renminbi (approximately 64.1% were denominated in Renminbi, approximately 16.6% were denominated in US Dollars, approximately 15.2% were denominated in HK Dollars, approximately 1.7% were denominated in KZT and approximately 2.4% were denominated in other currencies).

Net Cash Flows Used for Investing Activities

Our net cash flows used for investing activities for the year ended December 31, 2013 amounted to RMB266,510 million, representing a decrease of 19.8% from RMB332,226 million for the year ended December 31, 2012. The decrease was primarily due to the combined effect of the cash inflow resulting from our investment in a joint venture with certain pipeline assets and operations as well as the enhancement of our external cooperation and introduction of strategic investors, the strengthening of our investment management and the decrease in our cash payment of capital expenditures.

Our net cash flows used for investing activities for the year ended December 31, 2012 were RMB332,226 million, representing an increase of 17.1% from RMB283,638 million in the year ended December 31, 2011. The increase was primarily due to the increase in the payment of capital expenditures in cash during the reporting period.

Net Cash Flows From/(Used for) Financing Activities

Our net cash used for financing activities was RMB12,239 million for the year ended December 31, 2013, representing a decrease of RMB87,595 million as compared with the net cash flows of RMB75,356 million from financing activities for the year ended December 31, 2012. This was primarily due to our efforts to strengthen the management of our interest-bearing borrowings and to optimize our debt structure, resulting in a decrease in the net new borrowings during the reporting period as compared with the preceding year.

Our net cash flows from financing activities for the year ended December 31, 2012 increased by RMB66,097 million to RMB75,356 million from RMB9,259 million in the year ended December 31, 2011. Such change was primarily due to an increase in loans during the reporting period as compared with the preceding year.

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Our net borrowings as of December 31, 2011, 2012 and 2013 were as follows:

	2011	December 31, 2012	2013
	(RMB in millions)		
Short-term debt (including current portion of long-term debt)	137,698	151,247	192,767
Long-term debt	180,675	293,774	302,862
Total debt	318,373	445,021	495,629
Less:			
Cash and cash equivalents	61,172	43,395	51,407
Net debt	257,201	401,626	444,222

Of our total borrowings as at December 31, 2013, approximately 67.8% were fixed-rate loans and approximately 32.2% were floating-rate loans. Of our borrowings as at December 31, 2013, approximately 75.9% were denominated in Renminbi, approximately 23.3% were denominated in US Dollars and approximately 0.8% were denominated in other currencies.

Of our total borrowings as at December 31, 2012, approximately 78.4% were fixed-rate loans and approximately 21.6% were floating-rate loans. Of our borrowings as at December 31, 2012, approximately 84.9% were denominated in Renminbi, approximately 14.1% were denominated in United States Dollars and approximately 1.0 % were denominated in other currencies.

Our debt to capital ratio (calculated by dividing interest-bearing debts by the aggregate of interest-bearing debts and shareholder s equity) was 28.1%, as of December 31, 2013.

Our debt to capital ratio (calculated by dividing interest-bearing debts by the aggregate of interest-bearing debts and shareholder s equity) was 27.4%, as of December 31, 2012.

As at December 31, 2013, the outstanding amount of our debts secured by CNPC and its subsidiaries and other third parties was RMB44,052 million. In August 2012, we received the approval from the China Securities Regulatory Commission for our offering in China of bonds of a maximum amount of RMB40 billion under the unconditional and irrevocable guarantee of CNPC. In November 2012, we completed the offering of the first tranche of RMB20 billion, consisting of RMB16 billion 4.55% bonds due in five years, RMB2 billion 4.90% due in 10 years, and RMB 2 billion 5.04% due in 15 years. In March 2013, we completed the offering of the remaining RMB20 billion, consisting of RMB16 billion 4.47% bonds due in five years and RMB4 billion 4.88% due in 10 years.

Capital Expenditures and Investments

In 2013, we focused on the principles of quality, profitability and return on investments, reasonably adjusted the pace of certain project construction. As a result, capital expenditures decreased by 9.6% to RMB318,696 million from RMB352,516 million in 2012.

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The table below sets forth our capital expenditures and investments by business segment for each of the years ended December 31, 2011, 2012 and 2013 as well as those anticipated for the year ending December 31, 2014. Actual capital expenditures and investments for periods after January 1, 2014 may differ from the amounts indicated below.

	2011		2012		2013		2014 Anticipated	
	(RMB in millions)	%	(RMB in millions)	%	(RMB in millions)	%	(RMB in millions)	%
Exploration and production ⁽¹⁾	162,154	57.02	227,211	64.45	226,376	71.03	225,700	76.12
Refining and chemicals	42,781	15.04	36,009	10.21	26,671	8.37	25,300	8.53
Marketing	15,136	5.32	14,928	4.23	7,101	2.23	6,400	2.16
Natural gas and pipeline	62,645	22.03	72,939	20.69	57,439	18.02	37,200	12.55
Other	1,675	0.59	1,429	0.42	1,109	0.35	1,900	0.64
Total	284,391	100.0	352,516	100.0	318,696	100.0	296,500	100.0

- (1) If investments related to geological and geophysical exploration costs are included, the capital expenditures and investments for the exploration and production segment for 2011, 2012, 2013 and the estimates for the same in 2014 would be RMB173,760 million, RMB239,266 million, RMB239,641 million and RMB237,700 million, respectively.

As of December 31, 2013, the capital expenditures contracted for at the balance sheet date but not recognized in our consolidated financial statements were approximately RMB55,743 million.

Exploration and Production

A majority of our capital expenditures and investments relate to our exploration and production segment. For each of the three years ended December 31, 2011, 2012 and 2013, capital expenditures in relation to the exploration and production segment amounted to RMB162,154 million, RMB227,211 million and RMB226,376 million, respectively. In 2013, our capital expenditures were primarily used for the large-sized domestic oil and gas exploration projects such as those in Changqing, Daqing, Southwestern, Tarim and Liaohe, and construction of key production capacities for various oil and gas fields, and the large-sized overseas oil and gas development projects such as the Rumaila Project, the Halfaya Project and the Aktobe Project.

We anticipate that capital expenditures for our exploration and production segment for 2014 would amount to RMB225,700 million. Domestic exploration activities will remain focused on the Peak Oil and Gas Reserves Program and more efforts will be devoted to key oil and gas regions such as Songliao Basin, Erdos Basin, Tarim Basin, Sichuan Basin and Bohai Bay Basin. Domestic development activities will be focused on maintaining the output of Daqing Oilfield at 40 million tons of crude oil per year, increasing the oil and gas equivalent output of Changqing Oilfield to over 50 million tons per year, increasing the output of such oil and gas fields as Xinjiang, Tarim and Southwestern as well as the development of such unconventional oil and gas areas as coal seam gas and shale gas. Overseas operations will be aimed at further deepening cooperation in oil and gas exploration and development in the Middle East, Central Asia, the Americas and the Asia-Pacific regions so as to ensure a rapid growth of our reserves and production.

Refining and Chemicals

Our capital expenditures for our refining and chemicals segment for each of the years ended December 31, 2011, 2012 and 2013 were RMB42,781 million, RMB36,009 million and RMB26,671 million, respectively. Among the capital expenditure made in 2013, RMB19,803 million was used on the construction of refinery facilities and RMB6,868 million was used on the construction of chemicals facilities, including the construction of large scale refining and ethylene projects, such as the Guangxi Petrochemical, Yunnan Petrochemical and Sichuan Petrochemical projects as well as the construction of quality enhancement projects for gasoline and diesel products.

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We anticipate that capital expenditures for the refining and chemicals segment for 2014 will amount to RMB25,300 million, which are expected to be used primarily for the construction of refining and chemicals projects as well as the construction of quality enhancement projects for gasoline and diesel products.

Marketing

Our capital expenditures for our marketing segment for each of the years ended December 31, 2011, 2012 and 2013 were RMB15,136 million, RMB14,928 million and RMB7,101 million, respectively. Our capital expenditures for the marketing segment in 2013 were mainly used for the construction of service stations, storage facilities and other facilities for our sales network.

We anticipate that capital expenditures for our marketing segment for the year of 2014 will amount to RMB6,400 million, which are expected to be used primarily for the construction and expansion of high-efficiency sales networks in China as well as the construction of oil and gas operating centers abroad.

Natural Gas and Pipeline

Our capital expenditures for the natural gas and pipeline segment for each of the three years ended December 31, 2011, 2012 and 2013 were RMB62,645 million, RMB72,939 million and RMB57,439 million, respectively. Our capital expenditures for the natural gas and pipeline segment in 2013 were mainly used for the construction of the Third West-East Gas Pipeline, the Zhongwei-Guiyang Gas Pipeline, the Third Daqing-Tieling Crude Oil Pipeline, the Fourth Daqing-Tieling Crude Oil Pipeline, and the Tangshan LNG project.

We anticipate that our capital expenditures for the natural gas and pipeline segment for 2014 will amount to approximately RMB37,200 million, which are expected to be used primarily for the construction of major oil and gas transmission projects such as the Third West-East Gas Pipeline, the Third Daqing-Tieling Crude Oil Pipeline, and the Fourth Daqing-Tieling Crude Oil Pipeline and associated liquefied natural gas, storage facilities and city gas facilities.

Others

Our non-segment-specific capital expenditures and investments for each of the years ended December 31, 2011, 2012 and 2013 were RMB1,675 million, RMB1,429 million and RMB1,109 million, respectively.

Our anticipated capital expenditures for the headquarter and other segments for the year of 2014 amount to RMB1,900 million. These planned capital expenditures and investments mainly include capital expenditures for scientific research activities and the construction of the information system.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Long-Term Contractual Obligations and Other Commercial

Commitments and Payment Obligations

All information that is not historical in nature disclosed under Item 5 Operating and Financial Review and Prospects Long-Term Contractual Obligations and Other Commercial Commitments and Payment Obligations is deemed to be a forward looking statement. See Forward-Looking Statements for additional information.

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The tables below set forth our long-term contractual obligations outstanding as of December 31, 2013.

Contractual Obligations	Total	Payment Due by Period			After 5 Years
		Less Than 1 Year	1-3 Years	3-5 Years	
		(RMB in millions)			
Long-term debt	384,735	81,873	114,289	130,058	58,515
Capital lease obligations	4,061	199	810	1,221	1,831
Operating leases	99,704	6,421	9,834	9,179	74,270
Capital commitments	55,742	26,736	29,006		
Other long-term obligations					
Debt-related interest	48,387	15,105	21,733	10,239	1,310
Total	592,629	130,334	175,672	150,697	135,926

We are obligated to make annual payment with respect to our exploration and production licenses to the Ministry of Land and Resources. The table below sets forth the estimated amount of the annual payments in the next five years:

Year	Annual Payment (RMB in millions)
2014	800
2015	800
2016	800
2017	800
2018	800

Assets Retirement Obligation

A number of provinces and regions in which our oil and gas exploration and production activities are located have promulgated environment protection regulations, which set forth specific abandonment and disposal processes for oil and gas exploration and production activities. We have established standard abandonment procedures, including plugging all retired wells, dismantling all retired metering stations and other related facilities and performing site restoration, in response to the issuance of these provincial and regional regulations. As of December 31, 2013 the balance of assets retirement obligation was RMB94,531 million.

Research and Development

We have a research and development management department, directly under which there are three research institutions. Except for our branch companies which are engaged in marketing activities, each of our branch companies has its own research and development management department. Most of our branch companies have their own research institutions. Our research and development management departments are mainly responsible for managing and coordinating the research and development activities conducted by each of the research institutions. As of December 31, 2013, we had 24,376 employees engaged in research and development functions.

In each of the years ended December 31, 2011, 2012 and 2013, our total expenditures for research and development were approximately RMB13,224 million, RMB14,453 million and RMB14,157 million, respectively.

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Exploration and Production

Most of China's major oil and gas fields are characterized by a broad range of geological conditions, and a majority of China's oil and gas fields are in continental sedimentary basins with complex structures. Our research and development efforts with respect to our exploration and production business focus on:

theories and technologies of crude oil and natural gas exploration;

oil and gas development theory and technology;

engineering technology and equipment;

theory and technology for oil and gas storage and transportation; and

security, energy conservation and environment protection.

Refining and Chemicals

Currently, our research and development efforts in the refining and chemicals segment are focusing on the following areas:

technology for clean refined oil products;

technology for unqualified heavy oil processing;

refining-chemical integration technology;

technology for new products of synthetic resin and synthetic rubber; and

new catalytic and catalytic materials.

Trend Information

The world economic situation and energy industry are developing and changing rapidly. China may encounter unexpected challenges and obstacles in maintaining a stable economic development. The increase in China's domestic demand for refined oil products is still subject to many uncertainties. The competition on China's domestic petroleum and petrochemical market will be more intense.

Other than as disclosed above and elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the periods from January 1, 2011 to December 31, 2013 that are reasonably likely to have a material adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

Other Information

Inflation

Inflation or deflation has not had a significant impact on our results of operations for the year ended December 31, 2013.

Related Party Transactions

For a discussion of related party transactions, see Item 7 Major Shareholders and Related Party Transactions Related Party Transactions and Note 37 to our consolidated financial statements included elsewhere in this annual report.

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Recent Developments in IFRS

For a detailed discussion of recent developments in IFRS, see Note 3 to our consolidated financial statements.

ITEM 6 *DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES*

Directors, Senior Management and Supervisors

As of the date of this report, our board of directors consisted of eleven directors, five of whom were independent non-executive directors. The directors are elected at a meeting of our shareholders for a term of three years. The directors may be re-elected and re-appointed upon the expiration of his/her term of office. The functions and duties conferred on the board of directors include:

- (1) convening shareholders meetings and reporting its work to the shareholders meetings;
- (2) implementing the resolutions of the shareholders meetings;
- (3) determining our business plans and investment programs;
- (4) formulating our annual budget and final accounts;
- (5) formulating our profit distribution proposal and loss recovery proposals;
- (6) formulating proposals for the increase or reduction of our registered capital and the issuance of our debentures or other securities and listings;
- (7) proposing to acquire our shares or merger, spin-off, dissolution or any plan to change in the form of the company;
- (8) deciding on our internal management structure;
- (9) appointing or dismissing the President of the company, and upon the nomination of the President, appointing or dismissing the senior vice president, vice president, chief financial officer and other senior management, and determining matters relating to their remuneration;
- (10) formulating our basic management system;
- (11) preparing amendments to our articles of association;
- (12) managing the information disclosures of our company; and

(13) exercising any other powers and duties conferred by the shareholders at general meetings. Six of the directors are affiliated with CNPC or an affiliate of CNPC.

The PRC Company Law requires a joint stock company with limited liability to establish a supervisory board. This requirement is reflected in our articles of association. The supervisory board is responsible for monitoring our financial matters and overseeing the corporate actions of our board of directors and our management personnel. At the end of this reporting period, the supervisory board consists of eight supervisors, five of whom are elected, including three shareholders representatives and two independent supervisors, and may be removed, by the shareholders in a general meeting, and three of whom are employees representatives who are elected by our staff, and may be removed, by our staff. Three of our supervisors are affiliated with CNPC. The term of office of our supervisors is three years. The supervisors may be re-elected and re-appointed upon the expiration of his/her term of office. An elected supervisor cannot concurrently hold the position of a director, manager or financial controller.

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The supervisory board shall be responsible to the shareholders' meeting and shall exercise the following functions and powers in accordance with law:

to review the periodic reports prepared by the board of directors and issue written opinions in connection with such review;

to review the company's financial position;

to oversee the performance of duties by the directors, the president, senior vice presidents, vice presidents, the chief financial officer and other senior officers of the company and to propose the removal of any of the foregoing persons who acts in contravention of any law, regulation, the company's articles of association or any resolutions of the shareholders' meeting;

to demand any director, the president, senior vice president, vice president, the chief financial officer or any other senior officer who acts in a manner which is harmful to the company's interest to rectify such behavior;

to check the financial information such as the financial report, business report and plans for distribution of profits to be submitted by the board of directors to the shareholders' meetings and to authorize, in the company's name, publicly certified and practicing auditors to assist in the re-examination of such information should any doubt arise in respect thereof;

to propose the convening of an extraordinary shareholders' meeting, and convene and preside over a shareholders' meeting when the board fails to perform its duties to do so as set forth in the PRC Company Law;

to submit proposals to the shareholders' meetings;

to confer with any director, or initiate legal proceedings on behalf of the company against any director, the president, senior vice president, vice president, the chief financial officer or any other senior officer in accordance with Article 152 of the PRC Company Law;

to initiate investigations upon being aware of any extraordinary development in the operational conditions of the company;

together with the audit committee of the board of directors, to review the performance of the outside auditors on a yearly basis, and to propose the engagement, renewal of engagement and termination of engagement of the outside auditors, as well as the service fees in respect of the audit services;

to oversee the compliance of related party transactions; and

other functions and powers as set forth in the articles of association of the company.

Supervisors shall attend meetings of the board of directors as observers.

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In the event that any action of our directors adversely affects our interests, supervisors shall confer with or initiate legal proceedings against such directors on our behalf. A resolution proposed at any meeting of the supervisory board shall be adopted only if it is approved by two-thirds or more of our supervisors.

Our senior management is appointed by and serves at the supervision of our board of directors. The board of directors will review, evaluate and supervise the performance of the management and reward or punish the members of the management in accordance with relevant rules and regulations.

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The following table sets forth certain information concerning our directors, supervisors and executive officers as of the date of this report:

Name⁽¹⁾	Age	Position	Date of Election⁽²⁾
Zhou Jiping	61	Chairman of the Board of Directors	May 18, 2011
Liao Yongyuan	51	Director and Vice President	May 18, 2011
Wang Dongjin	51	Director and President	May 18, 2011
Li Xinhua	60	Director	May 18, 2011
Wang Guoliang	61	Director	May 18, 2011
Yu Baocai	48	Director	May 18, 2011
Liu Hongru	83	Independent Non-executive Director	May 18, 2011
Franco Bernabè	65	Independent Non-executive Director	May 18, 2011
Li Yongwu	69	Independent Non-executive Director	May 18, 2011
Cui Junhui	67	Independent Non-executive Director	May 18, 2011
Chen Zhiwu	51	Independent Non-executive Director	May 18, 2011
Wang Lixin	57	Chairman of The Supervisory Board	
Guo Jinping	56	Supervisor	
Li Qingyi	53	Supervisor	
Wang Guangjun	49	Supervisor	
Yao Wei	57	Supervisor	
Liu Hehe	50	Supervisor	
Wang Daocheng	73	Independent Supervisor	
Fan Fuchun	65	Independent Supervisor	
Sun Longde	51	Vice President	
Liu Hongbin	50	Vice President	
Zhao Zhengzhang	57	Vice President	
Bo Qiliang	51	Vice President	
Huang Weihe	56	Vice President	
Xu Fugui	56	Vice President	
Yu Yibo	50	Chief Financial Officer	
Lin Aiguo	55	Chief Engineer	
Wu Enlai	53	Secretary to the Board of Directors	

(1) The following changes have taken place to our board and senior management since our last annual report:

On May 23, 2013, due to the reason of age, Mr. Sun Xianfeng resigned from the position of supervisor of our company. On the same day, Mr. Li Qingyi and Mr. Fan Fuchun were elected as supervisor and independent supervisor of our company, respectively.

On July 28, 2013, Mr. Wang Dongjin, one of our directors, was appointed as the President of our company and Mr. Zhou Jiping ceased to hold the position as President of our company.

Due to personal reasons, Mr. Li Hualin, a former Vice President and the Secretary to the Board of Directors, Mr. Ran Xinquan, a former Director and Vice President, and Mr. Wang Daofu, the former Chief Geologist, tendered their resignations and ceased to hold their respective positions in our company effective from August 26, 2013.

Due to personal reasons, Mr. Wen Qingshan, a former Supervisor, has tendered his resignation and ceased to hold the position as a Supervisor of our company effective from December 17, 2013.

On February 25, 2014, Mr. Wu Enlai was appointed as the Secretary to the Board of Directors and the authorized representative of our company and Mr. Mao Zefeng was appointed as the Joint Secretary to the Board of Directors.

(2) For directors only.

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Directors

Zhou Jiping, aged 61, is the Chairman of the Board of Directors of our company and the Chairman of CNPC. Mr. Zhou is a professor-level senior engineer and holds a master's degree. He has over 40 years of work experience in China's petrochemical industry. In November 1996, he was appointed as the deputy director of the International Exploration and Development Co-operation Bureau of China National Petroleum Company and deputy general manager of China National Oil & Gas Exploration and Development Corporation. In December 1997, he was appointed as general manager of China National Oil & Gas Exploration and Development Corporation and deputy director of the International Exploration and Development Co-operation Bureau of China National Petroleum Company. In August 2001, he was appointed as the assistant to the general manager of CNPC and the general manager of China National Oil & Gas Exploration and Development Corporation. In December 2003, Mr. Zhou was appointed as a deputy general manager of CNPC. Mr. Zhou was appointed as a Director of our company in May 2004. Mr. Zhou was appointed as Vice Chairman and President of our company in May 2008. In October 2011, Mr. Zhou became the general manager of CNPC. In April 2013, Mr. Zhou became the Chairman of CNPC and Chairman and President of our company. Mr. Zhou ceased to concurrently act as President of our company from July 2013.

Liao Yongyuan, aged 51, is a Director and Vice President of our company and the general manager and director of CNPC. Mr. Liao is a professor-level senior engineer and holds a doctorate degree. He has over 30 years of work experience in China's oil and gas industry. He was the deputy director of the New Zone Exploration and Development Department of China National Petroleum Company from June 1996, the standing deputy commander and then commander of Tarim Petroleum Exploration and Development Headquarters from November 1996. He was the general manager of PetroChina Tarim Oilfield Company from September 1999, and deputy director of Gansu Provincial Economic and Trade Committee from October 2001. He has worked as the assistant to the general manager of CNPC since January 2004. He has been concurrently the head of the Coordination Team for Oil Enterprises in Sichuan and Chongqing and director of the Sichuan Petroleum Administration Bureau since April 2004. He was appointed as a Vice President of our company in November 2005. Mr. Liao was appointed as the deputy general manager of CNPC in February 2007 and the safety director of CNPC in July 2007. He was appointed as a director of our company in May 2008. Mr. Liao ceased to be a safety director of CNPC in February 2012. Mr. Liao was appointed as the general manager and director of CNPC in May 2013.

Wang Dongjin, aged 51, is a Director and the President of our company and the deputy general manager of CNPC. Mr. Wang is a professor-level senior engineer and holds a doctorate degree. Mr. Wang has over 30 years of work experience in China's oil and gas industry. From July 1995, Mr. Wang was the deputy director of Jiangsu Oil Exploration Bureau. From December 1997, he worked as the deputy general manager of China National Oil & Gas Exploration and Development Corporation. From December 2000, Mr. Wang worked concurrently as the general manager in each of CNPC International (Kazakhstan) Ltd. and Aktobe Oil and Gas Co., Ltd. From October 2002, he assumed the position as the general manager of China National Oil & Gas Exploration and Development Corporation. From January 2004, Mr. Wang assumed the positions as the assistant to the general manager of CNPC and the deputy chairman and general manager of China National Oil & Gas Exploration and Development Corporation. From September 2008, Mr. Wang was appointed as the deputy general manager of CNPC. In May 2011, Mr. Wang was appointed as a Director of our company. In July 2013, Mr. Wang was appointed as President of our company.

Li Xinhua, aged 60, is a Director of our company. Mr. Li is a senior engineer and holds a bachelor's degree. Mr. Li has over 35 years of work experience in China's petrochemical industry. Mr. Li was a deputy factory manager of Yunnan Natural Gas Chemical Factory from June 1985 and as the factory manager since February 1992. Mr. Li was appointed chairman and general manager of Yuntianhua Group Company Limited in March 1997. In March 2002, Mr. Li was appointed as the assistant to the provincial governor of Yunnan Province and was appointed as the deputy provincial governor of Yunnan Province in January 2003. Mr. Li has worked as a deputy general manager of CNPC since April 2007. Mr. Li was appointed as a Director of our company in May 2008. Mr. Li ceased to be the deputy general manager of CNPC from July 2013.

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Wang Guoliang, aged 61, is a Director of our company. Mr. Wang is a professor-level senior accountant and holds a master's degree. Mr. Wang has over 30 years of work experience in China's oil and gas industry. Mr. Wang worked as the vice president of China Petroleum Finance Company Limited from October 1995. From November 1997, he was the deputy general manager and general accountant of China National Oil & Gas Exploration and Development Corporation. Mr. Wang was appointed as the chief financial officer of our company from November 1999. Mr. Wang has been appointed as the chief accountant of CNPC since February 2007. He was appointed as a manager and Director of our company in May 2008. Mr. Wang ceased to be the chief accountant of CNPC from July 2013.

Yu Baocai, aged 48, is a Director of our company and the deputy general manager of CNPC. Mr. Yu is a senior engineer and holds a master's degree. He has over 25 years of work experience in China's oil and petrochemical industry. From September 1999, Mr. Yu became the deputy general manager of PetroChina Daqing Petrochemical Company. From December 2001, he assumed the position as the general manager of PetroChina Daqing Petrochemical Company. From September 2003, he undertook the position as general manager of PetroChina Lanzhou Petrochemical Company. From September 2008, Mr. Yu became the deputy general manager of CNPC. In February 2003, Mr. Yu was elected as a representative of the 10th National People's Congress of PRC. In February 2008, Mr. Yu was elected as a representative of the 11th National People's Congress of PRC. In May 2011, Mr. Yu was appointed as a Director of our company.

Independent Non-executive Directors

Liu Hongru, aged 83, is an Independent Non-executive Director of our company. Mr. Liu is a professor and holds a doctorate degree. He graduated from the Faculty of Economics of the University of Moscow in 1959 with an associate doctorate degree. Mr. Liu once worked as Vice Governor of the Agricultural Bank of China, Vice-Governor of the People's Bank of China, Deputy Director of the State Economic Restructuring Committee, and the Chairman of the China Securities Regulatory Commission. Mr. Liu is also a professor at the Peking University, the Tsinghua University and the Hong Kong Baptist University. Mr. Liu was appointed as an independent Supervisor of our company in December 1999. After his resignation from this position as independent supervisor, Mr. Liu was appointed as an independent non-executive Director of our company in November 2002. Mr. Liu has expertise in the accounting or related financial management field as required by the Main Board Listing Rules of Hong Kong Exchanges and Clearing Limited.

Franco Bernabè, aged 65, is an Independent Non-executive Director of our company. He holds a doctorate degree in political economics. He is currently the Chief Executive Officer of Telecom Italia (serving a second time). Prior to that, he held the responsibilities of the Chairman of the Franco Bernabè Group, the Vice Chairman of H3G, the Vice Chairman of Rothschild Europe, a non-executive director of Pininfarina Spa and an independent non-executive director of Areoportidi Bologna. Mr. Bernabè joined ENI in 1983 to become an assistant to the chairman; in 1986 he became director for development, planning and control; and between 1992 and 1998 he was the Chief Executive Officer of ENI. Mr. Bernabè led the restructuring program of the ENI Group, making it one of the world's most profitable oil companies. Between 1998 and 1999, Mr. Bernabè was the Chief Executive Officer of Telecom Italia. Between 1999 and 2000, he also served as a special representative of the Italian government for the reconstruction of the Balkan region. He was the Chairman of La Biennale di Venezia from 2001 to 2003 and has been the Chairman of the Modern Arts Museum of Trento and Rovereto since 2005. Prior to his joining ENI, Mr. Bernabè was the head of economic studies at FIAT. Mr. Bernabè was a senior economist at the OECD Department of Economics and Statistics in Paris. Earlier he was a professor of economic politics at the School of Industrial Administration, Turin University. Mr. Bernabè has been an independent non-executive Director of our company since June 2000.

Li Yongwu, aged 69, is an Independent Non-executive Director of our company. Mr. Li is a senior engineer and holds a bachelor's degree. In June 1991, Mr. Li was appointed as the Director of Tianjin Chemicals Bureau. In July 1993, he was appointed as the Director of Tianjin Economic Committee. He was elected as the Vice Minister of the PRC Ministry of Chemical Industry in April 1995. He became Director of the State's Petroleum

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and Chemical Industry Bureau in March 1998. In April 2001, he was appointed as a Deputy Director of the Liaison Office of the Central Government at the Special Administrative Region of Macau. In December 2004, he was appointed as the Vice President of China Petroleum and Petrochemical Industry Association. In May 2005, he became the Chairman of China Petroleum and Petrochemical Industry Association and in November 2005, he became an Independent Supervisor of our company. In 2003, he was elected as a standing member of the Tenth Chinese People's Consultative Conference. In May 2008, Mr. Li was appointed as an independent non-executive Director of our company.

Cui Junhui, aged 67, is an Independent Non-executive Director of our company. Mr. Cui is a representative of the 11th National People's Congress of the PRC and a Committee Member of the Financial and Economic Affairs Committee of the National People's Congress of the PRC. He holds a postgraduate degree (part-time study). The positions he held include Deputy Director of the Tax Bureau of Shandong Province and the Director of State Tax Bureau of Shandong Province. From January 2000 to January 2007, he served as a Deputy Director of the State Administration of Taxation. In December 2006, he was made a Vice President of Chinese Taxation Institute and a Vice President of China Charity Federation. Mr. Cui was elected as a representative of the 11th National People's Congress and a member of the Financial and Economic Affairs Committee of the National People's Congress in March 2008. In April 2008, Mr. Cui was elected as the President of the sixth term of the Chinese Taxation Institute. Mr. Cui has served as an independent non-executive Director of our company since May 2008. Mr. Cui has expertise in the accounting or related financial management field as required by the Main Board Listing Rules of Hong Kong Exchanges and Clearing Limited.

Chen Zhiwu, aged 51, is an Independent Non-executive Director of our company. Mr. Chen is a tenured professor of economic finance at Yale University School of Management and a distinguished professor under the Chang Jiang Scholar Program at Tsinghua University School of Humanities and Social Sciences. Mr. Chen received a bachelor of science degree from Central South University of Technology in China (now Central South University), a master's degree in engineering from National University of Defense Technology of the PRC and a doctoral degree of finance from Yale University of the United States. In June 1990, Mr. Chen started his teaching career in the University of Wisconsin -Madison of the United States. From July 1995 to July 1999, he worked at Ohio State University of the United States and was promoted to associate professor of finance in 1997. From July 1999, Mr. Chen became a tenured professor of finance at Yale University School of Management. Mr. Chen was elected as an independent non-executive Director of our company in May 2011.

Supervisors

Wang Lixin, aged 57, is the Chairman of the Supervisory Board of our company and a director of CNPC. Mr. Wang is a professor-level senior economist and holder of a master's degree. Mr. Wang has over 40 years of work experience in China's oil and petrochemical industry. He was made the executive of Shengli Petroleum Administration Bureau in February 1998. In November 2004, he was appointed as a key executive of Shengli Petroleum Administration Bureau and Vice Chairman of Shengli Oilfield Company Limited. Mr. Wang became the director of the Shengli Petroleum Administration Bureau in March 2007 and was also appointed as the Assistant to the General Manager of China Petrochemical Corporation since March 2009. In May 2011, he was appointed as the head of Discipline Inspection Group of CNPC. In October 2011, he was elected as a supervisor and the Chairman of the Supervisory Board. Mr. Wang has been serving as a director of CNPC since February 2013.

Guo Jinping, aged 56, is a Supervisor of our company, and concurrently the general manager of the Legal Department of our company and the general counsel and the director of the Legal Department of CNPC. Mr. Guo is a professor-level senior economist and has been awarded with post-graduate qualification. Mr. Guo has over 30 years of work experience in the China's oil and gas industry. From November 1996, he became the chief economist in the Bureau of Policy and Regulations of China National Petroleum Company. From October 1998, Mr. Guo worked as the deputy director of the Development and Research Department in CNPC. In September 1999, he became the general manager of the Legal Department of our company. In September 2005, Mr. Guo

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became the director of the Legal Department of CNPC in addition to his existing duties. In November 2007, he became the general manager of the Legal Department of our company and the general counsel and the director of the Legal Department of CNPC. In May 2011, Mr. Guo was appointed as a Supervisor of our company.

Li Qingyi, aged 53, is a Supervisor of our company, and concurrently the general manager of Audit Department of our company and the general manager of Audit Department and director of the Auditing Services Centre of CNPC. Mr. Li is a senior accountant and holds a master's degree in economics. He has over 30 years of work experience in the Chinese oil and gas industry. Mr. Li was Chief Accountant of Jinxi Oil Refinery from June 1999, deputy general manager and chief accountant of Jinxi Petrochemical from October 1999, director of the M&A Department for CNPC from November 2000, general manager of Equipment & Supplies (Group) Company from April 2007, general manager of CNPC Equipment Manufacturing Branch Company from December 2007. He served as the director of CNPC Auditing Services Centre from September 2010, the deputy general manager of the Audit Department and concurrently the director of the Auditing Services Centre of CNPC from August 2011, and the general manager of the Audit Department and concurrently the director of the Auditing Services Centre of CNPC from September 2012. In May 2013, Mr. Li was appointed as a Supervisor of our company.

Wang Guangjun, aged 49, is a Supervisor of our company and the General Manager of CNPC Material Company and the director of CNPC Materials Procurement Center. Mr. Wang is a professor-level senior engineer and holds a doctoral degree. He has approximately 30 years of work experience in China's oil and petrochemical industry. He was appointed as the deputy general manager of the Quality, Safety and Environmental Protection Department of our company in September 1999. In May 2006, he became the general manager of PetroChina Northeast Chemicals and Marketing Company. Mr. Wang was then appointed as the general manager of PetroChina Jilin Petrochemical Company in June 2007. Since May 2011, he has been serving as a Supervisor of our company. Since November 2013, Mr. Wang has been the general manager of CNPC Material Company and the director of CNPC Materials Procurement Center.

Yao Wei, aged 57, is a Supervisor of our company appointed as by the employees' representatives and the General Manager of PetroChina Pipeline Company. Mr. Yao is a professor-level senior engineer and holds a master's degree. He has 35 years of work experience in China's oil and gas industry. Mr. Yao became the deputy manager of Beijing Natural Gas Transport Company in July 1995. In April 2001, he was appointed as the deputy general manager of Beijing Huayou Gas Corporation Limited. In April 2007, Mr. Yao became the General Manager of PetroChina Pipeline Company. Since May 2011, he has been serving as a supervisor of our company.

Liu Hehe, aged 50, is a Supervisor of our company elected by the employees' representatives and the General Manager of PetroChina Inner Mongolia Marketing Company. Mr. Liu is a professor-level senior economist and holds a bachelor's degree. He has over 25 years of work experience in China's oil and petrochemical industry. He was appointed the General Manager of PetroChina East China Marketing Company in April 2004 and became the General Manager of PetroChina East China (Shanghai) Marketing Company in December 2008. He was appointed as the General Manager of PetroChina Inner Mongolia Marketing Company in November 2009. He was elected as a supervisor of our company in May 2011.

Wang Daocheng, aged 73, is an Independent Supervisor of our company. He is a senior auditor and holds a bachelor's degree. He has approximately 50 years of experience in finance and auditing. From 1981 to 1984, he led the preparatory committee within the audit department of the Ministry of Finance and headed the science and technology training center of the National Audit Office as well as the financial and monetary authority. From August 1984, Mr. Wang held a number of positions, including Deputy Director of Xicheng District Audit Bureau of Beijing, Deputy Director of the Research Department of the National Audit Office, the Deputy Director of the General Affairs Bureau, Deputy Director of the Foreign Investment Bureau, Director of the Foreign Investment Department, Director of the Financial Audit Department and Director of the General Office of the National Audit Office. From March 1999 to March 2005, Mr. Wang headed the discipline inspection panel of the Central Commission for Discipline Inspection in the National Audit Office. From June 2005 to September 2011, he was

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the President of the China Institute of Internal Audit. Mr. Wang was appointed as an Independent Supervisor of our company in May 2009.

Fan Fuchun, aged 65, is an independent Supervisor of our company, and concurrently the honorary president of Shanghai Futures and Derivatives Research Institute and chairman of the Board of Strategy, member of the Shenzhen-Hong Kong Cooperation Advisory Committee in Qianhai and visiting professor of Hunan University. He holds a master's degree in business administration. He has nearly 20 years of work experience in the financial industry. Mr. Fan was previously director of the Business Management Office of Beijing Tooling Factory, director of the System Reform Office of Beijing No.1 Light Industry Bureau and vice director of Economic Department of China Federation of Industry and Commerce. Mr. Fan was director of Listed Companies Regulatory Division of CSRC from 1993, Vice Chairman and Party Committee Member of CSRC from 1997, Vice Party Secretary and Vice Chairman of CSRC from 2002 and Member of the Economic Committee of the 11th Chinese People's Political Consultative Conference from 2008. In May 2013, Mr. Fan was appointed as a Supervisor of our company.

Other Senior Management Personnel

Sun Longde, aged 51, is a Vice President of our company. Mr. Sun is a professor-level senior engineer and holds a doctoral degree. He has over 30 years of working experience in China's oil and geological industry. Mr. Sun was appointed as the Deputy Chief Geologist of Xianhe Oil Extraction Plant and Deputy Manager of Dongxin Oil Extraction Plant of Shengli Petroleum Administration Bureau in January 1994, Chief Deputy Director-General of Exploration Business Department of Shengli Petroleum Administration Bureau in April 1997, the Manager of Exploration & Development Company of Shengli Petroleum Administration Bureau in September 1997, Chief Geologist of Tarim Petroleum Exploration & Development Headquarters in November 1997, Deputy General Manager of PetroChina Tarim Oilfield Company in September 1999 and the General Manager of PetroChina Tarim Oilfield Company in July 2002. Mr. Sun has been a Vice President of our company since June 2007. In December 2011, Mr. Sun was elected to the Chinese Academy of Engineering.

Liu Hongbin, aged 50, is a Vice President of our company and concurrently the deputy general manager of CNPC, the executive director and general manager of Daqing Oilfield Company Limited and director of Daqing Petroleum Administrative Bureau. Mr. Liu is a senior engineer and holds a college degree. He has over 30 years of work experience in China's oil and gas industry. Mr. Liu was the vice president of Exploration & Development Research Institute of Yumen Petroleum Administration Bureau from May 1991, the director of the Development Division of Tuha Petroleum Exploration & Development Headquarters from October 1994, the chief engineer of Tuha Petroleum Exploration & Development Headquarters from June 1995, the deputy general manager of PetroChina Tuha Oilfield Company from July 1999, the commander of Tuha Petroleum Exploration & Development Headquarters from July 2000, the general manager of the Planning Department of our company from March 2002 and the director of the Planning Department of CNPC from September 2005. Mr. Liu was appointed as a Vice President of our company in June 2007, and the general manager of the Marketing Company of our company in November 2007. Mr. Liu was appointed as to concurrently serve as a deputy general manager of CNPC in July 2013. Mr. Liu was appointed as to concurrently serve as a Vice President of our company, executive director and general manager of Daqing Oilfield Company Limited and director of Daqing Petroleum Administrative Bureau in August 2013 and ceased to hold the position of general manager of the Marketing Company.

Zhao Zhengzhang, aged 57, is a Vice President of our company and concurrently the general manager of the Exploration and Production Company of our company and the general manager of the Changqing Oilfield Company. Mr. Zhao is a professor-level senior engineer and holds a master's degree. He has nearly 30 years of working experience in China's oil and gas industry. In June 1996, Mr. Zhao was appointed as the deputy director of the New Zone Exploration Department of China National Petroleum Company. In November 1996, he was appointed as the deputy director of the Exploration Bureau of CNPC and director of the New Zone Exploration Department. In October 1998, Mr. Zhao was appointed as deputy director of the Exploration Department of

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CNPC. In September 1999, he was appointed as a member of the Preparatory Group of CNPC Exploration and Production Company. In December 1999, Mr. Zhao was appointed as deputy general manager of CNPC Exploration and Production Company. In January 2005, he was appointed as senior executive and deputy general manager of CNPC Exploration and Production Company. In January 2006, he was appointed as the general manager of CNPC Exploration and Production Company. In May 2008, Mr. Zhao was appointed as a Vice President of our company and the general manager of the Exploration and Production Company of our company. In August 2013, Mr. Zhao was appointed as to concurrently serve as the general manager of the Changqing Oilfield Company.

Bo Qiliang, aged 51, is a Vice President of our company and concurrently the General Manager of PetroChina International Ltd. Mr. Bo holds a doctor's degree and is a professor-level senior engineer. He has over 30 years of working experience in China's oil and gas industry. Mr. Bo was made the Vice President of the Scientific Research Institute of Petroleum Exploration and Development in February 1997, senior executive of CNPC International (E&D) Ltd. in December 2001, Senior Deputy General Manager of China National Oil and Gas Exploration and Development Corporation in October 2004, President of PetroKazakhstan Inc. and concurrently leader of the Kazakhstan Coordination and Steering Team in November 2005, and General Manager of China National Oil and Gas Exploration and Development Corporation in September 2008. Mr. Bo began to act as the General Manager of PetroChina International Ltd. while concurrently acting as the General Manager of China National Oil and Gas Exploration and Developing Corporation from November 2009. Mr. Bo has been a Vice President of our company since January 2010.

Huang Weihe, aged 56, is a Vice President of our company and concurrently the general manager of PetroChina Natural Gas and Pipelines Company. Mr. Huang is a professor-level senior engineer and holds a doctorate degree. He has 30 years of working experience in China's oil and gas industry. In December 1998, he was appointed as deputy director of the Petroleum and Pipelines Bureau. In November 1999, he was appointed as deputy director of the Petroleum and Pipelines Bureau and concurrently the chief engineer. In October 2000, Mr. Huang was appointed as the general manager of PetroChina Pipelines Company and in May 2002, concurrently as the general manager of PetroChina West-East Natural Gas Transmission Pipelines Company. In November 2002, Mr. Huang was appointed as the general manager of PetroChina Natural Gas and Pipelines Company of our company and the general manager of PetroChina West-East Natural Gas Transmission Pipelines Company. In February 2006, Mr. Huang ceased to be the general manager of PetroChina West-East Natural Gas Transmission Pipelines Company. In May 2008, Mr. Huang was appointed as the Chief Engineer of our company and the general manager of PetroChina Natural Gas and Pipelines Company. In October 2011, he was appointed as a Vice President of our company.

Xu Fugui, aged 56, is the Vice President of our company and the General Manager of PetroChina Refining & Chemical Company. Mr. Xu is a professor-level senior engineer and holds a doctoral degree. He has over 30 years of working experience in China's oil and petrochemical industry. Mr. Xu had worked as the Deputy Manager of Dushanzi Petrochemical Plant and manager of Refining Plant of Xinjiang Petroleum Administration Bureau concurrently. He was appointed as the General Manager of Dushanzi Petrochemical Plant of Xinjiang Petroleum Administration Bureau in July 1999, and the General Manager of Dushanzi Petrochemical Company in September 1999. In September 2011, he was as appointed as the General Manager of PetroChina Refining & Chemical Company. In October 2011, he was appointed as a Vice President of our company.

Yu Yibo, aged 50, is the Chief Financial Officer of our company. Mr. Yu is a professor-level senior accountant and holds a doctorate degree from the Business School of Hitotsubashi University in Japan. Mr. Yu has approximately 20 years of experience in China's oil and gas industry. In November 1998, Mr. Yu was appointed as the assistant to the President of CNPC. In February 1999, Mr. Yu was appointed as a member of the Restructuring and Listing Preparatory Team of PetroChina. In November 1999, Mr. Yu was appointed as the deputy general manager of the Finance Department of our company. Mr. Yu was the Deputy General Manager of PetroChina Dagang Oilfield Branch Company from March 2002 to October 2002. Since April 2003, he has been

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the General Manager of the Merger and Acquisition Department of our company. He was a supervisor of our company from May 2008 to May 2011. In March 2013, Mr. Yu was appointed as the Chief Financial Officer of our company. Mr. Yu ceased to hold the position of the general manager of the Capital Operation Department of our company since November 2013.

Lin Aiguo, aged 55, is the Chief Engineer of our company. Mr. Lin is a professor-level senior engineer and holds a college degree. He has over 30 years of working experience in China's oil and petrochemical industry. Mr. Lin was appointed as the Deputy Manager and the Standing Deputy Manager of Shengli Refinery of Qilu Petrochemical Company in July 1993, the Deputy General Manager of Dalian West Pacific Petrochemical Co. Ltd. in May 1996, and the General Manager of Dalian West Pacific Petrochemical Co. Ltd. in August 1998, and the General Manager of Refining & Marketing Company of our company in December 2002. Mr. Lin has served as the Chief Engineer of our company since June 2007 and has been concurrently serving as the director of the Petrochemical Research Institute since February 2011.

Secretary to the Board of Directors

Wu Enlai, aged 53, is the Secretary to the Board of Directors of our company. As a professorate senior engineer and a master degree holder, Mr. Wu has over 30 years of work experience in China oil industry. Mr. Wu served as the deputy director general of Tarim Petrochemical Engineering Construction Headquarters from August 1997, the deputy director general of M&A department of CNPC from August 2002 and the deputy general manager of China National Oil and Gas Exploration and Development Corporation from January 2004. Mr. Wu was appointed as the head of the Preparatory Work Team for PetroChina Guangxi Petrochemical Company in May 2005, and served as its general manager since October 2005 and the head of Enterprise Coordination Team of our company in Guangxi since September 2010. He was appointed the Secretary to the Board of Directors of our company in November 2013.

Compensation

Senior Management Compensation System

The senior management members' compensation has two components, namely, fixed salaries and variable compensation. The variable component, which accounts for approximately 75% of the total compensation package, is linked to the attainment of specific performance targets, such as our income for the year, return on capital and the individual performance evaluation results. All of our senior management members have entered into performance evaluation contracts with us.

Directors and Supervisors Compensation

Our directors and supervisors, who hold senior management positions or are otherwise employed by us, receive compensation in the form of salaries, insurance and other benefits in kind, including our contribution to the pension plans for these directors and supervisors.

The aggregate amount of salaries, insurance and other benefits in kind paid by us to the five highest paid individuals of PetroChina during the year ended December 31, 2013 was RMB5,233,449. We paid RMB256,300 as our contribution to the pension plans in respect of those individuals in the year ended December 31, 2013.

The aggregate amount of salaries or other compensation, insurance and other benefits in kind paid by us to our directors, who hold senior management positions or are otherwise employed by us, during the year ended December 31, 2013 was RMB3,617,287.

Save as disclosed, no other payments have been paid or are payable, in respect of the year ended December 31, 2013, by us or any of our subsidiaries to our directors. In addition, we have no service contracts with our directors that provide for benefits to our directors upon the termination of their employment with us.

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In 2013, we paid RMB339,547 as our contribution to the pension plans in respect of our directors and supervisors, who hold senior management positions or are otherwise employed by us. The aggregate amount of salaries or other compensation, insurance and other benefits in kind paid by us to our supervisors, who hold senior management positions or are otherwise employed by us, during the year ended December 31, 2013 was RMB2,194,504.

For discussions about the compensations of our individual directors and supervisors, please see Note 11 to our consolidated financial statements included elsewhere in this annual report.

Board Practices

Our board of directors has four principal committees: an audit committee, an investment and development committee, an evaluation and remuneration committee and a health, safety and environment committee.

Audit Committee

Our audit committee is currently composed of three non-executive independent directors, Mr. Franco Bernabè, Mr. Cui Junhui and Mr. Chen Zhiwu, and one non-executive director, Mr. Wang Guoliang. Mr. Franco Bernabè serves as the chairman of the committee. Under our audit committee charter, the chairman of the committee must be an independent director and all resolutions of the committee must be approved by independent directors. The audit committee's major responsibilities include:

reviewing and supervising the engagement of external auditors and their performance;

reviewing and ensuring the completeness of annual reports, interim reports and quarterly reports, if any, and related financial statements and accounts, and reviewing any material opinion contained in the aforesaid statements and reports in respect of financial reporting;

reporting to the board of directors in writing on the financial reports of the company and related information, having considered the issues raised by external auditors;

reviewing and scrutinizing the work conducted by the internal audit department in accordance with the applicable PRC and international rules;

monitoring the financial reporting system and internal control procedures of the company, as well as checking and assessing matters relating to, among others, the financial operations, internal control and risk management of the company;

receiving, keeping and dealing with complaints or anonymous reports regarding accounting, internal accounting control or audit matters and ensuring the confidentiality of such complaints or reports;

reporting regularly to the board of directors in respect of any significant matters which may affect the financial position of the company and its operations and in respect of the self-evaluation of the committee on the performance of their duties; and

performing other responsibilities as may be required under relevant laws, regulations and the listing rules of the stock exchanges where the shares of the company are listed (as amended from time to time).

Investment and Development Committee

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The current members of our investment and development committee are Mr. Li Yongwu, as chairman of the committee, and Mr. Li Xinhua and Mr. Wang Dongjin, as members of the committee. The investment and development committee's major responsibilities include:

studying the strategies of the company as proposed by our president and making recommendations to the board of directors;

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studying the annual investment budget and the adjustment proposal regarding the investment plan as proposed by our president and making recommendations to the board of directors; and

reviewing feasibility studies and preliminary feasibility studies for material investment projects subject to the approval of the board of directors and making recommendations to the board of directors.

Evaluation and Remuneration Committee

The current members of our evaluation and remuneration committee are Mr. Liu Hongru, as chairman of the committee, and Mr. Chen Zhiwu and Mr. Wang Guoliang, as members of the committee. The evaluation and remuneration committee's major responsibilities include:

studying the evaluation criteria for directors and senior officers, conducting the evaluations and proposing suggestions;

studying and evaluating the remuneration policies and plans for directors and senior officers (including the compensation in connection with the removal or retire of the director and senior officers);

organizing the evaluation of the performance of our president and reporting the evaluation result to the board of directors, supervising the evaluation of the performance of our senior vice presidents, vice presidents, chief financial officer and other senior management members conducted under the leadership of the president;

studying our incentive plan and compensation plan, supervising and evaluating the implementation of these plans and making recommendations for improvements to and perfection of such plans; and

relevant laws, regulations and the listing rules of the stock exchanges where the shares of the company are listed (as amended from time to time) and other matters authorized by the board of directors.

Health, Safety and Environment Committee

The current members of our health, safety and environment committee are Mr. Liao Yongyuan as chairman of the committee, and Mr. Yu Baocai as member of the committee. The health, safety and environment committee's major responsibilities include:

supervising the effective implementation of our Health, Safety and Environmental Protection Plan, or the HSE Plan;

making recommendations to the board of directors and our president for major decisions with respect of health, safety and environmental protection; and

inquiring the occurrence of and responsibilities for material accidents of the company, and examining and supervising the treatment of such accidents.

Table of Contents**Employees**

As of December 31, 2011, 2012 and 2013, we had 552,810, 548,355 and 544,083 employees, respectively. During 2013, we employed 317,437 temporary employees on an average. As of December 31, 2013, we had 319,741 temporary employees. The table below sets forth the number of our employees by business segment as of December 31, 2013.

	Employees	% of Total
Exploration and production	291,023	53.49
Refining and chemicals	165,636	30.44
Marketing	60,627	11.14
Natural gas and pipeline	21,097	3.88
Other ⁽¹⁾	5,700	1.05
Total	544,083	100.00

(1) Including the numbers of employees of the management of our headquarters, specialized companies, PetroChina Exploration & Development Research Institute, PetroChina Planning & Engineering Institute, Petrochemical Research Institute and other units.

Our employees participate in various basic social insurance plans organized by municipal and provincial governments whereby we are required to make monthly contributions to these plans at certain rates of the employees' salary as stipulated by relevant local regulations. Expenses incurred by us in connection with the retirement benefit plans were approximately RMB11,400 million, RMB13,400 million and RMB14,855 million, respectively, for the years ended December 31, 2011, 2012 and 2013, respectively.

In 2013, we did not experience any strikes, work stoppages, labor disputes or actions that affected the operation of any of our businesses. Our company maintains good relationship with our employees.

Share Ownership

As of December 31, 2013 our directors, senior officers and supervisors do not have share ownership in PetroChina or any of PetroChina's affiliates.

ITEM 7 MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**Major Shareholders**

PetroChina was established on November 5, 1999 with CNPC as its sole promoter. As of March 31, 2014, CNPC beneficially owned 158,325,211,528 shares, which include 291,518,000 H shares indirectly held by CNPC through Fairy King Investments Limited, an overseas wholly owned subsidiary of CNPC, representing approximately 86.507% of the share capital of PetroChina, and, accordingly, CNPC is our controlling shareholder.

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The following table sets forth the major shareholders of our A shares as of March 31, 2014:

Name of Shareholders	Class of Shares	Number of Shares Held	Percentage of the Issued Share Capital of the Same Class of Shares (%)	Percentage of the Total Share Capital (%)
CNPC	A shares	158,033,693,528	97.60	86.35

The following table sets forth the major shareholders of our H shares as of March 31, 2014:

Name of Shareholders	Number of Shares Held	Percentage of Such Share in That Class of the Issued Shares Capital (%)	Percentage of the Total Share Capital (%)
CNPC	291,518,000 (Long Position) ⁽¹⁾	1.38	0.16
Aberdeen Asset Management Plc and its related parties (collectively, the Group), representing the accounts managed by the Group	1,898,868,365 (Long Position)	9.00	1.03
Black Rock, Inc.	1,469,121,566 (Long Position)	6.96	0.80
	32,978,000 (Short Position)	0.15	0.02
JP Morgan Chase & Co	1,445,879,297 (Long Position)	6.85	0.79
	88,679,933 (Short Position)	0.42	0.05
	1,258,978,586 (Lending Pool)	5.96	0.69

(1) Held by Fairy King Investments Limited, an overseas wholly-owned subsidiary of CNPC.

Related Party Transactions

CNPC is a controlling shareholder of our company. We enter into extensive transactions with CNPC and other members of the CNPC group, all of which constitute related party transactions for us. We also continue to carry out existing continuing transactions with other related parties in the year ended December 31, 2013.

Related Party Transactions

Our company entered into the Capital Contribution Agreement with CNPC on January 14, 2012, pursuant to which the two parties agreed to set up a captive insurance company with a registered capital of RMB5 billion. Upon completion of the Capital Contribution Agreement, the equity interests in such captive insurance company would be held as to 51% by CNPC and as to 49% by our company, according to their respective capital contribution. On December 24, 2013, the China Insurance Regulatory Committee approved the establishment of the captive insurance company, which is named PetroChina Exclusive Property Insurance Co., Ltd. We contributed RMB2.45 billion to the registered capital of the company. The approved scope of business covers property insurance, liability insurance, credit insurance, guarantee insurance, short term health insurance, accident insurance, the reinsurance of those insurance businesses, use of insurance funds permitted by relevant laws and regulations, and other businesses subject to the approval of the China Insurance Regulatory Committee.

Continuing Related Party Transactions

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During the reporting period, our company continued to engage in a variety of continuing related party transactions with CNPC, which provide a number of services to us. These transactions are governed by several agreements between CNPC and us, including the comprehensive products and services agreement and its supplemental agreements, product and service implementation agreements, land use rights leasing contract,

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buildings leasing contract and buildings supplementary leasing agreement, intellectual property licensing contracts, contract for the transfer of rights under production sharing contracts and guarantee of debts contract. A detailed discussion of these agreements is set forth in Note 37 to our consolidated financial statements included elsewhere in this annual report and under the heading **Item 7 Major Shareholders and Related Party Transactions Related Party Transactions** in our annual report on Form 20-F filed with the SEC on May 27, 2008.

Our comprehensive products and services agreement and its supplemental agreements expired on December 31, 2008. On August 27, 2008, we and CNPC entered into a new comprehensive products and services agreement that incorporates the provisions from the previous agreements and became effective on January 1, 2009 for a period of three years, which expired on December 31, 2011. On August 25, 2011, we and CNPC further entered into a new comprehensive agreement with a term of three years commencing from January 1, 2012, while other terms and conditions remain unchanged.

On August 25, 2011, the company and CNPC entered into Supplemental Land Use Right Leasing Contract which took effect on January 1, 2012.

The company and CNPC entered into the Buildings Leasing Agreement on March 10, 2000 and the Supplemental Buildings Leasing Agreement on September 26, 2002. On August 25, 2011, the company and CNPC entered into the Amendment to the Buildings Leasing Contract, or the Amendment, pursuant to which the company agreed to lease from CNPC buildings with an aggregate gross floor area of approximately 734,316 square meters. The parties further agreed to adjust the average rental fees to RMB1,049 per square meter per year. The expiry date of the Amendment is the same as the Buildings Leasing Agreement. We and CNPC may adjust the area of building leased and the rental fees every three years as appropriate by reference to the status of our production and operations and the prevailing market price, but the adjusted rental fees shall not exceed the comparable fair market price.

As at December 31, 2013, the outstanding amount of our debts secured by CNPC and its subsidiaries was RMB43,241 million.

During the reporting period, we continue to carry out a number of continuing related party transactions with certain companies including CNPC Exploration and Development Company Limited. A detailed discussion of our relationships and transactions with these parties is set forth in **Item 7 Major Shareholders and Related Party Transactions Related Party Transactions** in our annual report on Form 20-F filed with the SEC on May 27, 2008.

Loans from Related Parties

As of December 31, 2013, we had unsecured short-term and long-term loans from CNPC and its affiliates in an aggregate amount of RMB327,478 million with an average annual interest rate of 4.17%.

Interests of Experts and Counsel

Not applicable.

ITEM 8 FINANCIAL INFORMATION

Financial Statements

See pages F-1 to F-57 following Item 19.

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Dividend Policy

Our board of directors will declare dividends, if any, in Renminbi on a per share basis and will pay such dividends in Renminbi with respect to A Shares and HK dollars with respect to H Shares. Any final dividend for a financial year shall be subject to shareholders' approval. The Bank of New York will convert the HK dollar dividend payments and distribute them to holders of ADSs in U.S. dollars, less expenses of conversion. The holders of the A Shares and H Shares will share proportionately on a per share basis in all dividends and other distributions declared by our board of directors.

The declaration of dividends is subject to the discretion of our board of directors. Our board of directors will take into account factors including the following:

general business conditions;

our financial results;

capital requirements;

contractual restrictions on the payment of dividends by us to our shareholders or by our subsidiaries to us;

our shareholders' interests;

the effect on our debt ratings; and

other factors our board of directors may deem relevant.

We may only distribute dividends after we have made allowance for:

recovery of losses, if any;

allocations to the statutory common reserve fund; and

allocations to a discretionary common reserve fund if approved by our shareholders.

The allocation to the statutory funds is 10% of our income for the year attributable to our shareholders determined in accordance with PRC accounting rules. Under PRC law, our distributable earnings will be equal to our income for the year attributable to our shareholders determined in accordance with PRC accounting rules or IFRS, whichever is lower, less allocations to the statutory and discretionary funds.

We believe that our dividend policy strikes a balance between two important goals:

providing our shareholders with a competitive return on investment; and

assuring sufficient reinvestment of profits to enable us to achieve our strategic objectives.

A dividend of RMB0.16110 per share (inclusive of applicable taxes) for the six months ended June 30, 2013 was paid to the shareholders on October 24, 2013. The board of directors recommended that a final dividend of RMB0.15755 per share (inclusive of applicable taxes), which was calculated on the basis of the balance between 45% of our income for the year attributable to our shareholders under IFRS for the year ended December 31, 2013 and the interim dividend for the six months ended June 30, 2013, should be paid. The final dividend for the year ended December 31, 2013 is subject to the approval by the annual general meeting to be held on May 22, 2014.

Significant Changes

None.

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Our ADSs, each representing 100 H Shares, par value RMB1.00 per H Share, have been listed and traded on the New York Stock Exchange since April 6, 2000 under the symbol PTR. Our H Shares have been listed and traded on the Hong Kong Stock Exchange since April 7, 2000. In September 2005, our company issued an additional 3,196,801,818 H Shares. CNPC also sold 319,680,182 state-owned shares it held concurrently with our company's issuance of new H Shares in September 2005. In October 2007, PetroChina issued 4 billion A Shares and these shares were listed on the Shanghai Stock Exchange on November 5, 2007. Following the issuance of A Shares, all the domestic shares of our company existing prior to the issuance of A Shares, i.e. the shares held by CNPC (our controlling shareholder) in our company, have been registered with China Securities Depository and Clearing Corporation Limited as tradable A Shares. The New York Stock Exchange, the Hong Kong Stock Exchange and Shanghai Stock Exchange are the principal trading markets for our ADSs, H Shares and A Shares, respectively.

As of December 31, 2013, there were 21,098,900,000 H Shares and 161,922,077,818 A Shares issued and outstanding. As of December 31, 2013, there were 264 registered holders of American depository receipts evidencing 11,339,860 ADSs. The depository of the ADSs is the Bank of New York.

The high and low closing sale prices of our A Shares on the Shanghai Stock Exchange, of H Shares on the Hong Kong Stock Exchange and of the ADSs on the New York Stock Exchange for each year from 2009 through 2013, for each quarter from 2012 to 2014 (up to the end of the first quarter of 2014), and for each month from October 2013 to April 2014 (through April 23, 2014) are set forth below.

	Price Per H Share HK\$		Price Per ADS US\$		Price Per A Share RMB	
	High	Low	High	Low	High	Low
Annual Data						
2009	10.48	5.10	133.65	64.09	16.38	10.02
2010	10.50	7.97	136.45	101.92	14.28	9.94
2011	12.50	8.59	158.83	111.29	12.41	9.35
2012	11.86	9.08	153.23	117.11	10.60	8.47
2013	11.30	7.86	145.80	101.47	9.40	7.31
Quarterly Data						
2012						
First quarter	11.86	10.10	153.23	131.38	10.60	9.69
Second quarter	11.76	9.65	150.99	125.05	10.14	8.98
Third quarter	10.22	9.08	131.30	117.11	9.12	8.52
Fourth quarter	11.08	9.93	143.78	128.77	9.04	8.47
2013						
First quarter	11.30	10.14	145.80	130.40	9.40	8.69
Second quarter	10.28	7.86	132.03	101.47	8.73	7.31
Third quarter	9.45	8.27	121.29	107.45	8.24	7.69
Fourth quarter	9.59	8.44	122.92	108.84	8.27	7.51
2014						
First Quarter	8.49	7.33	110.21	94.75	7.99	7.51
Monthly Data						
2013						
October	9.10	8.52	118.46	110.69	7.90	7.51
November	9.59	8.50	122.92	109.76	8.10	7.64
December	9.21	8.44	119.07	108.84	8.27	7.68

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	Price Per H Share HK\$		Price Per ADS US\$		Price Per A Share RMB	
	High	Low	High	Low	High	Low
2014						
January	8.46	7.51	107.87	95.81	7.77	7.52
February	8.18	7.33	105.60	94.75	7.99	7.51
March	8.49	7.62	110.21	98.07	7.80	7.54
April (through April 23, 2014)	8.86	8.55	114.48	110.46	7.73	7.56

The closing prices per A Share, per H Share and per ADS on April 23, 2014 were RMB7.60, HK\$8.77 and US\$112.98, respectively.

ITEM 10 ADDITIONAL INFORMATION**Memorandum and Articles of Association****Our Articles of Association Currently in Effect**

On May 23, 2013, our annual general meeting approved the amendment to our Articles of Association which became effective as of the same day. The changes include, among others, (i) an expansion of our scope of business and (ii) an addition of a requirement to distribute cash dividends of no less than 30% of the net profits attributable to the parent company under certain circumstances. The amended and restated Articles of Association was filed with the SEC on Form 6-K on May 23, 2013.

Material Contracts

We have not entered into any material contracts other than in the ordinary course of business and other than those described under Item 4 Information on the Company, Item 7 Major Shareholders and Related Party Transactions or elsewhere in this Form annual report.

Foreign Exchange Controls

The Renminbi currently is not a freely convertible currency. We receive most of our revenues in Renminbi. A portion of our Renminbi revenues must be converted into other currencies to meet our foreign currency obligations, including:

debt service on foreign currency-denominated debt;

external capital expenditures and equity investment;

purchases of imported equipment and materials; and

payment of any dividends declared in respect of the H Shares.

Under the existing foreign exchange regulations in China, we may undertake current account foreign exchange transactions, including the payment of dividends, without prior approval from the State Administration of Foreign Exchange by producing commercial documents evidencing such transactions, provided that they are processed through Chinese banks licensed to engage in foreign exchange transactions.

Foreign exchange transactions under the capital account, including principal payments with respect to foreign currency-denominated obligations, continue to be subject to limitations and require the prior approval of the State Administration of Foreign Exchange. These limitations could affect our ability to obtain foreign exchange through debt financing, or to obtain foreign exchange for capital expenditures.

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We have been, and will continue to be, affected by changes in exchange rates in connection with our ability to meet our foreign currency obligations and will be affected by such changes in connection with our ability to pay dividends on the H Shares in Hong Kong dollars and on ADSs in U.S. dollars. We believe that we have or will be able to obtain sufficient foreign exchange to continue to satisfy these obligations. We do not engage in any financial contract or other arrangement to hedge our currency exposure.

We are not aware of any other PRC laws, decrees or regulations that restrict the export or import of capital or that affect the remittance of dividends, interest or other payments to non-resident holders.

Taxation

The following discussion addresses the main PRC and United States tax consequences of the ownership of H Shares or ADSs purchased held by the investor as capital assets.

PRC Taxation

Dividends and Individual Investors

Pursuant to the Individual Income Tax Law of the PRC, all foreign individuals are subject to a 20% withholding tax on dividends paid by a PRC company on its shares listed overseas, or Overseas Shares, unless specifically exempt by the financial authority of the State Council of the PRC. However, pursuant to the *Notice on the Collection of Individual Income Tax after the Abolishment of Guoshuifa [1993] No. 045*, or Circular 348, issued by the State General Administration of Taxation of the PRC on June 28, 2011, foreign individual shareholders holding H shares, or Individual H Shareholders, in a PRC company listed in Hong Kong may be subject to different levels of withholding taxes on dividends based on the tax treaties of their home countries with China. Individual H Shareholders, who are residents of Hong Kong or Macau or who enjoy a 10% tax rate on dividends based on the tax treaties of their home countries with China, are subject to a withholding tax rate of 10% in respect of the H-share dividends they receive. For those Individual H Shareholders whose home countries have tax treaties with China prescribing a tax rate on dividends lower than 10%, the PRC company, whose shares are held by such Individual H Shareholders, need to apply for such tax treatment under relevant PRC taxation regulation on behalf of the Individual H Shareholders in order for them to enjoy such tax treatment. For Individual H Shareholders whose home countries have tax treaties with China prescribing a tax rate on dividends between 10% and 20%, the PRC company, whose shares are held by such Individual H Shareholders, shall withhold the individual income tax at the agreed-upon tax rate. For Individual H Shareholders whose home countries have no tax treaties with China or whose home countries have tax treaties with China prescribing a tax rate on dividends higher than 20%, the PRC company shall withhold the tax at a rate of 20%.

Dividends and Foreign Enterprises

Pursuant to the *Enterprise Income Tax Law of the PRC* and the implementing rules thereunder, and the *Circular on Issues Concerning the Withholding of Corporate Income Tax by PRC Resident Enterprises from Dividends Payable to H Share Non-resident Corporate Shareholders*, or the Circular, each PRC resident enterprise, when paying any of its H share non-resident corporate shareholders any dividends for 2008 and the years thereafter, is required to withhold the corporate income tax from such dividends at a uniform rate of 10%. After its receipt of any dividends on its H shares, an H share non-resident corporate shareholder may by itself or through an agent or the withholding agent, apply to the competent taxation authority for the treatment under the applicable tax treaty and present the documents evidencing that such shareholder is qualified to be a beneficial owner as defined under the applicable tax treaty. The competent tax authority, after having verified the correctness of such documents, shall refund the difference between the amount of the tax actually paid by such shareholder and the amount of the tax payable by such shareholder as calculated on the basis of the rate stipulated in the applicable tax treaty.

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Tax Treaties

If you are a tax resident or citizen of a country that has entered into a double-taxation treaty with the PRC, you may be entitled to a reduction in the amount of tax withheld, if any, imposed on the payment of dividends. The PRC currently has such treaties with a number of countries, including but not limited to:

the United States;

Australia;

Canada;

France;

Germany;

Japan;

Malaysia;

Singapore;

the United Kingdom; and

the Netherlands.

Under certain treaties, the rate of withholding tax imposed by China's taxation authorities may be reduced. Pursuant to the *Measures for the Administration of the Enjoyment by Non-residents of the Treatments under the Tax Treaties* (Trial) promulgated by the State Administration of Taxation on August 24, 2009, non-PRC resident are required to apply for approval or filing in order to claim any benefit under tax treaties.

Capital Gains

The *Individual Income Tax Law of the PRC*, provides for a capital gain tax of 20% on individuals. The *Provisions for Implementing the Individual Income Tax Law of the PRC*, provides that the measures to levy individual income tax on the gains realized on the sale of shares will be made in the future by the Ministry of Finance and subject to the approval of the State Council. However, the Ministry of Finance has not so far promulgated a specific taxation method to levy tax on the capital gains realized by individual holders of H Shares or ADSs from sale of shares. If in the future such specific taxation method is promulgated, an individual holder of H Shares or ADSs may be subject to a 20% tax on capital gains under the *Individual Income Tax Law of the PRC* as amended from time to time, unless exempted or reduced by an applicable double taxation treaty or relevant PRC law or regulation.

Under the *Enterprise Income Tax Law of the PRC*, capital gains realized by foreign enterprises which are non-resident enterprises in the PRC upon the sale of Overseas Shares by PRC companies are generally subject to a PRC withholding tax levied at a rate of 10%, unless exempted or reduced pursuant to an applicable double-taxation treaty or other exemptions. Currently pursuant to the *Circular of the State Administration of*

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Taxation on Printing and Issuing the Interim Measures for Administration of Withholding at Source of Income Tax of Non-resident Enterprises promulgated on January 9, 2009, where both parties to the transaction of equity transfer are non-resident enterprises and such transaction is conducted outside the territory of PRC, the non-resident enterprise that receives incomes shall, by itself or through its agent, declare and pay tax to the competent tax authority in the place where the Chinese enterprise whose equities have been transferred is located.

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Additional PRC Tax Considerations

Under the Provisional Regulations of the People's Republic of China Concerning the Stamp Duty, a stamp duty is not imposed by the PRC on the transfer of shares, such as the H Shares or ADSs, of PRC publicly traded companies that take place outside of China.

United States Federal Income Taxation

The following is a general discussion of the material United States federal income tax consequences of purchasing, owning and disposing of the H Shares or ADSs if you are a U.S. holder, as defined below, and hold the H Shares or ADSs as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended, or the Code. This discussion does not address all of the tax consequences relating to the purchase, ownership and disposition of the H Shares or ADSs, and does not take into account U.S. holders who may be subject to special rules including:

tax-exempt entities;

certain insurance companies;

broker-dealers;

traders in securities that elect to mark to market;

U.S. holders liable for alternative minimum tax;

U.S. holders that own 10% or more of our voting stock;

U.S. holders that hold the H Shares or ADSs as part of a straddle or a hedging or conversion transaction; or

U.S. holders whose functional currency is not the U.S. dollar.

This discussion is based on the Code, its legislative history, final, temporary and proposed United States Treasury regulations promulgated thereunder, published rulings and court decisions as in effect on the date hereof, all of which are subject to change, or changes in interpretation, possibly with retroactive effect. In addition, this discussion is based in part upon representations of the depository and the assumption that each obligation in the deposit agreement and any related agreements will be performed according to its terms.

You are a U.S. holder if you are:

a citizen or resident of the United States for United States federal income tax purposes;

a corporation, or other entity treated as a corporation for United States federal income tax purposes, created or organized under the laws of the United States, or any state thereof or the District of Columbia;

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an estate the income of which is subject to United States federal income tax without regard to its source; or

a trust:

subject to the primary supervision of a United States court and the control of one or more United States persons; or

that has elected to be treated as a United States person under applicable United States Treasury regulations.

If a partnership holds the H Shares or ADSs, the tax treatment of a partner generally will depend on the status of the partner and the activities of the partnership. If you are a partner of a partnership that holds the

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H Shares or ADSs, we urge you to consult your tax advisors regarding the consequences of the purchase, ownership and disposition of the H Shares or ADSs.

This discussion does not address any aspects of United States taxation other than federal income taxation.

We urge you to consult your tax advisors regarding the United States federal, state, local and non-United States tax consequences of the purchase, ownership and disposition of the H Shares or ADSs.

In general, if you hold American depository receipts evidencing ADSs, you will be treated as owner of the H Shares represented by the ADSs. The following discussion assumes that we are not a passive foreign investment company, or PFIC, as discussed under "PFIC Rules" below.

Distributions on the H Shares or ADSs

The gross amount of any distribution (without reduction for any PRC tax withheld) we make on the H Shares or ADSs out of our current or accumulated earnings and profits (as determined for United States federal income tax purposes) will be includible in your gross income as dividend income when the distribution is actually or constructively received by you, in the case of the H Shares, or by the depository in the case of ADSs. Subject to certain limitations, dividends paid to non-corporate U.S. holders, including individuals, currently are eligible for a reduced rate of taxation if we are deemed to be a "qualified foreign corporation" for United States federal income tax purposes. A qualified foreign corporation includes:

a foreign corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States that includes an exchange of information program; or

a foreign corporation if its stock with respect to which a dividend is paid (or ADSs backed by such stock) is readily tradable on an established securities market within the United States,

but does not include an otherwise qualified foreign corporation that is a PFIC in the taxable year that the dividend is paid or in the prior taxable year. We believe that we will be a qualified foreign corporation so long as we are not a PFIC and we are considered eligible for the benefits of the Agreement between the Government of the United States of America and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Tax Evasion with Respect to Taxes on Income, or the Treaty. Our status as a qualified foreign corporation, however, may change.

Distributions that exceed our current and accumulated earnings and profits will be treated as a return of capital to you to the extent of your basis in the H Shares or ADSs and thereafter as capital gain. Any dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from United States corporations. The amount of any distribution of property other than cash will be the fair market value of such property on the date of such distribution.

If we make a distribution paid in HK dollars, you will be considered to receive the U.S. dollar value of the distribution determined at the spot HK dollar/ U.S. dollar rate on the date such distribution is received by you or by the depository, regardless of whether you or the depository convert the distribution into U.S. dollars. Any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend payment is includible in your income to the date you or the depository convert the distribution into U.S. dollars will be treated as United States source ordinary income or loss for foreign tax credit limitation purposes.

Subject to various limitations, any PRC tax withheld from distributions in accordance with PRC law, as limited by the Treaty, will be deductible or creditable against your United States federal income tax liability. For foreign tax credit limitation purposes, dividends paid on the H Shares or ADSs will be foreign source income, and will be treated as "passive category income" or, in the case of some U.S. holders, "general category income." You may not be able to claim a foreign tax credit (and instead may claim a deduction) for non-United States

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taxes imposed on dividends paid on the H Shares or ADSs if you (i) have held the H Shares or ADSs for less than a specified minimum period during which you are not protected from risk of loss with respect to such Shares, or (ii) are obligated to make payments related to the dividends (for example, pursuant to a short sale).

Sale, Exchange or Other Disposition

Upon a sale, exchange or other disposition of the H Shares or ADSs, you will recognize a capital gain or loss for United States federal income tax purposes in an amount equal to the difference between the U.S. dollar value of the amount realized and your tax basis, determined in U.S. dollars, in such H Shares or ADSs. Any gain or loss will generally be United States source gain or loss for foreign tax credit limitation purposes. Capital gain of certain non-corporate U.S. holders, including individuals, is generally taxed at a reduced rate where the property has been held more than one year. Your ability to deduct capital losses is subject to limitations. If any PRC tax is withheld from your gain on a disposition of H Shares or ADSs, such tax would only be creditable against your United States federal income tax liability to the extent that you have foreign source income. However, in the event that such PRC tax is withheld, a U.S. holder that is eligible for the benefits of the Treaty may be able to treat the gain as foreign source income for foreign tax credit satisfaction purposes. You are urged to consult your tax advisors regarding the United States federal income tax consequences if PRC tax is withheld from your gain on the sale or other disposition of H Shares or ADSs, including the availability of a foreign tax credit under your particular circumstances.

If you are paid in a currency other than U.S. dollars, any gain or loss resulting from currency exchange fluctuations during the period from the date of the payment resulting from sale, exchange or other disposition to the date you convert the payment into U.S. dollars will be treated as United States source ordinary income or loss for foreign tax credit limitation purposes.

PFIC Rules

In general, a foreign corporation is a PFIC for any taxable year in which, after applying relevant look-through rules with respect to the income and assets of subsidiaries:

75% or more of its gross income consists of passive income, such as dividends, interest, rents and royalties; or

50% or more of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income.

We believe that we did not meet either of the PFIC tests in the taxable year that ended December 31, 2013 and believe that we will not meet either of the PFIC tests in the current or subsequent taxable years and therefore will not be treated as a PFIC for such periods. However, there can be no assurance that we will not be a PFIC in the current or subsequent taxable years.

If we were a PFIC in any taxable year that you held the H Shares or ADSs, you generally would be subject to special rules with respect to excess distributions made by us on the H Shares or ADSs and with respect to gain from your disposition of the H Shares or ADSs. An excess distribution generally is defined as the excess of the distributions you receive with respect to the H Shares or ADSs in any taxable year over 125% of the average annual distributions you have received from us during the shorter of the three preceding years or your holding period for the H Shares or ADSs. Generally, you would be required to allocate any excess distribution or gain from the disposition of the H Shares or ADSs ratably over your holding period for the H Shares or ADSs. The portion of the excess distribution or gain allocated to a prior taxable year, other than a year prior to the first year in which we became a PFIC, would be taxed at the highest United States federal income tax rate on ordinary income in effect for such taxable year, and you would be subject to an interest charge on the resulting tax liability, determined as if the tax liability had been due with respect to such particular taxable years. The portion of the excess distribution or gain that is not allocated to prior taxable years, together with the portion allocated to

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the years prior to the first year in which we became a PFIC, would be included in your gross income for the taxable year of the excess distribution or disposition and taxed as ordinary income.

The foregoing rules with respect to excess distributions and dispositions may be avoided or reduced if you are eligible for and timely make a valid mark-to-market election. If your H Shares or ADSs were treated as shares regularly traded on a qualified exchange for United States federal income tax purposes and a valid mark-to-market election was made, in calculating your taxable income for each taxable year you generally would be required to take into account as ordinary income or loss the difference, if any, between the fair market value and the adjusted tax basis of your H Shares or ADSs at the end of your taxable year. However, the amount of loss you would be allowed is limited to the extent of the net amount of previously included income as a result of the mark-to-market election. The New York Stock Exchange on which the ADSs are traded is a qualified exchange for United States federal income tax purposes.

Alternatively, a timely election to treat us as a qualified electing fund under Section 1295 of the Code could be made to avoid the foregoing rules with respect to excess distributions and dispositions. You should be aware, however, that if we become a PFIC, we do not intend to satisfy record keeping requirements that would permit you to make a qualified electing fund election.

If you own the H Shares or ADSs during any year that we are a PFIC, you must annually file Internal Revenue Service, or IRS, Form 8621 (or any other form subsequently specified by the United States Treasury Department), subject to certain exceptions based on the value of PFIC stock held. We encourage you to consult your own tax advisor concerning the United States federal income tax consequences of holding the H Shares or ADSs that would arise if we were considered a PFIC.

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to dividends in respect of the H Shares or ADSs or the proceeds of the sale, exchange, or redemption of the H Shares or ADSs paid within the United States, and in some cases, outside of the United States, other than to various exempt recipients, including corporations. In addition, you may, under some circumstances, be subject to backup withholding with respect to dividends paid on the H Shares or ADSs or the proceeds of any sale, exchange or transfer of the H Shares or ADSs, unless you:

are a corporation or fall within various other exempt categories, and, when required, demonstrate this fact; or

provide a correct taxpayer identification number on a properly completed IRS Form W-9 or a substitute form, certify that you are exempt from backup withholding and otherwise comply with applicable requirements of the backup withholding rules.

Any amount withheld under the backup withholding rules generally will be creditable against your United States federal income tax liability provided that you furnish the required information to the IRS in a timely manner. If you do not provide a correct taxpayer identification number you may be subject to penalties imposed by the IRS.

Certain U.S. holders who are individuals that hold certain foreign financial assets (which may include the H Shares or ADSs) may be required to report information relating to such assets, subject to certain exceptions. You should consult your own tax advisors regarding the effect, if any, of this requirement on your ownership and disposition of the H Shares or ADSs.

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Documents on Display

You may read and copy documents referred to in this annual report on Form 20-F that have been filed with the U.S. Securities and Exchange Commission at the Commission's public reference room located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the Commission at 1-800-SEC-0330 for further information on the public reference rooms and their copy charges.

The Commission allows us to incorporate by reference the information we file with the Commission. This means that we can disclose important information to you by referring you to another document filed separately with the Commission. The information incorporated by reference is considered to be part of this annual report on Form 20-F.

ITEM 11 *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

In the normal course of business, we hold or issue various financial instruments which expose us to interest rate and foreign exchange rate risks. Additionally, our operations are affected by certain commodity price movements. We historically have not used derivative instruments for hedging or trading purposes. Such activities are subject to policies approved by our senior management. Substantially all of the financial instruments we hold are for purposes other than trading. We regard an effective market risk management system as an important element of our treasury function and are currently enhancing our systems. A primary objective of our market risk management is to implement certain methodologies to better measure and monitor risk exposures.

The following discussions and tables, which constitute forward-looking statements that involve risks and uncertainties, summarize our market-sensitive financial instruments including fair value, maturity and contract terms. Such discussions address market risk only and do not present other risks which we face in the normal course of business.

Interest Rate Risk

Our interest risk exposure arises from changing interest rates. The tables below provide information about our financial instruments including various debt obligations that are sensitive to changes in interest rates. The tables present principal cash flows and related weighted-average interest rates at expected maturity dates. Weighted-average variable rates are based on effective rates as of December 31, 2011, 2012 and 2013. The information is presented in Renminbi equivalents, our reporting currency.

Foreign Exchange Rate Risk

We conduct our business primarily in Renminbi. However, a portion of our RMB revenues are converted into other currencies to meet foreign currency financial instrument obligations and to pay for imported equipment, crude oil and other materials. Foreign currency payments for imported equipment represented 2.5%, 6.5 % and 2.7% of our total payments for equipment in 2011, 2012 and 2013, respectively. Foreign currency payments for other imported materials represented 0.83%, 0.09% and 0.03% of our total payments for materials in 2011, 2012 and 2013, respectively.

The Renminbi is not a freely convertible currency. Limitation in foreign exchange transactions imposed by the PRC government could cause future exchange rates to vary significantly from current or historical exchange rates.

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The tables below provide information about our financial instruments including foreign currency denominated debt instruments that are sensitive to foreign currency exchange rates. The tables below summarize such information by presenting principal cash flows and related weighted-average interest rates at expected maturity dates in RMB equivalents, using the exchange rates in effect as of December 31, 2011, 2012 and 2013, respectively.

December 31, 2013

	Expected Maturity Date						Total	Percentage to Total Long-Term Debt	Fair Value
	2014	2015	2016	2017	2018	Thereafter			
(RMB equivalent in millions, except percentages)									
Long term debt									
Loans in RMB									
Fixed Rate Loan Amount	40,008	20,104	49,936	13,549	40,003	40,003	203,603	52.92%	192,402
Average interest rate	5.26%	4.06%	4.60%	3.90%	4.61%	4.66%			
Variable Rate Loan									
Amount	6,642	14,431	1,614	2,256	121	6,050	31,114	8.09%	31,114
Average interest rate	5.60%	5.11%	4.56%	2.24%	5.71%	5.24%			
Loans in Euros									
Fixed Rate Loan Amount	23	23	23	23	23	65	180	0.04%	196
Average interest rate	2.73%	2.73%	2.73%	2.73%	2.73%	2.86%			
Variable Rate Loan									
Amount									
Average interest rate									
Loans in United States Dollars									
Fixed Rate Loan Amount	155	279	336	33	33	243	1,079	0.28%	1,111
Average interest rate	6.51%	7.12%	4.14%	1.09%	1.09%	1.20%			
Variable Rate Loan									
Amount	20,028	6,047	1,463	3,048	7,931	3,986	42,503	11.05%	42,503
Average interest rate	2.39%	2.36%	3.68%	3.58%	3.04%	1.97%			
Loans in Japanese Yen									
Fixed Rate Loan Amount	17	17	17	17	17	17	102	0.03%	109
Average interest rate	2.46%	2.46%	2.46%	2.46%	2.46%	2.06%			
Variable Rate Loan									
Amount									
Average interest rate									
Debentures in Canadian Dollar									
Fixed Rate Loan Amount							154		
Average interest rate								0.04%	154
Variable Rate Loan									
Amount									
Average interest rate									
Debentures in United States Dollar									
Fixed Rate Loan Amount									
Average interest rate									
Debentures in RMB									
Fixed Rate Loan Amount				16,000	16,000	8,000	40,000	10.40%	37,516
Average interest rate				4.55%	4.47%	4.93%			
Medium term note in RMB									
Fixed Rate Loan Amount	15,000	20,000		31,000			66,000	17.15%	63,610
Average interest rate	3.35%	3.97%		4.19%					
Total	81,873	60,901	53,389	65,926	64,128	58,518	384,735	100.00%	368,715

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December 31, 2012

	Expected Maturity Date						Total	Percentage to Total Long-Term Debt	Fair Value
	2013	2014	2015	2016	2017	Thereafter			
(RMB equivalent in millions, except percentages)									
Long term debt									
Loans in RMB									
Fixed Rate Loan Amount	22	50,003	20,002	23,048	13,192	56,003	162,270	53.80%	157,754
Average interest rate	4.22%	5.38%	4.05%	4.13%	3.95%	4.73%			
Variable Rate Loan Amount	6,062	6,736	10,103	4	2,117	6,003	31,025	10.29%	31,025
Average interest rate	4.55%	5.56%	5.32%	2.55%	2.03%	5.64%			
Loans in Euros									
Fixed Rate Loan Amount	25	34	34	34	30	50	207	0.07%	222
Average interest rate	2.83%	3.10%	3.10%	3.10%	3.00%	2.00%			
Variable Rate Loan Amount									
Average interest rate									
Loans in United States									
Dollars									
Fixed Rate Loan Amount	33	160	753	35	35	291	1,307	0.43%	1,401
Average interest rate	1.13%	6.51%	5.50%	1.09%	1.09%	1.26%			
Variable Rate Loan Amount	174	8,776	3,785	1,509	2,200	2,475	18,919	6.27%	18,919
Average interest rate	0.73%	2.94%	2.37%	3.31%	3.21%	1.00%			
Loans in Japanese Yen									
Fixed Rate Loan Amount	22	22	22	22	22	40	150	0.05%	163
Average interest rate	2.46%	2.46%	2.46%	2.46%	2.46%	2.46%			
Variable Rate Loan Amount									
Average interest rate									
Debentures in Canadian									
Dollar									
Fixed Rate Loan Amount									
Average interest rate									
Variable Rate Loan Amount									
Average interest rate									
Debentures in United States									
Dollar									
Fixed Rate Loan Amount						234	234	0.08%	234
Average interest rate									
Debentures in RMB									
Fixed Rate Loan Amount	1,500				16,000	4,000	21,500	7.13%	21,265
Average interest rate	4.11%				4.55%	4.97%			
Medium term note in RMB									
Fixed Rate Loan Amount		15,000	20,000		31,000		66,000	21.88%	64,928
Average interest rate		3.35%	3.97%		4.19%				
Total	7,838	80,731	54,699	24,652	64,596	69,096	301,612	100.00%	295,911

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December 31, 2011

	Expected Maturity Date						Total	Percentage to Total Long-Term Debt	Fair Value
	2012	2013	2014	2015	2016	Thereafter			
(RMB equivalent in millions, except percentages)									
Long term debt									
Loans in RMB									
Fixed Rate Loan Amount	4	29	40,005	20,006	13,080	4	73,128	33.46%	72,215
Average interest rate	4.52%	4.73%	5.26%	4.05%	4.25%	4.35%			
Variable Rate Loan									
Amount	5,183	6,566	7,031	4	4	6,006	24,794	11.34%	24,794
Average interest rate	5.13%	4.55%	5.74%	2.55%	2.55%	5.44%			
Loans in Euros									
Fixed Rate Loan Amount	37	34	33	33	23	63	223	0.10%	222
Average interest rate	2.61%	2.64%	2.64%	2.64%	2.11%	0.87%			
Variable Rate Loan									
Amount									
Average interest rate									
Loans in United States									
Dollars									
Fixed Rate Loan Amount	33	35	35	649	35	320	1,107	0.51%	1,180
Average interest rate	1.48%	1.43%	1.43%	4.32%	1.43%	1.77%			
Variable Rate Loan									
Amount	2,592	3,321	8,512	1,260	252	2,481	18,418	8.43%	18,419
Average interest rate	2.83%	2.47%	2.38%	2.53%	3.58%	0.89%			
Loans in Japanese Yen									
Fixed Rate Loan Amount	22	22	23	22	22	82	193	0.09%	209
Average interest rate	2.46%	2.46%	2.46%	2.46%	2.46%	2.42%			
Variable Rate Loan									
Amount									
Average interest rate									
Debentures in Canadian									
Dollar									
Fixed Rate Loan Amount									
Average interest rate									
Variable Rate Loan									
Amount		2,936					2,936	1.34%	2,936
Average interest rate		1.79%							
Debentures in United States									
Dollar									
Fixed Rate Loan Amount						247	247	0.11%	241
Average interest rate									
Debentures in RMB									
Fixed Rate Loan Amount		1,500					1,500	0.69%	1,476
Average interest rate		4.11%							
Medium term note in RMB									
Fixed Rate Loan Amount	30,000		15,000	40,000		11,000	96,000	43.93%	93,637
Average interest rate	2.49%		3.35%	3.97%		4.60%			
Total	37,871	14,443	70,639	61,974	13,416	20,203	218,546	100.00%	215,329

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We are engaged in a wide range of petroleum-related activities and purchase certain quantity of oil from the international market to meet our demands. The prices of crude oil and refined products in the international market are affected by various factors such as changes in global and regional politics and economy, the demand and supply of crude oil and refined products, as well as unexpected events and disputes with international repercussions. The domestic crude oil price is determined with reference to the international price of crude oil whereby the prices of domestic refined products were allowed to adjust more in line with the prices in the international crude oil market. Other than certain subsidiaries of our company, we generally do not use any derivative instruments to evade such price risks.

ITEM 12 DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**Fees paid by our ADS holders**

The Bank of New York Mellon, the depositary of our ADS program, collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

Persons Depositing or Withdrawing Shares Must Pay:

\$5.00 (or less) per 100 ADSs (or portion of 100 ADSs)

\$0.02 (or less) per ADS

A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs

Registration or transfer fees

Expenses of the depositary

Taxes and other governmental charges the depositary or the custodian have to pay on any ADS or share underlying an ADS, for example, stock transfer taxes, stamp duty or withholding taxes

Any charges incurred by the depositary or its agents for servicing the deposited securities

Fees and Payments from the Depositary to Us

From January 1, 2013 to December 31, 2013, we received from the depositary a reimbursement of US\$324,022.25, net of withholding tax, for our continuing annual stock exchange listing fees and our expenses incurred in connection with investor relationship programs. In addition, the depositary has agreed to reimburse us

For:

Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property

Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates

Any cash distribution to ADS registered holders

Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADS registered holders

Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares

Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)

Converting foreign currency to U.S. dollars

As necessary

As necessary

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certain amount per year of the facility, including but not limited to, investor relations expenses or any other American depositary receipts program related expenses. The amount of such reimbursements is subject to certain limits.

PART II

ITEM 13 *DEFAULTS, DIVIDENDS ARREARAGES AND DELINQUENCIES*

None.

ITEM 14 *MATERIAL MODIFICATIONS TO THE RIGHTS TO SECURITY HOLDERS AND USE OF PROCEEDS*

None.

ITEM 15 *CONTROLS AND PROCEDURES*

Evaluation of the Management on Disclosure Controls and Procedures

Our Chairman, who currently performs the function of Chief Executive Officer, and our Chief Financial Officer, after evaluating the effectiveness of PetroChina's disclosure controls and procedures (as defined in the United States Exchange Act Rules 13a-15(e) and 15d(e)) as of the end of the period covered by this annual report, have concluded that, as of such date, our company's disclosure controls and procedures were effective to ensure that material information required to be disclosed in the reports that we file and furnish under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and regulations and that such information is accumulated and communicated to our company's management, including our principal executive and financial officers, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of our company's management, including our principal executive officer and principal financial officer, our company evaluated the effectiveness of its internal control over financial reporting based on criteria established in the framework in *Internal Control - Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our company's management has concluded that its internal control over financial reporting was effective as of December 31, 2013.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

The effectiveness of our company's internal control over financial reporting as of December 31, 2013 has been audited by KPMG, our company's independent registered public accountants, as stated in its report attached hereto.

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Attestation Report of the Registered Public Accounting Firm

The Board of Directors and Shareholders

PetroChina Company Limited:

We have audited PetroChina Company Limited's internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control - Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). PetroChina Company Limited's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on PetroChina Company Limited's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, PetroChina Company Limited maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control - Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial position of PetroChina Company Limited and its subsidiaries as of December 31, 2013, and the related consolidated statements of comprehensive income, cash flows and changes in equity for the year then ended, and our report dated April 25, 2014 expressed an unqualified opinion on those consolidated financial statements.

/s/ **KPMG**

Hong Kong, China

April 25, 2014

Table of Contents**Changes in Internal Control over Financial Reporting**

During the year ended December 31, 2013, there were no changes in the company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our company's internal control over financial reporting.

ITEM 16A AUDIT COMMITTEE FINANCIAL EXPERT

Our audit committee is composed of three non-executive independent directors, Messrs. Franco Bernabè, Mr. Cui Junhui, and Mr. Chen Zhiwu, and one non-executive director, Mr. Wang Guoliang. See Item 6 Directors, Senior Management and Employees Board Practices Audit Committee. Mr. Cui Junhui, our non-executive independent director has been confirmed as a financial expert, as defined in Item 16A of Form 20-F.

ITEM 16B CODE OF ETHICS

We adopted our code of business conduct and ethics for senior management on March 23, 2004 and our code of business conduct and ethics for employees on March 2, 2005 and have disclosed the content of both codes on our website.

These two Codes of Ethics may be accessed as follows:

1. From our main web page, first click on [Investor Relations](#).
2. Next, click on [Corporate Governance Structure](#).
3. Finally, click on [Code of Ethics for Senior Management](#) or [Code of Ethics for Employees of PetroChina Company Limited](#).

ITEM 16C PRINCIPAL ACCOUNTANT FEES AND SERVICES

KPMG has served as PetroChina's independent registered public accountant for the fiscal year ended December 31, 2013, for which audited financial statements appear in this annual report on Form 20-F. The Company's auditor is elected annually at the annual general meeting of PetroChina. The office of KPMG is located at 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong.

PricewaterhouseCoopers (Certified Public Accountants, Hong Kong), or PwC has served as PetroChina's independent registered public accountant for the years ended December 31, 2011 and December 31, 2012. The office of PwC is located at Prince's Building, 22nd Floor, Central, Hong Kong.

The following table presents the aggregate fees for professional audit services and other services rendered by PwC and KPMG to PetroChina for each of the years ended December 31, 2012 and 2013.

	2012 RMB	December 31, 2013 RMB
	(In millions)	
Audit fees	61	53
Audit-related fees		
Tax fees		
All other fees		
Total	61	53

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The auditors' remuneration above represents the annual audit fees paid by our company. The remuneration to KPMG does not include fees of RMB 28 million paid by our subsidiaries to KPMG and its network firms which primarily relates to audit and other related services for the year ended December 31, 2013. The remuneration to PwC does not include fees of RMB 51 million paid by our subsidiaries to PwC and its network firms which primarily relates to audit and other related services for the year ended December 31, 2012.

Audit Committee Pre-approved Policies and Procedures

Currently, all audit services to be provided by our independent registered public accountants, KPMG, must be approved by our audit committee.

During 2013, services relating to all non-audit-related fees provided to us by KPMG were approved by our audit committee in accordance with the *de minimis* exception to the pre-approval requirement provided by paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

ITEM 16D EXEMPTIONS FROM LISTING STANDARDS FOR AUDIT COMMITTEES

We rely on an exemption contained in paragraph (b)(1)(iv)(D) of Rule 10A-3 under the Securities and Exchange Act of 1934, as amended, from the New York Stock Exchange listing requirement that each member of the audit committee of a listed issuer must be independent. Our single non-independent audit committee member, who is a representative of CNPC, has only observer status on the audit committee of our board of directors and is not an executive officer of our company, which qualifies us for the exemption from the independence requirements available under paragraph (b)(1)(iv)(D) of Rule 10A-3. See Item 6 Directors, Senior Management and Employees Board Practice Audit Committee. We believe our reliance on this exemption does not have any adverse effect on the ability of our audit committee to act independently.

ITEM 16E PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.

ITEM 16F CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

In accordance with the relevant regulations concerning restrictions on the years of a registered public accountant to consecutively provide financial auditing services to an enterprise directly owned by the central government as well as its affiliates, promulgated by the Ministry of Finance of the People's Republic of China and the State-owned Assets Supervision and Administration Commission of the State Council, or the SASAC, effective from the conclusion of our annual general meeting held on May 23, 2013, PwC retired as our independent registered public accountant and KPMG was appointed as our independent registered public accountant.

PwC's report on our company's consolidated financial statements as of and for the two fiscal years ended December 31, 2011 and 2012 did not contain an adverse opinion or disclaimer of opinion, nor were such reports qualified or modified as to uncertainty, audit scope, or accounting principles.

In connection with the audits of our company's consolidated financial statements for each of the two fiscal years ended December 31, 2011 and 2012 and through April 26, 2013, we did not have any disagreements (as defined in Item 16F(a)(1)(iv) of Form 20-F and related instructions to Item 16F of Form 20-F) with PwC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope and procedure, which, if not resolved to the satisfaction of PwC, would have caused them to make reference thereto in their reports on the consolidated financial statements for such years. There were no reportable events (as described in Item 16F(a)(1)(v) of Form 20-F) during the two fiscal years ended December 31, 2011 and 2012 and through April 26, 2013.

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We provided a copy of the foregoing disclosure to PwC and requested that PwC furnished a letter addressed to the SEC stating whether or not PwC agrees with such disclosure, and if not, stating the respects in which they do not agree. A copy of the letter from PwC addressed to the SEC, dated April 26, 2013, was filed as Exhibit 15.5 to our annual report on Form 20-F filed with the SEC on April 26, 2013.

During each of the fiscal years ended December 31, 2011 and 2012, neither we nor anyone on our behalf have consulted KPMG regarding (i) the application of accounting principles to a specified transaction, either completed or proposed; (ii) the type of audit opinion that might be rendered on our consolidated financial statements; or (iii) any matter that was either the subject of a disagreement (as defined in Item 16F(a)(1)(iv) of Form 20-F and related instructions to Item 16-F of Form 20-F) with KPMG or a reportable event (as described in Item 16F(a)(1)(v) of Form 20-F). Further, we have not obtained any written report or oral advice that KPMG concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue.

ITEM 16G CORPORATE GOVERNANCE

We are incorporated under the laws of the PRC, with A Shares publicly traded on the Shanghai Stock Exchange, or the SSE, and H Shares publicly traded on the Hong Kong Stock Exchange, or the HKSE, and American Deposit Shares representing H Shares on the NYSE. As a result, our corporate governance framework is subject to the mandatory provisions of the PRC Company Law and the Corporate Governance Rules as well as the securities laws, regulations and the listing rules of Hong Kong and the United States.

The following discussion summarizes the significant differences between our corporate governance practices and those that would apply to a U.S. domestic issuer under the NYSE corporate governance rules.

Director Independence

Under the NYSE corporate governance rule 303A.01, a listed company must have a majority of independent directors on its board of directors. A company of which more than 50% of the voting power is held by an individual, a group or another company, or a controlled company, is not required to comply with this requirement. We are not required under the PRC Company Law and the HKSE Listing Rules to have a majority of independent directors on our board of directors. As of the date of this report, five of our eleven directors were independent non-executive directors.

Under the NYSE corporate governance rule 303A.03, the non-management directors of a listed company must meet at regularly scheduled executive sessions without management. There are no mandatory requirements under the PRC Company Law and the HKSE Listing Rules that a listed company should hold, and we currently do not hold, such executive sessions.

Nominating/Corporate Governance Committee

Under the NYSE corporate governance rule 303A.04, a listed company must have a nominating/corporate governance committee composed entirely of independent directors, with a written charter that covers certain minimum specified duties, but a controlled company is not required to comply with this requirement. The Corporate Governance Code recently amended by the Stock Exchange of Hong Kong provides that issuers shall establish a nominating committee, and a majority of which should be independent non-executive directors and the chairman shall be served by an independent non-executive director or the board chairman. We are not required under the PRC Company Law and the HKSE Listing Rules to have, and we do not currently have, a nominating/corporate governance committee.

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Compensation Committee

Under the NYSE corporate governance rule 303A.05, a listed company must have a compensation committee composed entirely of independent directors, with a written charter that covers certain minimum specified duties. A controlled company is not required to comply with this requirement. We are not required under the PRC Company Law to have a compensation committee. Under the Corporate Governance Code of the HKSE Listing Rules, a listed company must have a remuneration committee composed of a majority of independent non-executive directors, with a written term of references that covers certain minimum specified duties.

We currently do not have a compensation committee composed entirely of independent directors. However, we have an evaluation and remuneration committee including a majority of independent non-executive directors.

Corporate Governance Guidelines

Under the NYSE corporate governance rule 303A.09, a listed company must adopt and disclose corporate governance guidelines that cover certain minimum specified subjects. We are not required under the PRC Company Law and the HKSE Listing Rules to have, and we do not currently have, formal corporate governance guidelines. However, we have the Articles of Association, the Rules and Procedures of Board of Directors and the Trial Implementation Rules for Compensation of Senior Management that address the following subjects:

director qualification standards and responsibilities;

key board committee responsibilities;

director compensation; and

director orientation and continuing education.

In addition, under the HKSE Listing Rules, we are expected to comply with, but may choose to deviate from, certain code provisions in the Corporate Governance Code of the Listing Rules which sets forth the principles and standards of corporate governance for listed companies. Pursuant to the HKSE Listing Rules, if we choose to deviate from any code provisions of the Corporate Governance Code, we must disclose such deviations in our annual report.

In 2009, we formulated the Administrative Measures on Independent Directors, the Administrative Rules on Holding of Company Shares by Directors, Supervisors and Senior Management, the Administrative Measures on Investor's Relationship and the rules and procedures of the Audit Committee, the Performance Review and Compensation Committee, the Investment and Development Committee, and the Safety and Environmental Protection Committee. All these policies have further enhanced our corporate governance system and can ensure the better performance of duties of directors, supervisors, senior managers and committee members.

In 2010, we adopted the revised Regulations of PetroChina Company Limited on Disclosure of Information and formulated the Rules and Regulations of PetroChina Company Limited on the Registration of Holders of Insider Information.

In order to better adapt to the changes in applicable regulatory requirements, we have kept improving our basic corporate governance during the reporting period. We formulated an Independent Director Observation and Inquiry Policy to provide an assurance that independent directors will be better informed of the status of the daily operation, finance management and compliance matters of our company so as for them to better perform their duties.

Table of Contents**Code of Business Conduct and Ethics**

Under the NYSE corporate governance rule 303A.10, a listed company must adopt and disclose its code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers. See Item 16B Code of Ethics. We are not required under the PRC Company Law and the HKSE Listing Rules to have, and we do not currently have, a code of business conduct and ethics for directors. However, pursuant to the HKSE Listing Rules, all of our directors must comply with the Model Code for Securities Transactions by Directors of Listed Companies (the Model Code) as set out in the Listing Rules. The Model Code sets forth required standards with which the directors of a listed company must comply in securities transactions of the listed company.

Certification Requirements

Under the NYSE corporate governance rule 303A.12(a), each listed company CEO must certify to the NYSE each year that he or she is not aware of any violation by the company of NYSE corporate governance listing standards. Our CEO is not required under the PRC Company Law and the HKSE Listing Rules to submit, and our CEO does not currently submit, such certification.

ITEM 16H MINE SAFETY DISCLOSURE

Not applicable.

PART III**ITEM 17 FINANCIAL STATEMENTS**

We have elected to provide the financial statements and related information specified in Item 18 in lieu of Item 17.

ITEM 18 FINANCIAL STATEMENTS

See page F-1 to F-57 following Item 19.

ITEM 19 EXHIBITS

(a) See Item 18 for a list of the financial statements as part of this annual report.

(b) Exhibits to this annual report.

Exhibit Number	Description of Exhibits
1.1	Articles of Association (as amended on May 23, 2013) (English translation) ⁽⁵⁾
4.1	Form of Non-competition Agreement between CNPC and PetroChina (together with English translation) ⁽¹⁾
4.2	Form of Comprehensive Products and Services Agreement between CNPC and PetroChina (together with English translation) ⁽¹⁾
4.3	Form of Land Use Rights Leasing Contract between CNPC and PetroChina (together with English translation) ⁽¹⁾
4.4	Form of Buildings Leasing Contract between CNPC and PetroChina (together with English translation) ⁽¹⁾

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Exhibit Number	Description of Exhibits
4.5	Form of Trademark Licensing Contract between CNPC and PetroChina (together with English translation) ⁽¹⁾
4.6	Form of Patent and Know-how Licensing Contract between CNPC and PetroChina (together with English translation) ⁽¹⁾
4.7	Form of Computer Software Licensing Contract between CNPC and PetroChina (together with English translation) ⁽¹⁾
4.8	Form of Contract for Transfer of Rights under Production Sharing Contracts between CNPC and PetroChina (together with English translation) ⁽¹⁾
4.9	Form of Guarantee of Debts Contract between CNPC and PetroChina (together with English translation) ⁽¹⁾
4.10	Form of Contract for the Supervision of Certain Sales Enterprises between CNPC and PetroChina (together with English translation) ⁽¹⁾
4.11	Form of Agreement for Transfer of Rights and Interests under the Crude Oil Premium and Discount Calculation Agreement between China Petrochemical Corporation, CNPC and PetroChina (together with English translation) ⁽¹⁾
4.12	Form of Agreement for the Transfer of Rights and Interests under the Retainer Contracts relating to Oil Exploration and Exploitation in Lengjiapu Area, Liaohe Oil Region and No. 9.1-9.5 Areas, Karamay Oil Field (together with English translation) ⁽¹⁾
4.13	Annual Crude Oil Mutual Supply Framework Agreement, dated January 1, 2014, between China Petroleum and Chemical Corporation and PetroChina (English translation)
4.14	Supplemental Agreement to the Land Use Rights Leasing Contract, dated August 25, 2011, between CNPC and PetroChina (English translation) ⁽³⁾
4.15	Amended Buildings Leasing Contract, dated August 25, 2011, between CNPC and PetroChina (English translation) ⁽³⁾
4.16	Finance Lease Agreement, dated August 23, 2012, between Sichuan Petrochemical and Kunlun Finance Leasing (English translation) ⁽⁴⁾
4.17	Joint Venture Contract for PetroChina United Pipelines Co., Ltd. (English translation) ⁽⁶⁾
8.1	List of major subsidiaries
11.1	Code of Ethics for Senior Management ⁽²⁾
11.2	Code of Ethics for Employees ⁽²⁾
12.1	Certification of Chief Executive Officer required by Section 302 of the Sarbanes-Oxley Act of 2002
12.2	Certification of Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002
13.1	Certification of Chief Executive Officer required by 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2	Certification of Chief Financial Officer required by 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1	Reserve Report for the year ended on December 31, 2013 prepared by DeGolyer and MacNaughton
15.2	Reserve Report for the year ended on December 31, 2013 prepared by Gaffney, Cline & Associates (Consultants) Pte Ltd.

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Exhibit Number	Description of Exhibits
15.3	Reserve Report for the year ended on December 31, 2013 prepared by Gaffney, Cline & Associates Inc.
15.4	Reserve Report for the year ended on December 31, 2013 prepared by McDaniel & Associates Consultants, Ltd.
15.5	Reserve Report for the year ended on December 31, 2013 prepared by GLJ Petroleum Consultants
15.6	Letter from PwC regarding Item 16F of this annual report ⁽⁴⁾

- (1) Incorporated by reference to our Registration Statement on Form F-1 (File No. 333-11566) filed with the Commission, as declared effective on March 29, 2000.
- (2) Incorporated by reference to our annual report on Form 20-F for the fiscal year ended December 31, 2004 (File No. 1-15006) filed with the Commission.
- (3) Incorporated by reference to our annual report on Form 20-F for the fiscal year ended December 31, 2011 (File No. 1-15006) filed with the Commission.
- (4) Incorporated by reference to our annual report on Form 20-F for the fiscal year ended December 31, 2012 (File No. 1-15006) filed with the Commission.
- (5) Incorporated by reference to our report on Form 6-K (File No. 1-15006) filed with the Commission on May 23, 2013.
- (6) Incorporated by reference to our report on Form 6-K (File No. 1-15006) filed with the Commission on June 14, 2013.

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SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

PETROCHINA COMPANY LIMITED

/s/ Wu Enlai

Name: Wu Enlai

Title: Secretary to Board of Directors

Date: April 25, 2014

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Report of Independent Registered Public Accounting Firm

To the Shareholders of PetroChina Company Limited:

In our opinion, the consolidated statement of financial position as of December 31, 2012 and the related consolidated statement of comprehensive income, of changes in equity and of cash flows for each of two years in the period ended December 31, 2012 present fairly, in all material respects, the financial position of PetroChina Company Limited (the Company) and its subsidiaries at December 31, 2012, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2012, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers

Hong Kong

April 26, 2013

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders

PetroChina Company Limited:

We have audited the accompanying consolidated statement of financial position of PetroChina Company Limited and its subsidiaries as of December 31, 2013, and the related consolidated statements of comprehensive income, cash flows and changes in equity for the year then ended. These consolidated financial statements are the responsibility of the PetroChina Company Limited's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PetroChina Company Limited and its subsidiaries as of December 31, 2013, and the results of their operations and their cash flows for the year then ended, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), PetroChina Company Limited's internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated April 25, 2014 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ **KPMG**

Hong Kong, China

April 25, 2014

Table of Contents**PETROCHINA COMPANY LIMITED****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

For the Years Ended December 31, 2013, 2012 and 2011

(Amounts in millions, except for the per share data)

	Notes	2013 RMB	2012 RMB	2011 RMB
TURNOVER	6	2,258,124	2,195,296	2,003,843
OPERATING EXPENSES				
Purchases, services and other		(1,464,805)	(1,411,036)	(1,227,533)
Employee compensation costs	8	(116,422)	(106,189)	(97,162)
Exploration expenses, including exploratory dry holes		(25,301)	(23,972)	(23,908)
Depreciation, depletion and amortization		(163,365)	(151,975)	(138,073)
Selling, general and administrative expenses		(79,021)	(74,692)	(69,969)
Taxes other than income taxes	9	(248,086)	(254,921)	(266,343)
Other income, net		27,518	2,008	1,606
TOTAL OPERATING EXPENSES		(2,069,482)	(2,020,777)	(1,821,382)
PROFIT FROM OPERATIONS		188,642	174,519	182,461
FINANCE COSTS				
Exchange gain		4,157	3,339	2,662
Exchange loss		(4,105)	(3,208)	(3,598)
Interest income		2,222	2,063	2,674
Interest expense	10	(23,081)	(18,164)	(10,886)
TOTAL NET FINANCE COSTS		(20,807)	(15,970)	(9,148)
SHARE OF PROFIT OF ASSOCIATES AND JOINT VENTURES	17	10,228	8,262	10,902
PROFIT BEFORE INCOME TAX EXPENSE	7	178,063	166,811	184,215
INCOME TAX EXPENSE	12	(35,789)	(36,191)	(38,256)
PROFIT FOR THE YEAR		142,274	130,620	145,959
OTHER COMPREHENSIVE INCOME RECLASSIFIABLE TO PROFIT OR LOSS				
Currency translation differences		(11,432)	(151)	(5,408)
Fair value gain /(loss) from available-for-sale financial assets, net of tax		45	(18)	(130)
Share of the other comprehensive (loss)/ income of associates and joint ventures accounted for using the equity method		(218)	127	132
OTHER COMPREHENSIVE LOSS, NET OF TAX		(11,605)	(42)	(5,406)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		130,669	130,578	140,553
PROFIT FOR THE YEAR ATTRIBUTABLE TO:				

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Owners of the Company	129,599	115,326	132,961
Non-controlling interests	12,675	15,294	12,998
	142,274	130,620	145,959

TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE

TO:

Owners of the Company	120,577	115,340	129,055
Non-controlling interests	10,092	15,238	11,498
	130,669	130,578	140,553

**BASIC AND DILUTED EARNINGS PER SHARE FOR PROFIT
ATTRIBUTABLE TO OWNERS OF THE COMPANY**

14 0.71 0.63 0.73

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

Table of Contents**PETROCHINA COMPANY LIMITED****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As of December 31, 2013 and 2012

	Notes	2013 RMB	2012 RMB
(Amounts in millions)			
NON-CURRENT ASSETS			
Property, plant and equipment	16	1,648,823	1,569,888
Investments in associates and joint ventures	17	116,700	80,042
Available-for-sale financial assets	18	1,641	1,800
Advance operating lease payments	20	62,449	56,162
Intangible and other non-current assets	21	67,270	63,048
Deferred tax assets	31	11,226	1,443
Time deposits with maturities over one year		3,048	3,708
TOTAL NON-CURRENT ASSETS		1,911,157	1,776,091
CURRENT ASSETS			
Inventories	22	227,017	214,117
Accounts receivable	23	64,027	64,450
Prepaid expenses and other current assets	24	68,299	58,012
Notes receivable	25	14,360	9,981
Time deposits with maturities over three months but within one year		5,843	2,850
Cash and cash equivalents	26	51,407	43,395
TOTAL CURRENT ASSETS		430,953	392,805
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	27	383,004	351,456
Income taxes payable		16,013	12,708
Other taxes payable		53,705	59,337
Short-term borrowings	28	192,767	151,247
TOTAL CURRENT LIABILITIES		645,489	574,748
NET CURRENT LIABILITIES		(214,536)	(181,943)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,696,621	1,594,148
EQUITY			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY:			
Share capital	29	183,021	183,021
Retained earnings		669,300	603,808
Reserves	30	280,414	277,181
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		1,132,735	1,064,010
NON-CONTROLLING INTERESTS		137,200	116,738
TOTAL EQUITY		1,269,935	1,180,748

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NON-CURRENT LIABILITIES

Long-term borrowings	28	302,862	293,774
Asset retirement obligations	32	94,531	83,928
Deferred tax liabilities	31	15,166	22,286
Other long-term obligations		14,127	13,412

TOTAL NON-CURRENT LIABILITIES		426,686	413,400
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TOTAL EQUITY AND NON-CURRENT LIABILITIES		1,696,621	1,594,148
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The accompanying notes are an integral part of these financial statements.

Chairman
Zhou Jiping

Director and President
Wang Dongjin

Chief Financial Officer
Yu Yibo

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Table of Contents**PETROCHINA COMPANY LIMITED****CONSOLIDATED STATEMENTS OF CASH FLOWS****For the Years Ended December 31, 2013, 2012 and 2011**

	2013	2012	2011
	RMB	RMB	RMB
	(Amounts in millions)		
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year	142,274	130,620	145,959
Adjustments for:			
Income tax expense	35,789	36,191	38,256
Depreciation, depletion and amortization	163,365	151,975	138,073
Capitalized exploratory costs charged to expense	12,036	11,917	12,302
Safety fund reserve	4,898	3,895	3,673
Share of profit of associates and joint ventures	(10,228)	(8,262)	(10,902)
Reversal of provision for impairment of receivables, net	(51)	(30)	(137)
Write down in inventories, net	360	543	478
Impairment of available-for-sale financial assets	7	5	
Impairment of investments in associates and joint ventures		4	
Loss on disposal of property, plant and equipment	3,543	3,487	3,047
Gain on disposal of certain pipeline net assets and operations	(24,822)		
(Gain) /loss on disposal of other non-current assets	(28)	(46)	82
Dividend income	(363)	(339)	(213)
Interest income	(2,222)	(2,063)	(2,674)
Interest expense	23,081	18,164	10,886
Changes in working capital:			
Accounts receivable, prepaid expenses and other current assets	(13,621)	(13,412)	(36,793)
Inventories	(13,887)	(32,586)	(39,942)
Accounts payable and accrued liabilities	17,205	(18,928)	74,439
CASH FLOWS GENERATED FROM OPERATIONS	337,336	281,135	336,534
Income taxes paid	(48,807)	(41,847)	(46,379)
NET CASH FLOWS FROM OPERATING ACTIVITIES	288,529	239,288	290,155

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

Table of Contents**PETROCHINA COMPANY LIMITED****CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)****For the Years Ended December 31, 2013, 2012 and 2011**

	2013 RMB	2012 RMB	2011 RMB
	(Amounts in millions)		
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(304,100)	(311,744)	(267,975)
Acquisition of investments in associates and joint ventures	(4,278)	(7,238)	(5,931)
Acquisition of available-for-sale financial assets	(13)	(22)	(77)
Advance payments on long-term operating leases	(3,172)	(11,734)	(14,914)
Acquisition of intangible assets and other non-current assets	(2,951)	(7,383)	(5,568)
Purchase of non-controlling interests	(99)	(202)	(713)
Acquisition of subsidiaries		(35)	(2,995)
Proceeds from disposal of property, plant and equipment	38,687	493	802
Proceeds from disposal of other non-current assets	397	136	457
Interest received	2,074	1,812	2,526
Dividends received	9,628	7,134	7,532
(Increase) /decrease in time deposits with maturities over three months	(2,683)	(3,443)	3,218
NET CASH FLOWS USED FOR INVESTING ACTIVITIES	(266,510)	(332,226)	(283,638)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of short-term borrowings	(476,943)	(364,498)	(366,561)
Repayments of long-term borrowings	(69,993)	(84,433)	(18,276)
Interest paid	(21,389)	(19,266)	(11,497)
Dividends paid to non-controlling interests	(5,404)	(7,499)	(3,633)
Dividends paid to owners of the Company	(53,470)	(58,041)	(63,300)
Increase in short-term borrowings	446,845	408,509	369,749
Increase in long-term borrowings	154,373	167,049	101,323
Capital contribution from non-controlling interests	14,415	31,366	2,522
Capital reduction of subsidiaries	(10)	(21)	(1,239)
(Decrease) /increase in other long-term obligations	(663)	2,190	171
NET CASH FLOWS (USED FOR) / FROM FINANCING ACTIVITIES	(12,239)	75,356	9,259
TRANSLATION OF FOREIGN CURRENCY	(1,768)	(195)	(313)
Increase/ (decrease) in cash and cash equivalents	8,012	(17,777)	15,463
Cash and cash equivalents at beginning of the year	43,395	61,172	45,709
Cash and cash equivalents at end of the year	51,407	43,395	61,172

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

Table of Contents**PETROCHINA COMPANY LIMITED****CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY****For the Years Ended December 31, 2013, 2012 and 2011**

	Attributable to owners of the Company				Non-controlling interests RMB	Total Equity RMB
	Share Capital RMB	Retained Earnings RMB	Reserves RMB	Subtotal RMB		
	(Amounts in millions)					
Balance at January 1, 2011	183,021	499,288	256,617	938,926	71,203	1,010,129
Total comprehensive income for the year ended						
December 31, 2011		132,961	(3,906)	129,055	11,498	140,553
Special reserve-safety fund reserve		416	616	1,032	(6)	1,026
Transfer to reserves		(12,643)	12,643			
Dividends		(63,300)		(63,300)	(5,894)	(69,194)
Acquisition of subsidiaries					166	166
Transaction with non-controlling interests in subsidiaries			(2,904)	(2,904)	(1,134)	(4,038)
Capital contribution from non-controlling interests					5,280	5,280
Capital reduction of a subsidiary					(1,239)	(1,239)
Disposal of subsidiaries					(43)	(43)
Other		(5)	(59)	(64)	(30)	(94)
Balance at December 31, 2011	183,021	556,717	263,007	1,002,745	79,801	1,082,546
Total comprehensive income for the year ended						
December 31, 2012		115,326	14	115,340	15,238	130,578
Special reserve-safety fund reserve		161	947	1,108	26	1,134
Transfer to reserves		(10,343)	10,343			
Dividends		(58,041)		(58,041)	(7,303)	(65,344)
Acquisition of subsidiaries			(77)	(77)	686	609
Transaction with non-controlling interests in subsidiaries			320	320	(522)	(202)
Capital contribution from non-controlling interests			2,279	2,279	29,097	31,376
Capital reduction of a subsidiary					(21)	(21)
Disposal of subsidiaries					(173)	(173)
Other		(12)	348	336	(91)	245
Balance at December 31, 2012	183,021	603,808	277,181	1,064,010	116,738	1,180,748
Total comprehensive income/ (loss) for the year ended						
December 31, 2013		129,599	(9,022)	120,577	10,092	130,669
Special reserve-safety fund reserve		2,779	(1,132)	1,647	43	1,690
Transfer to reserves		(13,436)	13,436			
Dividends		(53,470)		(53,470)	(4,147)	(57,617)
Acquisition of subsidiaries					117	117
Transaction with non-controlling interests in subsidiaries					(99)	(99)
Capital contribution from non-controlling interests			(20)	(20)	14,435	14,415
Capital reduction of a subsidiary					(10)	(10)
Disposal of subsidiaries			1	1	(117)	(116)

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Other	20	(30)	(10)	148	138	
Balance at December 31, 2013	183,021	669,300	280,414	1,132,735	137,200	1,269,935

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

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PETROCHINA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(All amounts in millions, except for the per share data and otherwise stated)

1 ORGANISATION AND PRINCIPAL ACTIVITIES

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

The Group is principally engaged in (i) the exploration, development and production and marketing of crude oil and natural gas; (ii) the refining of crude oil and petroleum products, production and marketing of primary petrochemical products, derivative petrochemical products and other chemical products; (iii) the marketing of refined products and trading business; and (iv) the transmission of natural gas, crude oil and refined products and the sale of natural gas (Note 38).

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of financial position and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

Certain comparative figures have been reclassified to conform with presentation adopted in the financial statements.

3 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

(a) Basis of consolidation

Subsidiaries are entities controlled by the Group. The group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

A subsidiary is consolidated from the date on which control is transferred to the Group and is no longer consolidated from the date that control ceases. The acquisition method of accounting is used to account for the acquisition of subsidiaries except for business combinations under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination

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PETROCHINA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(All amounts in millions, except for the per share data and otherwise stated)

are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interests in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of comprehensive income.

An acquisition of a business which is a business combination under common control is accounted for in a manner similar to a uniting of interests whereby the assets and liabilities acquired are accounted for at carryover predecessor values to the other party to the business combination with all periods presented as if the operations of the Group and the business acquired have always been combined. The difference between the consideration paid by the Group and the net assets or liabilities of the business acquired is adjusted against equity.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

A listing of the Group's principal subsidiaries is set out in Note 19.

(b) Investments in associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting in the consolidated financial statements of the Group and are initially recognized at cost.

Under this method of accounting, the Group's share of the post-acquisition profits or losses of associates is recognized in the consolidated profit or loss and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amounts of the investments. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated loss and is tested for impairment as part of the overall balance. Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired associate at the date of acquisition. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

A listing of the Group's principal associates is shown in Note 17.

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PETROCHINA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(All amounts in millions, except for the per share data and otherwise stated)

(c) Investments in joint ventures

Ventures are arrangements in which the Group with one or more parties have joint control, whereby the Group has rights to the net assets of the arrangements, rather than rights to their assets and obligations for their liabilities. The Group's interests in joint ventures are accounted for by the equity method of accounting (Note 3(b)) in the consolidated financial statements.

A listing of the Group's principal joint ventures is shown in Note 17.

(d) Transactions with non-controlling interests

Transactions with non-controlling interests are treated as transactions with owners in their capacity as owners of the Group. Gains and losses resulting from disposals to non-controlling interests are recorded in equity. The differences between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired resulting from the purchase of non-controlling interests, are recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

(e) Foreign currencies

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). Most assets and operations of the Group are located in the PRC (Note 38), and the functional currency of the Company and most of the consolidated subsidiaries is the Renminbi (RMB). The consolidated financial statements are presented in the presentation currency of RMB.

Foreign currency transactions of the Group are accounted for at the exchange rates prevailing at the respective dates of the transactions; monetary assets and liabilities denominated in foreign currencies are translated at exchange rates at the date of the statement of financial position; gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities are recognized in the consolidated profit or loss.

For the Group entities that have a functional currency different from the Group's presentation currency, assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position. Income and expenses for each statement of comprehensive income presented are translated at the average exchange rates for each period and the resulting exchange differences are recognized in other comprehensive income.

Table of Contents**PETROCHINA COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Continued)****(All amounts in millions, except for the per share data and otherwise stated)*****(f) Property, plant and equipment***

Property, plant and equipment, including oil and gas properties (Note 3(g)), are initially recorded in the consolidated statement of financial position at cost where it is probable that they will generate future economic benefits. Cost represents the purchase price of the asset and other costs incurred to bring the asset into existing use. Subsequent to their initial recognition, property, plant and equipment are carried at cost less accumulated depreciation, depletion and amortization (including any impairment).

Depreciation, to write off the cost of each asset, other than oil and gas properties (Note 3(g)), to their residual values over their estimated useful lives is calculated using the straight-line method.

The Group uses the following useful lives for depreciation purposes:

Buildings	8 - 40 years
Equipment and Machinery	4 - 30 years
Motor vehicles	4 - 14 years
Other	5 - 12 years

No depreciation is provided on construction in progress until the assets are completed and ready for use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

As of January 1, 2013, the management has revised the estimates of useful lives from 14 to 30 years of the Group's long-distance pipelines with reference to the practices commonly adopted by the companies within the same industry and the physical condition of the relevant assets. The change resulted in an increase in profit for the year ended December 31, 2013 amounting to approximately RMB 7,290 million, before tax.

Property, plant and equipment, including oil and gas properties (Note 3(g)), are reviewed for possible impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of a cash generating unit exceeds the higher of its fair value less costs to sell and its value in use. Value in use is the estimated net present value of future cash flows to be derived from the cash generating unit.

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are recorded in the consolidated profit or loss.

Interest and other costs on borrowings to finance the construction of property, plant and equipment are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Costs for repairs and maintenance activities are expensed as incurred except for costs of components that result in improvements or betterments which are capitalized as part of property, plant and equipment and depreciated over their useful lives.

(g) Oil and gas properties

The successful efforts method of accounting is used for oil and gas exploration and production activities. Under this method, all costs for development wells, support equipment and facilities, and proved mineral interests in oil and gas properties are capitalized. Geological and geophysical costs are expensed when incurred.

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PETROCHINA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(All amounts in millions, except for the per share data and otherwise stated)

Costs of exploratory wells are capitalized pending determination of whether the wells find proved oil and gas reserves. Proved oil and gas reserves are the estimated quantities of crude oil and natural gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulation before the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether the estimate is a deterministic estimate or probabilistic estimate. Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period before the ending date of the period covered by the proved oil and gas reserve report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period unless prices are defined by contractual arrangements, excluding escalations based upon future conditions. The costs shall be that prevailing at the end of the period.

Exploratory wells in areas not requiring major capital expenditures are evaluated for economic viability within one year of completion of drilling. The related well costs are expensed as dry holes if it is determined that such economic viability is not attained. Otherwise, the related well costs are reclassified to oil and gas properties and are subject to impairment review (Note 3(f)). For exploratory wells that are found to have economically viable reserves in areas where major capital expenditure will be required before production can commence, the related well costs remain capitalized only if additional drilling is underway or firmly planned. Otherwise the related well costs are expensed as dry holes. The Group does not have any significant costs of unproved properties capitalized in oil and gas properties.

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

The cost of oil and gas properties is amortized at the field level based on the units of production method. Units of production rates are based on oil and gas reserves estimated to be recoverable from existing facilities based on the current terms of the Group's production licenses.

(h) Intangible assets

Expenditures on acquired patents, trademarks, technical know-how and licenses are capitalized at historical cost and amortized using the straight-line method over their estimated useful lives. Intangible assets are not subsequently revalued. The carrying amount of each intangible asset is reviewed annually and adjusted for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount and is recognized in the consolidated profit or loss. The recoverable amount is measured as the higher of fair value less costs to sell and value in use. Value in use is the estimated net present value of future cash flows to be derived from the asset.

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the amount of any non-controlling interests in the acquiree.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

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PETROCHINA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(All amounts in millions, except for the per share data and otherwise stated)

(i) Financial assets

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The Group has principally loans and receivables and available-for-sale financial assets and limited financial assets at fair value through profit or loss. The detailed accounting policies for loans and receivables, available-for-sale financial assets and financial assets at fair value through profit or loss held by the Group are set out below.

Classification

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the date of the statement of financial position, which are classified as non-current assets. The Group's loans and receivables comprise accounts receivable, notes receivable, other receivables, time deposits and cash and cash equivalents. The recognition methods for loans and receivables are disclosed in the respective policy notes.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories; these are included in non-current assets unless management intends to dispose of the investment within 12 months of the date of the statement of financial position. The Group's available-for-sale financial assets primarily comprise unquoted equity instruments.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets are measured at fair value except where there are no quoted market prices in active markets and the fair values cannot be reliably measured using valuation techniques. Available-for-sale financial assets that do not have quoted market prices in active markets and whose fair value cannot be reliably measured are carried at cost. Changes in the fair value of monetary and non-monetary securities classified as

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PETROCHINA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(All amounts in millions, except for the per share data and otherwise stated)

available for sale are recognized in other comprehensive income. Financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement within other income/ (expenses), net in the period in which they arise.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the available-for-sale financial asset and the present value of the estimated cash flows.

(j) Leases

Leases of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. The Group has no significant finance leases.

Leases of assets under which a significant portion of the risks and benefits of ownership are effectively retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are expensed on a straight-line basis over the lease terms. Payments made to the PRC's land authorities to secure land use rights (excluding mineral properties) are treated as operating leases. Land use rights are generally obtained through advance lump-sum payments and the terms of use range up to 50 years.

(k) Inventories

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

(l) Accounts receivable

Accounts receivable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision made for impairment of these receivables. Such provision for impairment is established if there is objective evidence that the Group will not be able to collect amounts due according to the original terms of the receivables. The factors the Group considers when assessing whether an account receivable is impaired include but are not limited to significant financial difficulties of the customer, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held with banks and highly liquid investments with original maturities of three months or less from the time of purchase.

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PETROCHINA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(All amounts in millions, except for the per share data and otherwise stated)

(n) Accounts payable

Accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(o) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective interest method. Any difference between proceeds (net of transaction costs) and the redemption value is recognized in the consolidated profit or loss over the period of the borrowings.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Borrowings are classified as current liabilities unless the Group has unconditional rights to defer settlements of the liabilities for at least 12 months after the reporting period.

(p) Taxation

Deferred tax is provided in full, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the date of the statement of financial position and are expected to apply to the period when the related deferred tax asset is realized or deferred tax liability is settled.

The principal temporary differences arise from depreciation on oil and gas properties and equipment and provision for impairment of receivables, inventories, investments and property, plant and equipment. Deferred tax assets relating to the carry forward of unused tax losses are recognized to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilized.

The Group also incurs various other taxes and levies that are not income taxes. Taxes other than income taxes, which form part of operating expenses, primarily comprise a crude oil special gain levy (Note 9), consumption tax (Note 9), resource tax (Note 9), urban construction tax, education surcharges and business tax.

(q) Revenue recognition

Sales are recognized upon delivery of products and customer acceptance or performance of services, net of value added taxes and discounts. Revenues are recognized only when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods in the ordinary course of the Group's activities, and when the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably and collectability of the related receivables is reasonably assured.

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PETROCHINA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(All amounts in millions, except for the per share data and otherwise stated)

The Group markets a portion of its natural gas under take-or-pay contracts. Customers under the take-or-pay contracts are required to take or pay for the minimum natural gas deliveries specified in the contract clauses. Revenue recognition for natural gas sales and transmission tariff under the take-or-pay contracts follows the accounting policies described in this note. Payments received from customers for natural gas not yet taken are recorded as deferred revenues until actual deliveries take place.

(r) Provisions

Provisions are recognized when the Group has present legal or constructive obligations as a result of past events, it is probable that an outflow of resources will be required to settle the obligations, and reliable estimates of the amounts can be made.

Provision for future decommissioning and restoration is recognized in full on the installation of oil and gas properties. The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding addition to the related oil and gas properties of an amount equivalent to the provision is also created. This is subsequently depreciated as part of the costs of the oil and gas properties. Any change in the present value of the estimated expenditure other than due to passage of time which is regarded as interest expense, is reflected as an adjustment to the provision and oil and gas properties.

(s) Research and development

Research expenditure incurred is recognized as an expense. Costs incurred on development projects are recognized as intangible assets to the extent that such expenditure is expected to generate future economic benefits.

(t) Retirement benefit plans

The Group contributes to various employee retirement benefit plans organized by PRC municipal and provincial governments under which it is required to make monthly contributions to these plans at prescribed rates for its employees in China. The relevant PRC municipal and provincial governments undertake to assume the retirement benefit obligations of existing and future retired employees of the Group in China. The Group has similar retirement benefit plans for its employees in its overseas operations. Contributions to these PRC and overseas plans (defined contribution plan) are charged to expense as incurred. 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 currently has no additional material obligations outstanding for the payment of retirement and other post-retirement benefits of employees in the PRC or overseas other than what described above.

(u) New accounting developments

(i) New and amended standards adopted by the Group

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of January 1, 2013.

IFRS 10 *Consolidated financial statements* (2011)
IFRS 11 *Joint arrangements*
IFRS 12 *Disclosure of interests in other entities*

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PETROCHINA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(All amounts in millions, except for the per share data and otherwise stated)

IFRS 13 Fair value adjustments

Presentation of financial statement regarding other comprehensive income (Amendment to IAS 1)

The Group has evaluated the impact of the new standards and amendments to standards on the consolidated financial statements, and no significant impact is identified.

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additional changes relating to financial liabilities. The IASB currently has an active project to make limited amendments to address the impairment of financial assets and hedge accounting.

IFRS 9 (2010) and (2009) are effective for annual periods beginning on or after 1 January 2015, with early adoption permitted. The adoption of these standards is expected to have an impact on the Group's financial assets, but no impact on the Group's financial liabilities.

4 FINANCIAL RISK AND CAPITAL MANAGEMENT

4.1 Financial risk factors

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

(a) Market risk

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

(i) 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, 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.

(ii) 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. The Group's borrowings at floating rates expose the Group to cash flow

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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, together with their respective interest rates and maturity dates, is included in Note 28.

(iii) 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 did not enter into any material hedging of its price risk during the year.

(b) Credit risk

Credit risk arises from cash and cash equivalents, time deposits with banks and credit exposure to customers with outstanding receivable balances.

A substantial portion of the Group's cash at bank and time deposits 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 Group's accounts receivable balances over 3 years have been substantially provided for and accounts receivable balances within one year are generally neither past due nor impaired. The aging analysis of accounts receivable (net of impairment of accounts receivable) is presented in Note 23. The Group's accounts receivable balances that are neither past due nor impaired are with customers with no recent history of default.

The carrying amounts of cash and cash equivalents, time deposits placed with banks, accounts receivable, other receivables and notes receivable included in the consolidated statement of financial position 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.

(c) 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 financial liabilities based on the remaining period at the date of the statement of financial position to the contractual maturity dates are presented in Note 28.

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4.2 Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, optimize returns for owners and to minimize 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). The gearing ratio at December 31, 2013 is 28.1% (December 31, 2012: 27.4%).

4.3 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 December 31, 2013 and 2012 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 and cash equivalents, time deposits with maturities over three months but within one year, accounts receivable, other receivables, trade payables, 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 are presented in Note 28.

5 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 consolidated financial statements.

(a) Estimation of oil and natural gas reserves

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

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

Property, plant and equipment, including oil and gas properties, are reviewed for possible impairments when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination as to whether and how much an asset is impaired involves management estimates and judgements such as the future price of crude oil, refined and chemical products and the production profile. However, the impairment reviews

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and calculations are based on assumptions that are consistent with the Group's business plans taking into account current economic conditions. Favorable changes to some assumptions, or not updating assumptions previously made, may allow the Group to avoid the need to impair any assets, whereas unfavorable changes may cause the assets to become impaired.

(c) Estimation of asset retirement obligations

Provision is recognized for the future decommissioning and restoration of oil and gas properties. The amount of the provision recognized 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.

6 TURNOVER

Turnover represents revenues from the sale of crude oil, natural gas, refined products and petrochemical products and from the transmission of crude oil, refined products and natural gas. Analysis of turnover by segment is shown in Note 38.

7 PROFIT BEFORE INCOME TAX EXPENSE

	2013 RMB	2012 RMB	2011 RMB
Items credited and charged in arriving at the profit before income tax expense include:			
<u>Credited</u>			
Dividend income from available-for-sale financial assets	358	339	213
Reversal of provision for impairment of receivables	80	45	164
Reversal of write down in inventories	53	81	127
Government grants ⁽ⁱ⁾	10,347	9,406	6,734
Gain on disposal of certain pipeline net assets and operations ⁽ⁱⁱ⁾	24,822		
<u>Charged</u>			
Amortization of intangible and other assets	3,695	3,215	2,742
Auditors' remuneration ⁽ⁱⁱⁱ⁾	53	61	70
Cost of inventories recognized as expense	1,676,539	1,610,847	1,401,376
Provision for impairment of receivables	29	15	27
Loss on disposal of property, plant and equipment	3,543	3,487	3,047
Operating lease expenses	11,902	10,827	9,262
Research and development expenses	14,157	14,453	13,224
Write down in inventories	413	624	605

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- (i) Comprises proportionate refund of import value-added tax relating to the import of natural gas (including liquefied natural gas) provided by the PRC government. This value-added tax refund is applicable from January 1, 2011 to December 31, 2020 and available when the import prices of the natural gas and liquefied natural gas imported under any State-sanctioned pipelines are higher than their prescribed selling prices.

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- (ii) In June 2013, the Company entered into a contract with two other parties to establish a joint venture named PetroChina United Pipelines Co., Ltd. (the JV Company). The Company contributed certain pipeline net assets and operations to the JV Company and holds 50% equity interest in the JV Company. The other parties contributed cash totalling RMB 60 billion and together hold the remaining 50% equity interest in the JV Company. The gain represents the gain realised on the contribution of the abovementioned pipeline net assets and operations into the JV Company to the extent that have been sold to the other parties and is recorded as Other Income in the consolidated statement of comprehensive income.
- (iii) The auditors' remuneration above represents the annual audit fees paid by the Company. This remuneration does not include fees of RMB 28 million payable to the Company's current auditors and its network firms which primarily relates to audit fees paid by subsidiaries and other audit related services (2012: RMB 51 million and 2011: RMB 44 million payable to the Company's previous auditors and its network firms which primarily relates to audit fees paid by subsidiaries and other audit related services).

8 EMPLOYEE COMPENSATION COSTS

	2013	2012	2011
	RMB	RMB	RMB
Wages, salaries and allowances	75,691	68,790	64,526
Social security costs	40,731	37,399	32,636
	116,422	106,189	97,162

Social security costs mainly represent contributions to plans for staff welfare organized by the PRC municipal and provincial governments and others including contributions to the retirement benefit plans (Note 33).

9 TAXES OTHER THAN INCOME TAXES

	2013	2012	2011
	RMB	RMB	RMB
Crude oil special gain levy	72,726	79,119	102,458
Consumption tax	99,800	101,416	98,795
Resource tax	28,409	28,079	19,784
Other	47,151	46,307	45,306
	248,086	254,921	266,343

In accordance with PRC new tax rules and regulations, the threshold above which crude oil special gain levy will be imposed (with the five-level progressive tax rates varying from 20% to 40% remaining) was raised from US\$ 40 per barrel to US\$ 55 per barrel. Resource tax on domestic sales of crude oil and natural gas, assessed based on value instead of volume (with rates from 5% to 10% and the resource tax rate applicable to the Group up to 5%), was implemented nationally. Both changes in tax regulations were effective from November 1, 2011.

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(All amounts in millions, except for the per share data and otherwise stated)

10 INTEREST EXPENSE

	2013 RMB	2012 RMB	2011 RMB
Interest on			
Bank loans			
wholly repayable within five years	1,457	2,891	2,286
not wholly repayable within five years	7	49	65
Other loans			
wholly repayable within five years	20,600	12,459	7,436
not wholly repayable within five years	203	3,306	1,786
Accretion expense (Note 32)	4,690	4,237	3,272
Less: Amounts capitalized	(3,876)	(4,778)	(3,959)
	23,081	18,164	10,886

Amounts capitalized are borrowing costs that are attributable to the construction of a qualifying asset. The average interest rate used to capitalize such general borrowing cost was 5.76% per annum for the year ended December 31, 2013.

11 EMOLUMENTS OF DIRECTORS AND SUPERVISORS

Details of the emoluments of directors and supervisors for the years ended December 31, 2013, 2012 and 2011 are as follows:

Name	2013		Contribution to retirement benefit scheme RMB 000	Total RMB 000	2012 Total RMB 000	2011 Total RMB 000
	Fee for directors and supervisors RMB 000	Salaries, allowances and other benefits RMB 000				
Chairman:						
Mr. Jiang Jiemin ⁽ⁱ⁾						
Mr. Zhou Jiping ⁽ⁱ⁾		1,161	51	1,212	1,128	1,012
Vice Chairman⁽ⁱ⁾:						
Executive directors:						
Mr. Liao Yongyuan		1,073	51	1,124	976	961
Mr. Wang Dongjin ^{(ii) (iv)}		1,015	51	1,066		
Mr. Ran Xinquan ^{(iii) (iv)}		368	34	402	930	617
		2,456	136	2,592	1,906	1,578

Non-executive directors:

Mr. Wang Yilin ^(iv)	
Mr. Zeng Yukang ^(iv)	
Mr. Wang Fucheng ^(iv)	
Mr. Li Xinhua	
Mr. Wang Guoliang	
Mr. Yu Baocai ^(iv)	
Mr. Jiang Fan ^(iv)	148

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(All amounts in millions, except for the per share data and otherwise stated)

Name	2013			2012	2011
	Fee for directors and supervisors RMB 000	Salaries, allowances and other benefits RMB 000	Contribution to retirement benefit scheme RMB 000	Total RMB 000	Total RMB 000
Mr. Chee-Chen Tung ^(iv)					212
Mr. Liu Hongru	243			243	238
Mr. Franco Bernabè	244			244	239
Mr. Li Yongwu	252			252	247
Mr. Cui Junhui	255			255	47
Mr. Chen Zhiwu ^(iv)	219			219	22
	1,213			1,213	1,153
Supervisors:					
Mr. Chen Ming ^(vi)					
Mr. Wang Lixin ^(vi)					
Mr. Guo Jinping ^(v)					
Mr. Wen Qingshan ⁽ⁱⁱⁱ⁾					
Mr. Sun Xianfeng ⁽ⁱⁱⁱ⁾					
Mr. Yu Yibo ^(v)					
Mr. Li Qingyi ⁽ⁱⁱⁱ⁾					
Mr. Wang Yawei ^(v)					157
Mr. Qin Gang ^(v)					169
Ms. Wang Shali ^(v)					
Mr. Wang Guangjun ^(v)		728	51	779	624
Mr. Yao Wei ^(v)		806	51	857	626
Mr. Liu Hehe ^(v)		660	50	710	543
Mr. Li Yuan ^(v)					110
Mr. Wang Daocheng	228			228	235
Mr. Fan Fuchun ⁽ⁱⁱⁱ⁾	145			145	
	373	2,194	152	2,719	2,464
	1,586	5,811	339	7,736	6,207

- (i) Mr. Jiang Jiemin ceased being the chairman from March 18, 2013; Mr. Zhou Jiping was elected as the chairman and ceased being the vice chairman from April 25, 2013.
- (ii) Mr. Wang Dongjin is also as the Chief Executive;
- (iii) Mr. Ran Xinquan ceased being the executive director from August 26, 2013.
- (iv) Mr. Sun Xianfeng ceased being a supervisor from May 23, 2013, and Mr. Li Qingyi and Mr. Fan Fuchun were elected as supervisors from that date; Mr. Wen Qingshan ceased being a supervisor from December 17, 2013.
- (v) Mr. Wang Yilin ceased being a director from April 15, 2011; Mr. Zeng Yukang, Mr. Wang Fucheng, Mr. Jiang Fan, Mr. Chee-Chen Tung ceased being directors from May 18, 2011, and Mr. Wang Dongjin, Mr. Yu Baocai, Mr. Ran Xinquan, Mr. Chen Zhiwu were elected as directors from that date.
- (vi)

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Mr. Yu Yibo, Mr. Wang Yawei, Mr. Qin Gang, Ms. Wang Shali ceased being supervisors from May 18, 2011 and Mr. Guo Jinping, Mr. Wang Guangjun, Mr. Yao Wei, Mr. Liu Hehe were elected as supervisors from that date; Mr. Li Yuan ceased being a supervisor from June 15, 2011.

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(vii) Mr. Chen Ming ceased being the Chairman of the Supervisory Committee from October 20, 2011 and Mr. Wang Lixin was elected as the Chairman of the Supervisory Committee from that date.

(viii) Emoluments set out above exclude RMB 3.31 paid to directors of the Company for the year of 2010, 2011 and 2012 of the deferred merit pay in accordance with relevant requirements by the PRC government in 2013.

None of the directors and supervisors has waived their remuneration during the year ended December 31, 2013 (2012: None, 2011: None).

The five highest paid individuals in the Company for the year ended December 31, 2013 include four directors and one supervisor whose emoluments are reflected in the analysis shown above.

The five highest paid individuals in the Company for the year ended December 31, 2012 include three directors and one supervisor whose emoluments are reflected in the analysis shown above; and one key management whose emoluments are below RMB 1 (the salaries, allowances and other benefits and contribution to retirement benefit scheme totaling RMB 0.803 and RMB 0.046, respectively).

During 2013, 2012 and 2011, the Company did not incur any severance payment to any director for loss of office or any payment as inducement to any director to join the Company.

12 INCOME TAX EXPENSE

	2013	2012	2011
	RMB	RMB	RMB
Current taxes	52,112	35,916	39,592
Deferred taxes (Note 31)	(16,323)	275	(1,336)
	35,789	36,191	38,256

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

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:

	2013	2012	2011
	RMB	RMB	RMB
Profit before income tax expense	178,063	166,811	184,215
Tax calculated at a tax rate of 25%	44,516	41,703	46,054
Prior year tax adjustment	1,005	92	1,009
Effect of income taxes from international operations in excess of taxes at the PRC statutory tax rate	2,351	3,106	3,361
Effect of preferential tax rate	(15,687)	(8,461)	(12,793)
Effect of change in statutory income tax rates on deferred taxes			705
Tax effect of income not subject to tax	(3,743)	(4,036)	(3,751)

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Tax effect of expenses not deductible for tax purposes	7,347	3,787	3,671
Income tax expense	35,789	36,191	38,256

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Table of Contents**PETROCHINA COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Continued)****(All amounts in millions, except for the per share data and otherwise stated)****13 PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY**

The profit attributable to owners of the Company is dealt with in the consolidated financial statements of the Group to the extent of RMB 129,599 for the year ended December 31, 2013 (2012: RMB 115,326, 2011: RMB 132,961).

14 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the year ended December 31, 2013, 2012 and 2011 have been computed by dividing profit for the year attributable to owners of the Company by 183,021 million shares issued and outstanding for the year.

There are no potentially dilutive ordinary shares.

15 DIVIDENDS

	2013	2012	2011
	RMB	RMB	RMB
Interim dividends attributable to owners of the Company for 2013 ^(a)	29,485		
Proposed final dividends attributable to owners of the Company for 2013 ^(b)	28,835		
Interim dividends attributable to owners of the Company for 2012 ^(c)		27,912	
Final dividends attributable to owners of the Company for 2012 ^(d)		23,985	
Interim dividends attributable to owners of the Company for 2011 ^(e)			29,703
Final dividends attributable to owners of the Company for 2011 ^(f)			30,129
	58,320	51,897	59,832

- (a) Interim dividends attributable to owners of the Company in respect of 2013 of RMB 0.16110 yuan per share amounting to a total of RMB 29,485 were paid on October 24, 2013.
- (b) At the twelfth meeting of the Fifth Session of the Board of the Company, the Board of Directors proposed final dividends attributable to owners of the Company in respect of 2013 of RMB 0.15755 yuan per share amounting to a total of RMB 28,835. These consolidated financial statements do not reflect this dividend payable as the final dividends were proposed after the reporting period and will be accounted for in equity as an appropriation of retained earnings in the year ending December 31, 2014 when approved at the forthcoming Annual General Meeting.
- (c) Interim dividends attributable to owners of the Company in respect of 2012 of RMB 0.15250 yuan per share amounting to a total of RMB 27,912 were paid on October 24, 2012.
- (d) Final dividends attributable to owners of the Company in respect of 2012 of RMB 0.13106 yuan per share amounting to a total of RMB 23,985 were paid on July 18, 2013.
- (e) Interim dividends attributable to owners of the Company in respect of 2011 of RMB 0.16229 yuan per share amounting to a total of RMB 29,703 and were paid on October 21, 2011.
- (f)

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Final dividends attributable to owners of the Company in respect of 2011 of RMB 0.16462 yuan per share amounting to a total of RMB 30,129 were paid on July 12, 2012.

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(All amounts in millions, except for the per share data and otherwise stated)

16 PROPERTY, PLANT AND EQUIPMENT

Year Ended December 31, 2013	Buildings RMB	Oil and Gas Properties RMB	Equipment and Machinery RMB	Motor Vehicles RMB	Other RMB	Construction in Progress RMB	Total RMB
Cost							
At beginning of the year	164,233	1,329,957	735,346	28,479	15,991	290,995	2,565,001
Additions	2,355	14,004	5,085	1,971	707	290,224	314,346
Transfers	16,608	167,015	94,650		1,676	(279,949)	
Disposals or write offs	(5,251)	(7,017)	(75,378)	(2,663)	(627)	(12,038)	(102,974)
Currency translation differences	(240)	(8,585)	(292)	(44)	(335)	(694)	(10,190)
At end of the year	177,705	1,495,374	759,411	27,743	17,412	288,538	2,766,183
Accumulated depreciation and impairment							
At beginning of the year	(52,820)	(596,428)	(324,356)	(14,854)	(6,540)	(115)	(995,113)
Charge for the year	(8,894)	(104,308)	(42,506)	(2,244)	(1,388)	(7)	(159,347)
Disposals or write offs or transfers	1,720	4,389	27,201	1,107	346	4	34,767
Currency translation differences	75	2,029	116	24	89		2,333
At end of the year	(59,919)	(694,318)	(339,545)	(15,967)	(7,493)	(118)	(1,117,360)
Net book value							
At end of the year	117,786	801,056	419,866	11,776	9,919	288,420	1,648,823

Year Ended December 31, 2012	Buildings RMB	Oil and Gas Properties RMB	Equipment and Machinery RMB	Motor Vehicles RMB	Other RMB	Construction in Progress RMB	Total RMB
Cost							
At beginning of the year	146,674	1,155,650	620,039	26,819	14,184	271,493	2,234,859
Additions	1,283	38,213	6,037	2,296	819	315,024	363,672
Transfers	18,086	148,314	115,825		1,169	(283,394)	
Disposals or write offs	(1,756)	(11,500)	(6,456)	(628)	(244)	(11,917)	(32,501)
Currency translation differences	(54)	(720)	(99)	(8)	63	(211)	(1,029)
At end of the year	164,233	1,329,957	735,346	28,479	15,991	290,995	2,565,001
Accumulated depreciation and impairment							
At beginning of the year	(45,965)	(511,096)	(286,911)	(13,184)	(5,571)	(125)	(862,852)

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Charge for the year	(7,843)	(94,489)	(43,128)	(2,244)	(1,147)	(2)	(148,853)
Disposals or write offs or transfers	960	8,893	5,633	568	182	12	16,248
Currency translation differences	28	264	50	6	(4)		344
At end of the year	(52,820)	(596,428)	(324,356)	(14,854)	(6,540)	(115)	(995,113)
Net book value							
At end of the year	111,413	733,529	410,990	13,625	9,451	290,880	1,569,888

The depreciation charge of the Group for the year ended December 31, 2013 included impairment losses of RMB 3,857 (2012: RMB 458 and RMB 981, 2011: RMB 953 and RMB 7,462 primarily related to certain of the

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Group's oil and gas properties and refinery and chemical production facilities) primarily related to certain of the Group's chemical production facilities. The impairment of these properties is due primarily to higher production costs and operating costs. The carrying values of these assets were written down to their recoverable values.

The following table indicates the changes to the Group's exploratory well costs, which are included in construction in progress, for the years ended December 31, 2013, 2012 and 2011.

	2013	2012	2011
	RMB	RMB	RMB
At beginning of the year	22,338	20,184	20,351
Additions to capitalized exploratory well costs pending the determination of proved reserves	30,640	28,639	26,600
Reclassified to wells, facilities, and equipment based on the determination of proved reserves	(16,433)	(14,568)	(14,465)
Capitalized exploratory well costs charged to expense	(12,038)	(11,917)	(12,302)
At end of the year	24,507	22,338	20,184

The following table provides an aging of capitalized exploratory well costs based on the date the drilling was completed.

	December 31,	December 31,
	2013	2012
	RMB	RMB
One year or less	18,736	20,099
Over one year	5,771	2,239
Balance at December 31	24,507	22,338

RMB 5,771 at December 31, 2013 (December 31, 2012: RMB 2,239) of capitalized exploratory well costs over one year are principally related to wells that are under further evaluation of drilling results or pending completion of development planning to ascertain economic viability.

17 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The summarized financial information of the Group's principal associates and joint ventures, including the aggregated amounts of assets, liabilities, turnover, profit or loss and the interest held by the Group were as follows:

Name	Country of Incorporation	Assets RMB	Liabilities RMB	Turnover RMB	Profit/(loss) RMB	Interest Held %
As of or for the year ended December 31, 2013:						
Dalian West Pacific Petrochemical Co., Ltd.	PRC	11,851	16,109	34,839	(828)	28.44
China Marine Bunker (PetroChina) Co., Ltd.	PRC	8,035	5,473	56,464	73	50.00

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China Petroleum Finance Co., Ltd.	PRC	649,208	613,930	15,103	5,237	49.00
Arrow Energy Holdings Pty Ltd.	Australia	46,331	18,918	1,188	(3,910)	50.00
PetroChina United Pipelines Co., Ltd. ⁽ⁱ⁾	PRC	82,984	2,527	10,326	4,333	50.00
CNPC Captive Insurance Co., Ltd. ⁽ⁱⁱ⁾	PRC	5,068	69	37	(1)	49.00

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Name	Country of Incorporation	Assets RMB	Liabilities RMB	Turnover RMB	Profit/(loss) RMB	Interest Held %
As of or for the year ended December 31, 2012:						
Dalian West Pacific Petrochemical Co., Ltd.	PRC	9,026	12,462	38,738	(1,974)	28.44
China Marine Bunker (PetroChina) Co., Ltd.	PRC	11,152	8,634	58,018	(618)	50.00
China Petroleum Finance Co., Ltd.	PRC	593,445	562,778	13,824	4,688	49.00
Arrow Energy Holdings Pty Ltd.	Australia	54,894	19,925	1,162	(3,592)	50.00
PetroChina United Pipelines Co., Ltd. ⁽ⁱ⁾						
CNPC Captive Insurance Co., Ltd. ⁽ⁱⁱ⁾						

(i) In June 2013, PetroChina United Pipelines Company Limited, in which the Group has a 50% equity interest, was established with a registered capital of 40,000 million.

(ii) In December 2013, CNPC Captive Insurance Company Limited, in which the Group has a 49% equity interest, was established with a registered capital of 5,000 million.

Dividends received and receivable from associates and joint ventures were RMB 9,226 in 2013 (2012: RMB 5,345, 2011: RMB 9,198).

In 2013, investments in associates and joint ventures of RMB 238 (2012: RMB 29, 2011: RMB 67) were disposed of, resulting in a gain of RMB 11 (2012: a gain of RMB 3, 2011: a loss of RMB 3).

In 2013, the share of profit and other comprehensive income in all individually immaterial joint ventures accounted for using equity method in aggregate was RMB 7,313 million (2012: RMB 8,144 million) and RMB 15 million (2012: RMB 2 million), respectively.

Interest in Associates

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

	Dalian West Pacific Petrochemical Co., Ltd.		China Petroleum Finance Co., Ltd.		CNPC Captive Insurance Co., Ltd.	
	December 31, 2013 RMB	December 31, 2012 RMB	December 31, 2013 RMB	December 31, 2012 RMB	December 31, 2013 RMB	December 31, 2012 RMB
Percentage ownership interest (%)	28.44	28.44	49.00	49.00	49.00	NA
Current assets	8,891	6,136	336,964	370,809	5,055	NA
Non-current assets	2,960	2,890	312,244	222,636	13	NA
Current liabilities	15,718	11,462	583,708	536,976	69	NA
Non-current liabilities	391	1,000	30,222	25,802		NA
Net assets	(4,258)	(3,436)	35,278	30,667	4,999	NA
Group's share of net assets			17,286	15,026	2,449	NA
Goodwill			349	349		NA
Carrying amount of interest in associates			17,635	15,375	2,449	NA

Table of Contents**PETROCHINA COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Continued)**

(All amounts in millions, except for the per share data and otherwise stated)

Summarized statement of comprehensive income is as follows:

	Dalian West Pacific Petrochemical Co., Ltd.		China Petroleum Finance Co., Ltd.		CNPC Captive Insurance Co., Ltd.	
	2013	2012	2013	2012	2013	2012
	RMB	RMB	RMB	RMB	RMB	RMB
Turnover	34,839	38,738	15,103	13,824	37	NA
(Loss)/profit for the year	(828)	(1,974)	5,237	4,688	(1)	NA
Other comprehensive (loss)/income			(588)	240		NA
Total comprehensive (loss)/income	(828)	(1,974)	4,649	4,928	(1)	NA

Interest in Joint Ventures

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

	China Marine Bunker (PetroChina) Co., Ltd.		Arrow Energy Holdings Pty Ltd.		PetroChina United Pipelines Co., Ltd.	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	RMB	RMB	RMB	RMB	RMB	RMB
Percentage ownership interest (%)	50.00	50.00	50.00	50.00	50.00	NA
Non-current assets	2,059	2,156	45,271	53,393	81,015	NA
Current assets	5,976	8,996	1,060	1,501	1,969	NA
Including: cash and cash equivalents	1,496	1,075	582	817	6	NA
Non-current liabilities	718	752	16,974	17,295		NA
Including: Non-current financial liabilities excluding trade and other payables and provisions	510	527	9,530	6,802		NA
Current liabilities	4,755	7,882	1,944	2,630	2,527	NA
Including: Current financial liabilities excluding trade and other payables and provisions	1,656	4,040	253	276		NA
Net assets	2,562	2,518	27,413	34,969	80,457	NA
Net asset attributable to owners	2,370	2,344	27,413	34,969	80,457	NA
Group's share of net assets	1,185	1,172	13,706	17,485	40,229	NA
Elimination of unrealized profit					(4,694)	NA
Elimination of transactions with the Group			(28)	(21)		NA
Carrying amount of interest in joint ventures	1,185	1,172	13,678	17,464	35,535	NA

Table of Contents**PETROCHINA COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Continued)**

(All amounts in millions, except for the per share data and otherwise stated)

Summarized statement of comprehensive income and dividends received by the group is as follows:

	China Marine Bunker (PetroChina) Co., Ltd.		Arrow Energy Holdings Pty Ltd.		PetroChina United Pipelines Co., Ltd.	
	2013 RMB	2012 RMB	2013 RMB	2012 RMB	2013 RMB	2012 RMB
Turnover	56,464	58,018	1,188	1,162	10,326	NA
Depreciation, depletion and amortization			(543)	(662)	(2,209)	NA
Interest income	18	17	14	21	3	NA
Interest expense	(79)	(92)	(987)	(822)		NA
Income tax expense	(34)	(26)	(1,459)	(1,465)	(1,095)	NA
Net profit/(loss)	73	(618)	(3,910)	(3,592)	4,333	NA
Total comprehensive income/(loss) 100%	43	(616)	(6,608)	(1,005)	4,333	NA
Total comprehensive income/(loss) by share	22	(308)	(3,304)	(503)	2,167	NA
Elimination of unrealized profit					(4,694)	NA
Group's share of profit and total comprehensive income	22	(308)	(3,304)	(503)	(2,527)	NA
Dividends received by the group					1,950	NA

18 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2013 RMB	December 31, 2012 RMB
Available-for-sale financial assets	1,961	2,118
Less: Impairment losses	(320)	(318)
	1,641	1,800

Available-for-sale financial assets comprise principally unlisted equity securities.

In 2013, available-for-sale financial assets of RMB 51 (2012: RMB 25, 2011: RMB 14) were disposed of, resulting in the realization of a loss of RMB 10 (2012: a gain of RMB 45, 2011: a gain of RMB 8).

19 SUBSIDIARIES

The principal subsidiaries of the Group are:

Company Name	Country of Incorporation	Issued Capital RMB	Type of Legal Entity	Attributable Equity Interest %	Voting rights%	Principal Activities
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Daqing Oilfield Company Limited	PRC	47,500	Limited liability company	100.00	100.00	Exploration, production and sale of crude oil and natural gas
CNPC Exploration and Development Company Limited ⁽ⁱ⁾	PRC	16,100	Limited liability company	50.00	57.14	Exploration, production and sale of crude oil and natural gas in and outside the PRC

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Table of Contents**PETROCHINA COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Continued)**

(All amounts in millions, except for the per share data and otherwise stated)

Company Name	Country of Incorporation	Issued Capital RMB	Type of Legal Entity	Attributable Equity Interest %	Voting rights%	Principal Activities
PetroChina Hong Kong Limited	Hong Kong	HK Dollar 7,592	Limited liability company	100.00	100.00	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
PetroChina International Investment Company Limited	PRC	31,314	Limited liability company	100.00	100.00	Investment holding. The principal activities of its subsidiaries and joint ventures are the exploration, development and production of crude oil, natural gas, oilsands and coalbed methane outside the PRC
PetroChina International Company Limited	PRC	14,000	Limited liability company	100.00	100.00	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
PetroChina Northwest United Pipeline Company Limited ⁽ⁱⁱ⁾	PRC	62,500	Limited liability company	52.00	52.00	Storage, transportation and development of crude oil and natural gas, construction and related technology consulting of petroleum and natural gas pipeline project, import and export of goods and technology, purchase and sale of materials in the PRC

- (i) The Group 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.

Table of Contents**PETROCHINA COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Continued)****(All amounts in millions, except for the per share data and otherwise stated)**

- (ii) In December 2012, PetroChina Northwest United Pipeline Company Limited, of which the Company has a 52% stake, was established with an issued capital of RMB 62,500 million by the Company and other investors to co-fund the third West East Gas Pipeline that would take central Asian gas to China's southeastern coast. The first tranche of paid-up capital, amounting to RMB 37,500 million has been paid then.

Summarized financial information in respect of the Group's principal subsidiaries with significant non-controlling interests as follows:

	CNPC Exploration and Development Company Limited		PetroChina Northwest United Pipeline Company Limited	
	December 31, 2013 RMB	December 31, 2012 RMB	December 31, 2013 RMB	December 31, 2012 RMB
Percentage ownership interest (%)	50%	50%	52%	52%
Current assets	19,976	50,732	32,988	37,500
Non-current assets	134,796	91,281	30,530	
Current liabilities	26,789	21,797	152	19
Non-current liabilities	20,749	18,076		
Net assets	107,234	102,140	63,366	37,481

Summarized statement of comprehensive income is as follows:

	CNPC Exploration and Development Company Limited		PetroChina Northwest United Pipeline Company Limited	
	2013 RMB	2012 RMB	2013 RMB	2012 RMB
Turnover	63,260	63,685	186	
Profit/(loss) from continuing operations	12,700	18,658	882	(19)
Total comprehensive income/(loss)	9,568	18,414	882	(19)
Profit/(loss) allocated to non-controlling interests	8,424	11,744	424	(9)
Dividends paid to non-controlling interests	3,534	7,583		

Summarized statement of cash flows as follows:

	CNPC Exploration and Development Company Limited		PetroChina Northwest United Pipeline Company Limited	
	2013 RMB	2012 RMB	2013 RMB	2012 RMB
Net cash inflow/(outflow) from operating activities	9,523	18,071	(257)	
Net cash outflow from investing activities	(5,876)	(14,481)	(24,743)	(37,500)
Net cash (outflow)/inflow from financing activities	(5,152)	(2,204)	25,000	37,500
Effect of foreign exchange rate changes on cash and cash equivalents	(420)	271		
Net (decrease)/increase in cash and cash equivalents	(1,925)	1,657		
Cash and cash equivalents at the beginning of the year	4,718	3,061		
Cash and cash equivalents at the end of the year	2,793	4,718		

Table of Contents**PETROCHINA COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Continued)**

(All amounts in millions, except for the per share data and otherwise stated)

20 ADVANCE OPERATING LEASE PAYMENTS

	December 31, 2013 RMB	December 31, 2012 RMB
Land use rights	45,194	39,693
Advance lease payments	17,255	16,469
	62,449	56,162

Advance operating lease payments are amortized over the related lease terms using the straight-line method.

21 INTANGIBLE AND OTHER NON-CURRENT ASSETS

	December 31, 2013			December 31, 2012		
	Cost RMB	Accumulated amortization RMB	Net RMB	Cost RMB	Accumulated amortization RMB	Net RMB
Patents and Technical know-how	6,698	(3,809)	2,889	6,377	(3,312)	3,065
Computer software	6,416	(3,833)	2,583	5,631	(3,037)	2,594
Goodwill ⁽ⁱ⁾	7,225		7,225	7,582		7,582
Other	15,832	(4,075)	11,757	14,281	(3,380)	10,901
Intangible assets	36,171	(11,717)	24,454	33,871	(9,729)	24,142
Other assets			42,816			38,906
			67,270			63,048

- (i) Goodwill primarily relates to the acquisition of Singapore Petroleum Company and Petroineos Trading Limited, completed in 2009 and 2011 respectively. The recoverable amount of all cash-generating unites has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management. The discount rates used are pre-tax and reflect specific risks relating to the cash-generating unit. Based on the estimated recoverable amount, no impairment was identified.

22 INVENTORIES

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	December 31, 2013 RMB	December 31, 2012 RMB
Crude oil and other raw materials	94,823	77,452
Work in progress	17,529	16,280
Finished goods	115,247	120,987
Spare parts and consumables	49	43
	227,648	214,762
Less: Write down in inventories	(631)	(645)
	227,017	214,117

The carrying amounts of inventories of the Group, which are carried at net realizable value, amounted to RMB 5,426 at December 31, 2013 (December 31, 2012: RMB 5,732).

Table of Contents**PETROCHINA COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Continued)**

(All amounts in millions, except for the per share data and otherwise stated)

23 ACCOUNTS RECEIVABLE

	December 31, 2013 RMB	December 31, 2012 RMB
Accounts receivable	64,523	65,035
Less: Provision for impairment of receivables	(496)	(585)
	64,027	64,450

The aging analysis of accounts receivable (net of impairment of accounts receivable) based on the invoice date (or date of revenue recognition, if earlier), at December 31, 2013 and 2012 is as follows:

	December 31, 2013 RMB	December 31, 2012 RMB
Within 1 year	63,443	64,031
Between 1 and 2 years	475	306
Between 2 and 3 years	41	29
Over 3 years	68	84
	64,027	64,450

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

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

	2013 RMB	2012 RMB	2011 RMB
At beginning of the year	585	850	1,052
Provision for impairment of accounts receivable	8	6	22
Receivables written off as uncollectible	(36)	(236)	(159)
Reversal of provision for impairment of accounts receivable	(61)	(35)	(65)
At end of the year	496	585	850

24 PREPAID EXPENSES AND OTHER CURRENT ASSETS

	December 31, 2013 RMB	December 31, 2012 RMB
Other receivables	20,328	16,708
Advances to suppliers	11,462	11,300
	31,790	28,008
Less: Provision for impairment	(2,543)	(2,557)
	29,247	25,451
Value-added tax to be deducted	33,484	29,557
Prepaid expenses	945	1,229
Other current assets	4,623	1,775
	68,299	58,012

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Table of Contents**PETROCHINA COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Continued)****(All amounts in millions, except for the per share data and otherwise stated)****25 NOTES RECEIVABLE**

Notes receivable represent mainly bills of acceptance issued by banks for the sale of goods and products. All notes receivable are due within one year.

26 CASH AND CASH EQUIVALENTS

The weighted average effective interest rate on bank deposits was 2.03% per annum for the year ended December 31, 2013 (2012: 2.33% per annum, 2011: 2.71% per annum).

27 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2013 RMB	December 31, 2012 RMB
Trade payables	130,353	131,928
Advances from customers	46,804	38,131
Salaries and welfare payable	4,836	4,161
Accrued expenses	137	141
Dividends payable by subsidiaries to non-controlling shareholders	1,017	2,288
Interest payable	2,861	1,999
Construction fee and equipment cost payables	167,722	146,499
Other	29,274	26,309
	383,004	351,456

Other consists primarily of customer deposits.

The aging analysis of trade payables at December 31, 2013 and 2012 is as follows:

	December 31, 2013 RMB	December 31, 2012 RMB
Within 1 year	125,459	126,933
Between 1 and 2 years	2,756	3,279
Between 2 and 3 years	911	818
Over 3 years	1,227	898
	130,353	131,928

28 BORROWINGS

	December 31, 2013 RMB	December 31, 2012 RMB
Short-term borrowings excluding current portion of long-term borrowings	110,894	143,409
Current portion of long-term borrowings	81,873	7,838
	192,767	151,247
Long-term borrowings	302,862	293,774
	495,629	445,021

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Table of Contents**PETROCHINA COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Continued)****(All amounts in millions, except for the per share data and otherwise stated)**

Borrowings of the Group of RMB 44,052 were guaranteed by CNPC, its fellow subsidiaries and a third party at December 31, 2013 (December 31, 2012: RMB 21,942).

The Group's borrowings include secured liabilities totaling RMB 5,604 at December 31, 2013 (December 31, 2012: RMB 3,718). These borrowings are majority secured over certain of the Group's time deposits with maturities over one year and property, plant and equipment amounting to RMB 5,486 (December 31, 2012: RMB 3,719 of the Group's intangible assets and property, plant and equipment were used for collateral).

	December 31, 2013 RMB	December 31, 2012 RMB
Total borrowings:		
interest free	181	195
at fixed rates	335,749	348,659
at floating rates	159,699	96,167
	495,629	445,021
Weighted average effective interest rates:		
bank loans	2.34%	3.14%
corporate debentures	4.59%	4.58%
medium-term notes	3.93%	3.93%
other loans	4.26%	4.56%

The borrowings by major currency at December 31, 2013 and December 31, 2012 are as follows:

	December 31, 2013 RMB	December 31, 2012 RMB
RMB	376,113	377,993
US Dollar	115,649	62,737
Other currency	3,867	4,291
	495,629	445,021

The fair values of the Group's long-term borrowings including the current portion of long-term borrowings are RMB 368,715 (December 31, 2012: RMB 295,911) at December 31, 2013. The fair values of the Company's long-term borrowings including the current portion of long-term borrowings are RMB 303,925 (December 31, 2012: RMB 257,935) at December 31, 2013. The carrying amounts of short-term borrowings approximate their fair values.

The fair values are based on discounted cash flows using applicable discount rates based upon the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at the dates of the statement of financial position. Such discount rates ranged from 0.37% to 6.55% per annum as of December 31, 2013 (December 31, 2012: 0.44% to 6.55%) depending on the type of the borrowings.

Table of Contents**PETROCHINA COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Continued)****(All amounts in millions, except for the per share data and otherwise stated)**

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:

	December 31, 2013 RMB	December 31, 2012 RMB
Within 1 year	209,010	166,089
Between 1 and 2 years	72,992	92,311
Between 2 and 5 years	203,330	162,992
After 5 years	59,831	83,806
	545,163	505,198

29 SHARE CAPITAL

	December 31, 2013 RMB	December 31, 2012 RMB
Registered, issued and fully paid:		
A shares	161,922	161,922
H shares	21,099	21,099
	183,021	183,021

In accordance with the Restructuring Agreement between CNPC and the Company effective as of November 5, 1999, the Company issued 160 billion state-owned shares in exchange for the assets and liabilities transferred to the Company by CNPC. The 160 billion state-owned shares were the initial registered capital of the Company with a par value of RMB 1.00 yuan per share.

On April 7, 2000, the Company issued 17,582,418,000 shares, represented by 13,447,897,000 H shares and 41,345,210 ADSs (each representing 100 H shares) in a global initial public offering (Global Offering) and the trading of the H shares and the ADSs on the Stock Exchange of Hong Kong Limited and the New York Stock Exchange commenced on April 7, 2000 and April 6, 2000, respectively. The H shares and ADSs were issued at prices of HK\$ 1.28 per H share and US\$ 16.44 per ADS respectively for which the net proceeds to the Company were approximately RMB 20 billion. The shares issued pursuant to the Global Offering rank equally with existing shares.

Pursuant to the approval of the China Securities Regulatory Commission, 1,758,242,000 state-owned shares of the Company owned by CNPC were converted into H shares for sale in the Global Offering.

On September 1, 2005, the Company issued an additional 3,196,801,818 new H shares at HK\$ 6.00 per share and net proceeds to the Company amounted to approximately RMB 19,692. CNPC also sold 319,680,182 state-owned shares it held concurrently with PetroChina's sale of new H shares in September 2005.

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On November 5, 2007, the Company issued 4,000,000,000 new A shares at RMB 16.70 yuan per share and net proceeds to the Company amounted to approximately RMB 66,243 and the listing and trading of the A shares on the Shanghai Stock Exchange commenced on November 5, 2007.

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Table of Contents**PETROCHINA COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Continued)****(All amounts in millions, except for the per share data and otherwise stated)**

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.

Shareholders' rights are governed by the Company Law of the PRC that requires an increase in registered capital to be approved by the shareholders in shareholders' general meetings and the relevant PRC regulatory authorities.

30 RESERVES

	2013 RMB	2012 RMB
Capital Reserve		
Beginning balance	133,308	133,308
Ending balance	133,308	133,308
Statutory Common Reserve Fund^(a)		
Beginning balance	161,623	151,280
Transfer from retained earnings	13,436	10,343
Others	(8)	
Ending balance	175,051	161,623
Special Reserve-Safety Fund Reserve		
Beginning balance	10,054	9,107
Safety fund reserve	(1,132)	947
Ending balance	8,922	10,054
Currency translation differences		
Beginning balance	(5,115)	(4,999)
Currency translation differences	(8,841)	(116)
Ending balance	(13,956)	(5,115)
Other reserves		
Beginning balance	(22,689)	(25,689)
Transaction with non-controlling interests in subsidiaries		320
Acquisition of subsidiaries		(77)
Fair value gain on available-for-sale financial assets	37	3
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	(218)	127
Capital contribution from non-controlling interests	(20)	2,279
Disposal of subsidiaries	1	
Other	(22)	348
Ending balance	(22,911)	(22,689)

280,414	277,181
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- (a) Pursuant to the PRC regulations and the Company's Articles of Association, the Company is required to transfer 10% of its net profit, as determined under the PRC accounting regulations, to a Statutory Common Reserve Fund (Reserve Fund). Appropriation to the Reserve Fund may cease when the fund aggregates to 50% of the Company's registered capital. The transfer to this reserve must be made before distribution of dividends to shareholders.

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Table of Contents**PETROCHINA COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Continued)****(All amounts in millions, except for the per share data and otherwise stated)**

The Reserve Fund shall only be used to make good previous years' losses, to expand the Company's production operations, or to increase the capital of the Company. Upon approval of a resolution of shareholders in a general meeting, the Company may convert its Reserve Fund into share capital and issue bonus shares to existing shareholders in proportion to their original shareholdings or to increase the nominal value of each share currently held by them, provided that the balance of the Reserve Fund after such issuance is not less than 25% of the Company's registered capital.

- (b) According to the relevant PRC regulations, the distributable reserve is the lower of the retained earnings computed under PRC accounting regulations and IFRS. As of December 31, 2013, the Company's distributable reserve amounted to RMB 580,720 (December 31, 2012: RMB 511,270).

31 DEFERRED TAXATION

Deferred taxation is calculated on temporary differences under the liability method using a principal tax rate of 25%.

The movements in the deferred taxation account are as follows:

	Year Ended December 31,		
	2013 RMB	2012 RMB	2011 RMB
At beginning of the year	20,843	20,244	21,231
Transfer to profit and loss (Note 12)	(16,323)	275	(1,336)
(Credit) / charge to other comprehensive income	(6)	14	(17)
Acquisition of subsidiaries		220	576
Currency translation differences	(574)	90	(210)
At end of the year	3,940	20,843	20,244

Deferred tax balances before offset are attributable to the following items:

	December 31, 2013 RMB	December 31, 2012 RMB
Deferred tax assets:		
Current:		
Receivables and inventories	13,522	10,842
Tax losses	15,615	1,770
Non-current:		
Impairment of long-term assets	7,362	5,268
Other	4,859	4,796

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Total deferred tax assets	41,358	22,676
Deferred tax liabilities:		
Non-current:		
Accelerated tax depreciation	40,476	39,261
Other	4,822	4,258
Total deferred tax liabilities	45,298	43,519
Net deferred tax liabilities	3,940	20,843

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Table of Contents**PETROCHINA COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Continued)****(All amounts in millions, except for the per share data and otherwise stated)**

Deferred tax balances after offset are listed as below:

	December 31, 2013 RMB	December 31, 2012 RMB
Deferred tax assets	11,226	1,443
Deferred tax liabilities	15,166	22,286

There were no material unrecognized tax losses at December 31, 2013 and 2012.

32 ASSET RETIREMENT OBLIGATIONS

	2013 RMB	2012 RMB	2011 RMB
At beginning of the year	83,928	68,702	60,364
Liabilities incurred	6,729	11,519	5,580
Liabilities settled	(662)	(490)	(412)
Accretion expense (Note 10)	4,690	4,237	3,272
Currency translation differences	(154)	(40)	(102)
At end of the year	94,531	83,928	68,702

Asset retirement obligations relate to oil and gas properties (Note 16).

33 PENSIONS

The Group participates in various employee retirement benefit plans (Note 3(t)). Expenses incurred by the Group in connection with the retirement benefit plans for the year ended December 31, 2013 amounted to RMB 14,855 (2012: RMB 13,400, 2011: RMB 11,400).

34 CONTINGENT LIABILITIES**(a) Bank and other guarantees**

At December 31, 2013 and 2012, the Group did not guarantee related parties or third parties any borrowings or others.

(b) Environmental liabilities

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

(c) Legal contingencies

Notwithstanding certain insignificant lawsuits as well as other proceedings outstanding, management believes that any resulting liabilities will not have a material adverse effect on the financial position of the Group.

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Table of Contents**PETROCHINA COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Continued)****(All amounts in millions, except for the per share data and otherwise stated)*****(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.

35 COMMITMENTS***(a) Operating lease commitments***

Operating lease commitments of the Group are mainly for leasing of land, buildings and equipment. Leases range from 1 to 50 years and usually do not contain renewal options. Future minimum lease payments as of December 31, 2013 and 2012 under non-cancellable operating leases are as follows:

	December 31, 2013 RMB	December 31, 2012 RMB
No later than 1 year	6,421	6,148
Later than 1 year and no later than 5 years	19,013	19,096
Later than 5 years	74,270	77,093
	99,704	102,337

(b) Capital commitments

At December 31, 2013, the Group's capital commitments contracted but not provided for mainly relating to property, plant and equipment were RMB 55,743 (December 31, 2012: RMB 47,196).

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

(c) Exploration and production licenses

The Company is obligated to make annual payments with respect to its exploration and production licenses to the Ministry of Land and Resources. Payments incurred were RMB 717 for the year ended December 31, 2013 (2012: RMB 758, 2011: RMB 811).

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

December 31, 2013 RMB	December 31, 2012 RMB
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Within one year	800	1,000
Between one and two years	800	1,000
Between two and three years	800	1,000
Between three and four years	800	1,000
Between four and five years	800	1,000

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Table of Contents**PETROCHINA COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Continued)****(All amounts in millions, except for the per share data and otherwise stated)****36 MAJOR CUSTOMERS**

The Group's major customers are as follows:

	2013		2012		2011	
	Revenue	Percentage	Revenue	Percentage	Revenue	Percentage
	RMB	of Total	RMB	of Total	RMB	of Total
		revenue		revenue		revenue
		%		%		%
China Petroleum & Chemical Corporation	72,641	3	93,394	4	98,225	5
CNPC and its fellow subsidiaries	80,757	4	69,729	3	65,481	3
	153,398	7	163,123	7	163,706	8

37 RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

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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 115,884 in the year ended December 31, 2013 (2012: RMB 97,137, 2011: RMB 82,197).

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Table of Contents**PETROCHINA COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Continued)****(All amounts in millions, except for the per share data and otherwise stated)**

Sales of services principally represent the provision of services in connection with the transportation of crude oil and natural gas, etc. The total amount of these transactions amounted to RMB 9,139 in the year ended December 31, 2013 (2012: RMB 8,392, 2011: RMB 9,007).

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 397,015 in the year ended December 31, 2013 (2012: RMB 365,748, 2011: RMB 303,153).

Purchase of assets principally represent the purchases of manufacturing equipment, office equipment and transportation equipment, etc. The total amount of these transactions amounted to RMB 1,228 in the year ended December 31, 2013 (2012: RMB 1,009, 2011: RMB 2,602).

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:

	December 31, 2013 RMB	December 31, 2012 RMB
Accounts receivable	7,945	16,868
Prepayments and other receivables	5,532	4,111
Other non-current assets	19,067	23,237
Accounts payable and accrued liabilities	105,431	82,988
Other non-current liabilities	3,000	2,000

Interest income represents interests from deposits placed with CNPC and its fellow subsidiaries. The total interest income amounted to RMB 429 in the year ended December 31, 2013 (2012: RMB 503, 2011: RMB 607). The balance of deposits at December 31, 2013 was RMB 16,839 (December 31, 2012: RMB 4,394).

Purchases of financial service principally represents interest charged on the loans from CNPC and its fellow subsidiaries, insurance fee, etc. The total amount of these transactions amounted to RMB 17,638 in the year ended December 31, 2013 (2012: RMB 13,998, 2011: RMB 6,167).

The borrowings from CNPC and its fellow subsidiaries at December 31, 2013 were RMB 327,478 (December 31, 2012: RMB 273,086).

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Rents and other payments made under financial leasing represent the payable by the Group (including all rents, leasing service fees and prices for exercising purchase options) for the period according to the financial leasing agreements entered into by the Group and CNPC and its fellow subsidiaries. The total rents and other payments made under financial leasing amounted to RMB 193 in the year ended December 31, 2013 (2012: RMB nil, 2011: RMB nil).

On August 25, 2011, based on the Land Use Rights Leasing Contract signed in 2000, the Company and CNPC entered into a Supplemental Land Use Rights Leasing Contract which took effect on January 1, 2012. The Supplemental Land Use Rights Leasing Contract provides for the lease of land covering an aggregate area of approximately 1,783 million square meters located throughout the PRC at a maximal annual fee (exclusive of tax and government charges) of RMB 3,892. The Supplemental Land Use Rights Leasing Contract will expire at the same time as the Land Use Rights Leasing Contract. The area and total fee payable for the lease of all such property may be adjusted with the Company's operating needs and by reference to market price every three years.

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

Table of Contents**PETROCHINA COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Continued)****(All amounts in millions, except for the per share data and otherwise stated)**

thereafter. Under this contract, buildings covering an aggregate area of 734,316 square meters were leased at an average annual fee of RMB 1,049 yuan per square meter. The Revised Building Leasing Contract will expire at the same time as the Building Leasing Agreement. The area and total fee payable for the lease of all such property may, every three years, be adjusted with the Company's operating needs and by reference to market price which the adjusted prices will not exceed.

(b) Key management compensation

	Year End December 31		
	2013 RMB 000	2012 RMB 000	2011 RMB 000
Emoluments and other benefits	14,677	14,284	13,482
Contribution to retirement benefit scheme	822	779	679
	15,499	15,063	14,161

Note: Emoluments set out above for the year ended December 31, 2013 exclude RMB 9.07 paid to key management of the Company for the year of 2010, 2011 and 2012 of the deferred merit pay in accordance with relevant requirements by the PRC government (2012: RMB 0.50, 2011: RMB 1.09).

(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 has transactions with other state-controlled entities include but not limited to the following:

Sales and purchases of goods and services,

Purchases of assets,

Lease of assets; and

Bank deposits and borrowings

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

38 SEGMENT INFORMATION

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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, and derivative petrochemical products and other chemical products.

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

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Table of Contents**PETROCHINA COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Continued)****(All amounts in millions, except for the per share data and otherwise stated)**

The Natural Gas and Pipeline segment is engaged in the transmission of natural gas, crude oil and refined products and the sale of natural gas.

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

The accounting policies of the operating segments are the same as those described in Note 3 Summary of Principal Accounting Policies .

The segment information for the operating segments for the year ended December 31, 2013, 2012 and 2011 are as follows:

	Year Ended December 31, 2013					
	Exploration and Production RMB	Refining and Chemicals RMB	Marketing RMB	Natural Gas and Pipeline RMB	Head Office and Other RMB	Total RMB
Turnover	783,694	871,815	1,946,806	232,751	2,687	3,837,753
Less: intersegment sales	(618,851)	(681,687)	(263,100)	(15,360)	(631)	(1,579,629)
Turnover from external customers	164,843	190,128	1,683,706	217,391	2,056	2,258,124
Depreciation, depletion and amortization	(115,528)	(22,478)	(11,280)	(11,838)	(2,241)	(163,365)
Profit/ (loss) from operations	189,698	(24,392)	7,562	28,888	(13,114)	188,642
Finance costs:						
Exchange gain						4,157
Exchange loss						(4,105)
Interest income						2,222
Interest expense						(23,081)
Total net finance costs						(20,807)
Share of profit of associates and joint ventures	4,688	(6)	509	2,490	2,547	10,228
Profit before income tax expense						178,063
Income tax expense						(35,789)
Profit for the year						142,274
Segment assets	1,162,903	366,602	372,049	437,900	1,509,573	3,849,027
Other assets						11,226
Investments in associates and joint ventures	46,366	1,023	10,606	38,621	20,084	116,700
Elimination of intersegment balances ^(a)						(1,634,843)
Total assets						2,342,110
Segment capital expenditure	226,376	26,671	7,101	57,439	1,109	318,696

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Segment liabilities	487,745	151,415	191,534	174,808	661,173	1,666,675
Other liabilities						84,884
Elimination of intersegment balances ^(a)						(679,384)
Total liabilities						1,072,175

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Table of Contents**PETROCHINA COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Continued)**

(All amounts in millions, except for the per share data and otherwise stated)

	Year Ended December 31, 2012					
	Exploration and Production RMB	Refining and Chemicals RMB	Marketing RMB	Natural Gas and Pipeline RMB	Head Office and Other RMB	Total RMB
Turnover	789,818	883,218	1,890,558	202,196	2,530	3,768,320
Less: intersegment sales	(623,166)	(702,275)	(225,618)	(21,562)	(403)	(1,573,024)
Turnover from external customers	166,652	180,943	1,664,940	180,634	2,127	2,195,296
Depreciation, depletion and amortization	(103,838)	(17,295)	(10,004)	(19,503)	(1,335)	(151,975)
Profit/ (loss) from operations	214,955	(43,511)	16,391	(2,110)	(11,206)	174,519
Finance costs:						
Exchange gain						3,339
Exchange loss						(3,208)
Interest income						2,063
Interest expense						(18,164)
Total net finance costs						(15,970)
Share of profit of associates and joint ventures	5,758	(5)	(17)	179	2,347	8,262
Profit before income tax expense						166,811
Income tax expense						(36,191)
Profit for the year						130,620
Segment assets	1,126,937	385,443	371,614	444,570	1,551,350	3,879,914
Other assets						1,443
Investments in associates and joint ventures	50,054	914	10,677	3,022	15,375	80,042
Elimination of intersegment balances ^(a)						(1,792,503)
Total assets						2,168,896
Segment capital expenditure	227,211	36,009	14,928	72,939	1,429	352,516
Segment liabilities	445,919	141,889	203,179	195,385	717,104	1,703,476
Other liabilities						94,331
Elimination of intersegment balances ^(a)						(809,659)
Total liabilities						988,148

Table of Contents**PETROCHINA COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Continued)****(All amounts in millions, except for the per share data and otherwise stated)**

	Year Ended December 31, 2011					
	Exploration and Production RMB	Refining and Chemicals RMB	Marketing RMB	Natural Gas and Pipeline RMB	Head Office and Other RMB	Total RMB
Turnover	774,777	847,711	1,693,130	173,058	2,354	3,491,030
Less: intersegment sales	(612,421)	(659,025)	(198,959)	(16,362)	(420)	(1,487,187)
Turnover from external customers	162,356	188,686	1,494,171	156,696	1,934	2,003,843
Depreciation, depletion and amortization	(88,068)	(23,621)	(9,148)	(15,993)	(1,243)	(138,073)
Profit/ (loss) from operations	219,539	(61,866)	20,653	15,530	(11,395)	182,461
Finance costs:						
Exchange gain						2,662
Exchange loss						(3,598)
Interest income						2,674
Interest expense						(10,886)
Total net finance costs						(9,148)
Share of profit of associates and joint ventures	8,501	21	561	149	1,670	10,902
Profit before income tax expense						184,215
Income tax expense						(38,256)
Profit for the year						145,959
Segment assets	983,708	385,875	321,432	335,461	1,418,639	3,445,115
Other assets						505
Investments in associates and joint ventures	43,509	935	10,853	2,470	12,972	70,739
Elimination of intersegment balances ^(a)						(1,598,773)
Total assets						1,917,586
Segment capital expenditure	162,154	42,781	15,136	62,645	1,675	284,391
Segment liabilities	355,576	124,857	196,363	178,440	582,367	1,437,603
Other liabilities						140,489
Elimination of intersegment balances ^(a)						(743,052)
Total liabilities						835,040

Table of Contents**PETROCHINA COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS (Continued)**

(All amounts in millions, except for the per share data and otherwise stated)

Geographical information

Year Ended December 31,	Turnover			Non-current assets ^(b)		
	2013 RMB	2012 RMB	2011 RMB	2013 RMB	2012 RMB	2011 RMB
Mainland China	1,503,897	1,492,636	1,429,631	1,674,106	1,579,874	1,401,474
Other	754,227	702,660	574,212	221,136	189,266	149,476
	2,258,124	2,195,296	2,003,843	1,895,242	1,769,140	1,550,950

(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.

39 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Directors on April 25, 2014.

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PETROCHINA COMPANY LIMITED
SUPPLEMENTARY INFORMATION ON OIL AND GAS EXPLORATION
AND PRODUCTION ACTIVITIES (UNAUDITED)

(Amounts in millions unless otherwise stated)

In accordance with the Accounting Standards Update 2010-03 Extractive Activities – Oil and Gas (Topic 932): Oil and Gas Reserve Estimation and Disclosures (an update of Accounting Standards Codification Topic 932 Extractive Activities – Oil and Gas or ASC 932) issued by the Financial Accounting Standards Board and corresponding disclosure requirements of the U.S. Securities and Exchange Commission, this section provides supplemental information on oil and gas exploration and development; and results of operation related to oil and gas producing activities of the Company and its subsidiaries (the Group) and also the Group's investments that are accounted for using the equity method of accounting.

The supplemental information presented below covers the Group's proved oil and gas reserves estimates, historical cost information pertaining to capitalised costs, costs incurred for property acquisitions, exploration and development activities, result of operations for oil and gas producing activities, standardised measure of estimated discounted future net cash flows and changes in estimated discounted future net cash flows.

The Other geographic area includes oil and gas producing activities principally in countries such as Kazakhstan, Venezuela and Indonesia. As the Group does not have significant reserves held through its investments accounted for using the equity method, information presented in relation to these equity method investments is presented in the aggregate.

Proved Oil and Gas Reserve Estimates

Proved oil and gas reserves cannot be measured exactly. Reserve estimates are based on many factors related to reservoir performance that require evaluation by the engineers interpreting the available data, as well as price and other economic factors. The reliability of these estimates at any point in time depends on both the quality and quantity of the technical and economic data, and the production performance of the reservoirs as well as engineering judgment. Consequently, reserve estimates are subject to revision as additional data become available during the producing life of a reservoir. When a commercial reservoir is discovered, proved reserves are initially determined based on limited data from the first well or wells. Subsequent data may better define the extent of the reservoir and additional production performance, well tests and engineering studies will likely improve the reliability of the reserve estimate. The evolution of technology may also result in the application of improved recovery techniques such as supplemental or enhanced recovery projects, or both, which have the potential to increase reserves.

Proved oil and gas reserves are the estimated quantities of crude oil and natural gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulation before the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether the estimate is a deterministic estimate or probabilistic estimate.

Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period before the ending date of the period covered by this report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions. The costs shall be that prevailing at the end of the period.

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PETROCHINA COMPANY LIMITED
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(Amounts in millions unless otherwise stated)

Proved developed oil and gas reserves are proved reserves that can be expected to be recovered:

- a. Through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared with the cost of a new well.
- b. Through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well.

Proved undeveloped oil and gas reserves are proved reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

The taxes, fees and royalty in China are domestic tax schemes and are paid in cash to PRC authorities. The proved reserves include quantities that are ultimately produced and sold to pay these taxes, fees and royalty.

Proved reserve estimates as of December 31, 2013, 2012 and 2011 were based on reports prepared by DeGolyer and MacNaughton, Gaffney, Cline & Associates, McDaniel & Associates, and GLJ independent engineering consultants.

Estimated quantities of net proved crude oil and condensate and natural gas reserves and of changes in net quantities of proved developed and undeveloped reserves for each of the periods indicated are as follows:

	Crude Oil and Condensate (millions of barrels)	Natural Gas (billions of cubic feet)	Total All products (million barrels of oil equivalent)
Proved developed and undeveloped reserves			
The Group			
Reserves at December 31, 2010	11,278	65,503	22,195
Changes resulting from:			
Revisions of previous estimates	(76)	(752)	(201)
Improved recovery	66		66
Extensions and discoveries	746	4,298	1,463
Sales			
Production	(886)	(2,396)	(1,286)
Reserves at December 31, 2011	11,128	66,653	22,237
Changes resulting from:			
Revisions of previous estimates	(16)	(2,731)	(471)
Improved recovery	86		86
Extensions and discoveries	737	6,218	1,773
Production	(917)	(2,559)	(1,343)

Reserves at December 31, 2012	11,018	67,581	22,282
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PETROCHINA COMPANY LIMITED
SUPPLEMENTARY INFORMATION ON OIL AND GAS EXPLORATION
AND PRODUCTION ACTIVITIES (UNAUDITED)

(Amounts in millions unless otherwise stated)

	Crude Oil and Condensate (millions of barrels)	Natural Gas (billions of cubic feet)	Total All products (million barrels of oil equivalent)
Changes resulting from:			
Revisions of previous estimates	(124)	(6,415)	(1,193)
Improved recovery	84		84
Extensions and discoveries	775	10,959	2,601
Production	(933)	(2,802)	(1,400)
Reserves at December 31, 2013	10,820	69,323	22,374
Proved developed reserves at:			
December 31, 2011	7,458	32,329	12,847
December 31, 2012	7,396	31,607	12,663
December 31, 2013	7,219	32,813	12,688
Proved undeveloped reserves at:			
December 31, 2011	3,670	34,324	9,390
December 31, 2012	3,622	35,974	9,619
December 31, 2013	3,601	36,510	9,686
Equity method investments			
Share of proved developed and undeveloped reserves of associates and joint ventures			
December 31, 2011	536	288	584
December 31, 2012	517	181	547
December 31, 2013	494	416	563

At December 31, 2013, total proved developed and undeveloped reserves of the Group and equity method investments is 22,937 million barrels of oil equivalent (December 31, 2012: 22,829 million barrels of oil equivalent, December 31, 2011: 22,821 million barrels of oil equivalent), comprising 11,314 million barrels of crude oil and condensate (December 31, 2012: 11,535 million barrels, December 31, 2011: 11,664 million barrels) and 69,739 billions of cubic feet of natural gas (December 31, 2012: 67,762.4 billions of cubic feet, December 31, 2011: 66,941.1 billions of cubic feet).

At December 31, 2013, 9,977 million barrels (December 31, 2012: 10,219 million barrels, December 31, 2011: 10,359 million barrels) of crude oil and condensate and 68,085 billion cubic feet (December 31, 2012: 66,446.1 billion cubic feet, December 31, 2011: 65,508.4 billion cubic feet) of natural gas proved developed and undeveloped reserves of the Group are located within Mainland China, and 843 million barrels (December 31, 2012: 799 million barrels, December 31, 2011: 769 million barrels) of crude oil and condensate and 1,238 billion cubic feet (December 31, 2012: 1,135.1 billion cubic feet, December 31, 2011: 1,144.6 billion cubic feet) of natural gas proved developed and undeveloped reserves of the Group are located overseas.

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PETROCHINA COMPANY LIMITED
SUPPLEMENTARY INFORMATION ON OIL AND GAS EXPLORATION
AND PRODUCTION ACTIVITIES (UNAUDITED)

(Amounts in millions unless otherwise stated)

Capitalized Costs

	December 31, 2013 RMB	December 31, 2012 RMB
The Group		
Property costs and producing assets	1,166,870	1,031,356
Support facilities	328,504	298,601
Construction-in-progress	120,745	102,496
Total capitalized costs	1,616,119	1,432,453
Accumulated depreciation, depletion and amortization	(694,318)	(596,428)
Net capitalized costs	921,801	836,025
Equity method investments		
Share of net capitalized costs of associates and joint ventures	35,060	39,442

Costs Incurred for Property Acquisitions, Exploration and Development Activities

	Mainland China RMB	2013 Other RMB	Total RMB
The Group			
Property acquisition costs		17,701	17,701
Exploration costs	38,051	5,238	43,289
Development costs	137,783	25,563	163,346
Total	175,834	48,502	224,336
Equity method investments			
Share of costs of property acquisition, exploration and development of associates and joint ventures		3,036	3,036

	Mainland China RMB	2012 Other RMB	Total RMB
The Group			

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Property acquisition costs		24,586	24,586
Exploration costs	39,049	1,879	40,928
Development costs	152,534	21,355	173,889
Total	191,583	47,820	239,403
Equity method investments			
Share of costs of property acquisition, exploration and development of associates and joint ventures		4,477	4,477

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PETROCHINA COMPANY LIMITED
SUPPLEMENTARY INFORMATION ON OIL AND GAS EXPLORATION
AND PRODUCTION ACTIVITIES (UNAUDITED)

(Amounts in millions unless otherwise stated)

	Mainland China RMB	2011 Other RMB	Total RMB
The Group			
Property acquisition costs		511	511
Exploration costs	33,902	3,621	37,523
Development costs	115,501	10,764	126,265
Total	149,403	14,896	164,299
Equity method investments			
Share of costs of property acquisition, exploration and development of associates and joint ventures		4,864	4,864

Results of Operations for Oil and Gas Producing Activities

The results of operations for oil and gas producing activities for the years ended December 31, 2013, 2012 and 2011 are presented below.

Turnover includes sales to third parties and inter-segment sales (at arm's-length prices), net of value-added taxes. Resource tax, crude oil special gain levy and other taxes are included in taxes other than income taxes. Income taxes are computed using the applicable statutory tax rate, reflecting tax deductions and tax credits for the respective years ended.

	Mainland China RMB	2013 Other RMB	Total RMB
The Group			
Turnover			
Sales to third parties	82,422	59,120	141,542
Intersegment sales	471,514	2,069	473,583
	553,936	61,189	615,125
Production costs excluding taxes	(108,302)	(9,039)	(117,341)
Exploration expenses	(21,548)	(3,753)	(25,301)
Depreciation, depletion and amortization	(88,569)	(15,739)	(104,308)
Taxes other than income taxes	(110,350)	(17,648)	(127,998)
Accretion expense	(4,505)	(185)	(4,690)
Income taxes	(42,352)	(5,325)	(47,677)
Results of operations from producing activities	178,310	9,500	187,810
Equity method investments			

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Share of profit for producing activities of associates and joint ventures		8,392	8,392
Total of the Group and equity method investments results of operations for producing activities	178,310	17,892	196,202

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PETROCHINA COMPANY LIMITED
SUPPLEMENTARY INFORMATION ON OIL AND GAS EXPLORATION
AND PRODUCTION ACTIVITIES (UNAUDITED)

(Amounts in millions unless otherwise stated)

	Mainland China RMB	2012 Other RMB	Total RMB
The Group			
Turnover			
Sales to third parties	82,064	62,233	144,297
Intersegment sales	472,366	675	473,041
	554,430	62,908	617,338
Production costs excluding taxes	(95,085)	(7,581)	(102,666)
Exploration expenses	(22,811)	(1,161)	(23,972)
Depreciation, depletion and amortization	(80,293)	(14,196)	(94,489)
Taxes other than income taxes	(116,030)	(17,307)	(133,337)
Accretion expense	(4,098)	(139)	(4,237)
Income taxes	(44,568)	(7,045)	(51,613)
Results of operations from producing activities	191,545	15,479	207,024
Equity method investments			
Share of profit for producing activities of associates and joint ventures		9,650	9,650
Total of the Group and equity method investments results of operations for producing activities	191,545	25,129	216,674

	Mainland China RMB	2011 Other RMB	Total RMB
The Group			
Turnover			
Sales to third parties	94,015	68,341	162,356
Intersegment sales	474,174	1,358	475,532
	568,189	69,699	637,888
Production costs excluding taxes	(88,887)	(6,963)	(95,850)
Exploration expenses	(22,726)	(1,182)	(23,908)
Depreciation, depletion and amortization	(72,496)	(7,956)	(80,452)
Taxes other than income taxes	(129,715)	(18,993)	(148,708)
Accretion expense	(3,119)	(153)	(3,272)
Income taxes	(48,375)	(11,398)	(59,773)
Results of operations from producing activities	202,871	23,054	225,925

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Equity method investments			
Share of profit for producing activities of associates and joint ventures		12,485	12,485
Total of the Group and equity method investments results of operations for producing activities	202,871	35,539	238,410

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PETROCHINA COMPANY LIMITED
SUPPLEMENTARY INFORMATION ON OIL AND GAS EXPLORATION
AND PRODUCTION ACTIVITIES (UNAUDITED)

(Amounts in millions unless otherwise stated)

Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows related to proved oil and gas reserves at December 31, 2013, 2012 and 2011 is based on the prices used in estimating the Group's proved oil and gas reserves, year-end costs, currently enacted tax rates related to existing proved oil and gas reserves and a 10% annual discount factor. Future cash inflows from sales of oil and gas are net of value-added taxes. Corporate income taxes are included in future income tax expense. Other taxes are included in future production costs as production taxes.

The standardized measure of discounted future net cash flows related to proved oil and gas reserves at December 31, 2013, 2012 and 2011 is as follows:

	RMB
The Group	
At December 31, 2013	
Future cash inflows	8,369,464
Future production costs	(3,980,886)
Future development costs	(492,655)
Future income tax expense	(812,290)
Future net cash flows	3,083,633
Discount at 10% for estimated timing of cash flows	(1,532,368)
Standardized measure of discounted future net cash flows	1,551,265

	RMB
The Group	
At December 31, 2012	
Future cash inflows	8,716,686
Future production costs	(4,046,065)
Future development costs	(507,905)
Future income tax expense	(883,544)
Future net cash flows	3,279,172
Discount at 10% for estimated timing of cash flows	(1,599,993)
Standardized measure of discounted future net cash flows	1,679,179

	RMB
The Group	

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At December 31, 2011

Future cash inflows from sales of oil and gas	8,947,862
Future production costs	(4,238,182)
Future development costs	(453,696)
Future income tax expense	(915,332)
Future net cash flows	3,340,652
Discount at 10% for estimated timing of cash flows	(1,663,025)
Standardized measure of discounted future net cash flows	1,677,627

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PETROCHINA COMPANY LIMITED
SUPPLEMENTARY INFORMATION ON OIL AND GAS EXPLORATION
AND PRODUCTION ACTIVITIES (UNAUDITED)

(Amounts in millions unless otherwise stated)

At December 31, 2013, RMB 1,473,852 (December 31, 2012: RMB 1,599,784, December 31, 2011: RMB 1,607,052) of standardized measure of discounted future net cash flows related to proved oil and gas reserves located within mainland China and RMB 77,413 (December 31, 2012: RMB 79,395, December 31, 2011: RMB 70,575) of standardized measure of discounted future net cash flows related to proved oil and gas reserves located overseas.

Share of standardized measure of discounted future net cash flows of associates and joint ventures:

December 31, 2013	39,187
December 31, 2012	50,789
December 31, 2011	45,244

Changes in Standardized Measure of Discounted Future Net Cash Flows

Changes in the standardized measure of discounted net cash flows for the Group for each of the years ended December 31, 2013, 2012 and 2011 are as follows:

	Year Ended December 31		
	2013 RMB	2012 RMB	2011 RMB
The Group			
Beginning of the year	1,679,179	1,677,627	1,318,193
Sales and transfers of oil and gas produced, net of production costs	(350,512)	(380,439)	(392,372)
Net changes in prices and production costs and other	(216,677)	(7,750)	394,591
Extensions, discoveries and improved recovery	265,039	212,372	172,831
Development costs incurred	70,183	13,420	114,293
Revisions of previous quantity estimates	(117,817)	(58,354)	(19,576)
Accretion of discount	178,064	214,045	169,774
Net change in income taxes	43,806	8,258	(80,093)
Sales			(14)
End of the year	1,551,265	1,679,179	1,677,627