PetroChina

PETROCHINA COMPANY LIMITED

2023 ANNUAL REPORT

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

Stock Code: 857

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IMPORTANT NOTICE

The Board of Directors (the "Board" or "Board of Directors") of PetroChina Company Limited (the "Company"), the Supervisory Committee and the Directors, Supervisors and senior management of the Company warrant the truthfulness, accuracy and completeness of the information contained in this annual report and that there are no misrepresentation, misleading statements contained in, or material omissions from this annual report, and jointly and severally accept full responsibility thereof.

This annual report has been considered and approved at the sixth meeting of the ninth session of the Board. Except that Mr. Hou Qijun, the Vice Chairman and a non-executive Director, and Mr. Duan Liangwei, a non-executive Director, were absent from the meeting due to work arrangement, other members of the Board have attended the sixth meeting of the ninth session of the Board. Mr. Hou Qijun and Mr. Duan Liangwei have respectively authorized Mr. Huang Yongzhang and Mr. Zhang Daowei in writing to attend the meeting and exercise the voting rights on their behalf. Mr. Dai Houliang, Chairman of the Company, Mr. Huang Yongzhang, Director and President of the Company, and Mr. Wang Hua, Chief Financial Officer of the Company, warrant the truthfulness, accuracy and completeness of the financial statements in this annual report. No substantial shareholder of the Company has utilized the funds of the Company for non-operating purposes.

The financial statements of the Company and its subsidiaries (the "Group") have been prepared in accordance with China Accounting Standards ("CAS") and IFRS Accounting Standards, respectively. The financial statements of the Group for 2023, which have been prepared in accordance with CAS and IFRS Accounting Standards, have been audited by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers, respectively, and both firms have issued standard and unqualified opinions on the financial statements.

In overall view of the operating results, financial position and cash flows, to procure return for the shareholders, the sixth meeting of the ninth session of the Board recommended a final cash dividend of RMB0.23 (inclusive of applicable tax) per share for 2023 to all shareholders, based on the total share capital of the Company as at December 31, 2023, namely 183,020,977,818 shares. The total amount of the cash dividend reaches approximately RMB42.095 billion. The proposed final dividends are subject to shareholders' review and approval at the forthcoming 2023 annual general meeting.

This annual report contains certain forward-looking statements with respect to the financial position, operating results and business of the Group. These forward-looking statements are, by their nature, subject to significant risks and uncertainties because whether they will occur are beyond the Group's control. The forward-looking statements reflect the Group's current views with respect of future events and are not a guarantee of future performance. Actual results may differ from information contained in the forward-looking statements.

CORPORATE PROFILE

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

The Group is the largest oil and gas producer and seller occupying a leading position in the oil and gas industry in the PRC and one of the largest companies in the PRC in terms of revenue and one of the largest oil companies in the world. The Group principally engages in, among other things, the exploration, development, production, transportation and marketing of crude oil and natural gas, and new energy business; the refining of crude oil and petroleum products; the production and marketing of primary petrochemical products, derivative petrochemical products and other chemical products, and new materials business; the marketing of refined products and non-oil products and trading business; and the transportation and sale of natural gas business.

The American Depositary Shares (the "ADSs"), H shares and A shares of the Company were listed on the New York Stock Exchange (the "NYSE"), The Stock Exchange of Hong Kong limited ("Hong Kong Stock Exchange") and Shanghai Stock Exchange on April 6, 2000, April 7, 2000 and November 5, 2007, respectively, among which, the ADSs have been delisted from the NYSE on September 8, 2022 (EST Time).

Registered Chinese Name of the Company:	中國石油天然氣股份有限公司
English Name of the Company:	PetroChina Company Limited
Legal Representative of the Company:	Dai Houliang
Secretary to the Board:	Wang Hua
Address:	No. 9 Dongzhimen North Street Dongcheng District Beijing, PRC
Telephone:	86(10) 5998 2622
Facsimile:	86(10) 6209 9557
Email Address:	ir@petrochina.com.cn
Representative on Securities Matters:	Liang Gang
Address:	No. 9 Dongzhimen North Street Dongcheng District Beijing, PRC
Telephone:	86(10) 5998 2622

Facsimile:	86(10) 6209 9557
Email address:	ir@petrochina.com.cn
Chief Representative of the Hong Kong Representative Office:	Wei Fang
Address:	Suite 3705, Tower 2, Lippo Centre 89 Queensway, Hong Kong, PRC
Telephone:	(852) 2899 2010
Facsimile:	(852) 2899 2390
Email Address:	hko@petrochina.com.hk
Legal Address of the Company:	16 Ande Road Dongcheng District Beijing, PRC
Postal Code:	100011
Principal Place of Business:	No. 9 Dongzhimen North Street Dongcheng District Beijing, PRC
Postal Code:	100007
Registered Address of the Company:	16 Ande Road Dongcheng District Beijing, PRC
Internet Website:	http://www.petrochina.com.cn
Company's Email Address:	ir@petrochina.com.cn
Newspapers for Information Disclosure:	A shares: China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily

Internet website publishing this annual report designated by the China Securities Regulatory Commission: http://www.sse.com.cn

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

Other relevant information:

Names and Addresses of Auditors of the Company:

Domestic Auditors:

Name:	PricewaterhouseCoopers Zhong Tian LLP
Address:	11/F, PricewaterhouseCoopers Centre 2 Corporate Avenue 202 Hu Bin Road Huangpu District, Shanghai, PRC
Signing accountants:	Zhao Juan, CPA Hu Yang, CPA

Overseas Auditors:

Name:	PricewaterhouseCoopers Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
Address:	22/F, Prince's Building Central, Hong Kong, PRC

SUMMARY OF FINANCIAL DATA AND FINANCIAL INDICATORS

1. Key Financial Data Prepared under IFRS Accounting Standards

RMB Million

	As at or for the year ended December 31				
Items	2023	2022[2]	2021[2]	2020	2019
Revenue	3,011,012	3,239,167	2,614,349	1,933,836	2,516,810
Profit from operations	235,466	216,660	161,153	75,937	121,762
Profit before income tax expense	237,462	213,277	158,203	56,073	103,214
Income tax expense	(57,169)	(49,929)	(43,596)	(22,588)	(36,199)
Profit for the year	180,293	163,348	114,607	33,485	67,015
Attributable to:					
Owners of the Company	161,146	148,743	92,078	19,006	45,682
Non-controlling interests	19,147	14,605	22,529	14,479	21,333
Basic and diluted earnings per share attributable to owners of the Company (RMB) [1]	0.88	0.81	0.50	0.10	0.25
Total current assets	658,520	613,867	480,838	486,767	466,913
Total non-current assets	2,093,928	2,056,533	2,021,813	2,001,359	2,265,997
Total assets	2,752,448	2,670,400	2,502,651	2,488,126	2,732,910
Total current liabilities	689,007	624,263	518,158	605,418	661,419
Total non-current liabilities	433,068	511,971	578,677	516,087	627,186
Total liabilities	1,122,075	1,136,234	1,096,835	1,121,505	1,288,605
Equity					
Attributable to:					
Owners of the Company	1,446,163	1,365,617	1,260,488	1,215,158	1,230,156
Non-controlling interests	184,210	168,549	145,328	151,463	214,149
Total equity	1,630,373	1,534,166	1,405,816	1,366,621	1,444,305
Other financial data					
Capital expenditures	275,338	274,307	251,178	246,493	296,776
Net cash flows from operating activities	456,596	393,768	341,469	318,575	359,610
Net cash flows used for investing activities	(255,789)	(232,971)	(213,032)	(181,986)	(332,948)
Net cash flows used for financing activities	(146,572)	(113,713)	(107,971)	(99,400)	(27,276)
Return on net assets (%)	11.1	10.9	7.3	1.6	3.7

Note: (1) As at December 31, 2019, 2020, 2021, 2022 and 2023, respectively, basic and diluted earnings per share were calculated by dividing the net profit attributable to the owners of the Company with the number of issued shares of 183,021 million for each of these financial years.

(2) According to the Notice on Issuing Interpretation of Accounting Standards for Business Enterprises No. 16 ("Interpretation 16") promulgated by the PRC Ministry of Finance and Amendments to International Accounting Standard 12 Income Tax ("International Accounting Standard 12"), the Group and the Company have implemented the provisions relating to the accounting treatment for deferred tax not subject to the exemption from initial recognition for assets and liabilities arising from a single transaction from January 1, 2023, and adjusted the cumulative effect against the beginning of retained earnings and other relevant financial statement items in the earliest period for which financial statements are presented. For individual transactions that existed between January 1, 2021 and the implementation date that meet the above criteria, the Group and the Company made retrospective adjustments. Unless otherwise specified, the comparative financial statements for the years of 2021 and 2022 have been retrospectively adjusted accordingly. Apart from the above impacts, the above-mentioned revisions have a minor impact on the Group's and the Company's financial statements for 2019 and 2020, which have not been retrospectively adjusted in accordance with the principles of materiality. For details, please refer to Note 37 under the financial statements prepared in accordance with CAS and Note 33 under the financial statements prepared in accordance with IFRS Accounting Standards.

2. Key Financial Data Prepared under CAS

(1) Key financial data and financial indicators

RMB Million

Items	For the year 2023	For the year 2022 (after retrospective adjustments)(1)	For the year 2022 (before retrospective adjustments)	Changes from the preceding year to this year (%)	For the year 2021 (after retrospective adjustments)(1)	For the year 2021 (before retrospective adjustments)
Operating income	3,011,012	3,239,167	3,239,167	(7.0)	2,614,349	2,614,349
Operating profit	253,024	242,564	242,564	4.3	182,180	182,180
Net profit attributable to shareholders of the Company	161,144	148,738	149,375	8.3	92,069	92,161
Net profit after deducting non-recurring profit/loss items attributable to shareholders of the Company	187,130	170,260	170,897	9.9	99,439	99,531
Net cash flows from operating activities	456,596	393,768	393,768	16.0	341,469	341,469
Weighted average returns on net assets (%)	11.4	11.3	11.3	0.1 percentage point	7.4	7.4
Total share capital at the end of the period (hundred million share)	1,830.21	1,830.21	1,830.21	-	1,830.21	1,830.21
Basic earnings per share (RMB)	0.88	0.81	0.82	8.3	0.50	0.50
Diluted earnings per share (RMB)	0.88	0.81	0.82	8.3	0.50	0.50

Items	As at the end of 2023	As at the end of 2022 (after retrospective adjustments)[1]	As at the end of 2022 (before retrospective adjustments)	Changes from the end of the preceding year to the end of this year (%)	As at the end of 2021 (after retrospective adjustments)[1]	As at the end of 2021 (before retrospective adjustments)
Total assets	2,752,710	2,670,666	2,673,751	3.1	2,502,922	2,502,533
Equity attributable to equity holders of the Company	1,446,410	1,365,866	1,369,576	5.9	1,260,742	1,263,815

Note: (1) In accordance with Interpretation No. 16 issued by the PRC Ministry of Finance and the International Accounting Standard 12, the Group and the Company have retrospectively adjusted the relevant financial data of the comparative period. For details, please refer to Note 37 under the financial statements prepared in accordance with CAS and Note 33 under the financial statements prepared in accordance with IFRS Accounting Standards. The relevant financial data below contained in this annual report have been adjusted retrospectively.

(2) Key financial indicators by quarter

RMB Million

Items	First Quarter 2023	Second Quarter 2023	Third Quarter 2023	Fourth Quarter 2023
Operating income	732,471	747,400	802,264	728,877
Net profit attributable to shareholders of the Company	43,630	41,646	46,375	29,493
Net profit after deducting non-recurring profit/loss items attributable to shareholders of the Company	44,121	43,272	47,169	52,568
Net cash flows from operating activities	126,382	95,324	119,294	115,596

(3) Non-recurring profit/loss items

RMB Million

Non-recurring profit/loss items	For the year 2023
Gains/Losses on disposal of non-current assets	(11,325)
Government grants recognized in the income statement	2,496
Gains/Losses arising from financial assets and financial liabilities not relating to the ordinary course of activities	(290)
Reversal of provisions for bad debts against receivables	116
Gains from the difference between the investment costs of acquisition of subsidiaries, and share in the net fair value of the identifiable assets of the investee	211
One-off effect on current profit or loss due to laws and regulation adjustment regarding taxation or accounting	(19,238)
Other non-operating income and expenses	(4,632)
Other items of profit or loss conforming to the definition of non-recurring profit/loss items	567
	(32,095)
Tax impact	6,194
Impact of non-controlling interests	(85)
Total	(25,986)

(4) Items to which fair value measurement is applied

RMB Million

Items	Balance at the beginning of the Reporting Period	Balance at the end of the Reporting Period	Changes in the Reporting Period	Gain/loss from changes in fair value of the Reporting Period
Investments in other equity instruments	950	839	(111)	-
Account receivables	4,376	10,661	6,285	-
Financial assets at fair value through profit or loss	3,876	7,404	3,528	295
Financial liabilities at fair value through profit or loss	1,698	1,727	29	-
Derivative financial instruments	9,987	6,210	(3,777)	(8,175)

3. Differences between CAS and IFRS Accounting Standards

The Group's consolidated net profit for the year under IFRS Accounting Standards and CAS were RMB180,293 million and RMB180,291 million, respectively, with a difference of RMB2 million; the consolidated shareholders' equity for the year under IFRS Accounting Standards and CAS were RMB1,630,373 million and RMB1,630,621 million, respectively, with a difference of RMB248 million. These differences under the different accounting standards were primarily due to the revaluation for assets other than fixed assets and oil and gas properties revalued in 1999.

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

CHANGES IN SHAREHOLDINGS AND INFORMATION ON SHAREHOLDERS

1. Changes in Shareholdings

Unit: Shares

	Pre-movement		Increase/decrease (+,-)					Post-movement	
	Numbers of shares	Percentage (%)	New Issue	Bonus Issue	Conversion from Reserves	Others	Sub-total	Numbers of shares	Percentage (%)
Shares without selling restrictions	183,020,977,818	100.00	-	-	-	-	-	183,020,977,818	100.00
1. RMB-denominated ordinary shares	161,922,077,818	88.47	-	-	-	-	-	161,922,077,818	88.47
2. Shares traded in non-RMB currencies and listed domestically	-	-	-	-	-	-	-	-	-
3. Shares listed overseas	21,098,900,000	11.53	-	-	-	-	-	21,098,900,000	11.53
4. Others	-	-	-	-	-	-	-	-	-

2. Issue and Listing of Securities

(1) Issue of securities for the year ended December 31, 2023 (the "Reporting Period")

In the Reporting Period, there was no issue of shares.

For the issuances of bonds, please refer to the section "Relevant Information on Bonds" of this annual report.

(2) Shares held by employees

During the Reporting Period, no shares for employees of the Company were in issue.

3. Number of Shareholders and Shareholdings

The number of shareholders of the Company as at December 31, 2023 was 479,245, consisting of 473,714 holders of A shares and 5,531 registered holders of H shares. The minimum public float requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules") and Stock Listing Rules of the Shanghai Stock Exchange (the "SSE Listing Rules") are satisfied.

The number of shareholders of the Company as at February 29, 2024 was 479,694, consisting of 474,200 holders of A shares and 5,494 registered holders of H shares.

(1) Shareholdings of the top ten shareholders as at the end of the Reporting Period

Unit: Shares

Name of shareholders	Nature of shareholders	Percentage of shareholding (%)	Number of shares held	Increase/ decrease during the Reporting Period (+, -)	Number of shares with selling restrictions	Number of shares pledged, marked or subject to lock-ups
CNPC	State-owned legal person	82.46	150,923,565,570 [1]	+3,819,948,462[2]	0	0
HKSCC Nominees Limited[3]	Overseas legal person	11.42	20,907, 565,976 [4]	+6,775,317	0	0
China Petrochemical Corporation	State-owned legal person	1.00	1,830,210,000	0	0	0
Hong Kong Securities Clearing Company Limited[5]	Overseas legal person	0.66	1,205,844,633	+289,681,698	0	0
China Securities Finance Corporation Limited	State-owned legal person	0.56	1,020,165,128	0	0	0
China Metallurgical Group Corporation	State-owned legal person	0.31	560,000,000	0	0	0
Central Huijin Asset Management Ltd.	State-owned legal person	0.11	201,695,000	0	0	0
China Reform Investment Co., Ltd.	State-owned legal person	0.10	190,822,799	-	0	0
Bosera Fund - Ansteel Group Corporation -Bosera Fund Xin'an No.1 Single Asset Management Plan	State-owned legal person	0.09	172,052,500	-5,206,400	0	0
Bank of Communication Co., Ltd. - E Fund SSE 50 Index Enhanced Securities Investment Fund	Others	0.08	150,323,301	+118,323,400	0	0

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

(2) During the Reporting Period, CNPC has completed the delisting of the 2018 exchangeable corporate bonds and the procedures for the release of the registration of pledge and trust of the above exchangeable corporate bonds, and transferred the remaining unexchanged stocks from 18 CNPC EB Special Account into CNPC's security account. For details, please refer to the announcements published by the Company on the Shanghai Stock Exchange website (Announcement Nos. Lin 2023-003 and Lin 2023-004) and the announcements published on the website of the Hong Kong Stock Exchange on February 17, 2023 and March 3, 2023.

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

(4) 291,518,000 H shares were indirectly held by CNPC through Fairy King Investments Limited, an overseas wholly-owned subsidiary of CNPC, representing 0.16% of the total share capital of the Company. These shares were held in the name of HKSCC Nominees Limited.

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

(2) Shareholdings of top ten shareholders of shares without selling restrictions as at the end of the Reporting Period

Unit: Shares

Ranking	Name of shareholders	Number of shares held	Types of shares
1	CNPC	150,923,565,570[1]	A Shares
2	HKSCC Nominees Limited	20,907,565,976	H Shares
3	China Petrochemical Corporation	1,830,210,000	A Shares
4	Hong Kong Securities Clearing Company	1,205,844,633	A Shares
5	China Securities Finance Corporation Limited	1,020,165,128	A Shares
6	China Metallurgical Group Corporation	560,000,000	A Shares
7	Central Huijin Asset Management Ltd.	201,695,000	A Shares
8	China Reform Investment Co., Ltd.	190,822,799	A Shares
9	Bosera Fund - Ansteel Group Corporation - Bosera Fund Xin'an No.1 Single Asset Management Plan	172,052,500	A Shares
10	Bank of Communication Co., Ltd. - E Fund SSE 50 Index Enhanced Securities Investment Fund	150,323,301	A Shares

Note: (1) Such figure excludes the H shares indirectly held by CNPC through Fairy King Investments Limited, an overseas wholly-owned subsidiary of CNPC, which H shares were held in the name of HKSCC Nominees Limited.

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

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

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

Description on participation of securities margin trading and refinancing by the above-mentioned shareholders during the Reporting Period: The above-mentioned shareholders did not involve in securities margin trading and refinancing during the Reporting Period; there was no change in the above-mentioned shareholders since the end of third quarter of 2023.

(3) Disclosure of Substantial Shareholders under the Securities and Futures Ordinance of Hong Kong

As at December 31, 2023, so far as the Directors are aware, persons other than a Director, Supervisor or senior management of the Company who had interests or short positions in the shares or underlying shares of the Company which are disclosable under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance are as follows:

Name of shareholders	Nature of shareholding	Number of shares	Capacity	Percentage of such shares in the same class of the issued share capital (%)	Percentage of total share capital (%)
CNPC	A Shares	150,923,565,570 (L)	Beneficial Owner	93.21	82.46
	H Shares	291,518,000 (L) (1)	Interest of Corporation Controlled by the Substantial Shareholder	1.38	0.16
BlackRock, Inc. (2)	H Shares	1,472,617,558 (L)	Interest of Corporation Controlled by the Substantial Shareholder	6.98	0.80

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

(2) BlackRock, Inc., through various subsidiaries, had an interest in the H shares of the Company, 1,472,617,558 H shares (long position) were held in its capacity as interest of corporation controlled by the substantial shareholder, including 12,690,000 underlying shares through its holding of certain unlisted derivatives (cash settled).

As at December 31, 2023, so far as the Directors are aware, save as disclosed above, no person (other than a Director, Supervisor or senior management of the Company) had an interest in the shares of the Company according to the register of interests in shares and short positions kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance.

4. Information on Controlling Shareholder and the Ultimate Controller

There was no change in the controlling shareholder or the ultimate controller during the Reporting Period.

(1) Controlling shareholder

The controlling shareholder of the Company is CNPC which was established in July 1998. CNPC is a petroleum and petrochemical conglomerate that was formed in the wake of the restructuring launched by the State Council to restructure the predecessor of CNPC, China National Petroleum Company (中國石油天然氣總公司). CNPC is also a state-authorized investment corporation and state-owned enterprise. Its legal representative is Mr. Dai Houliang. CNPC is an integrated energy corporation with businesses covering domestic and foreign exploration and development of oil, gas and new energy, marketing of refining, petrochemical and new materials, maintenance and service, capital and finance.

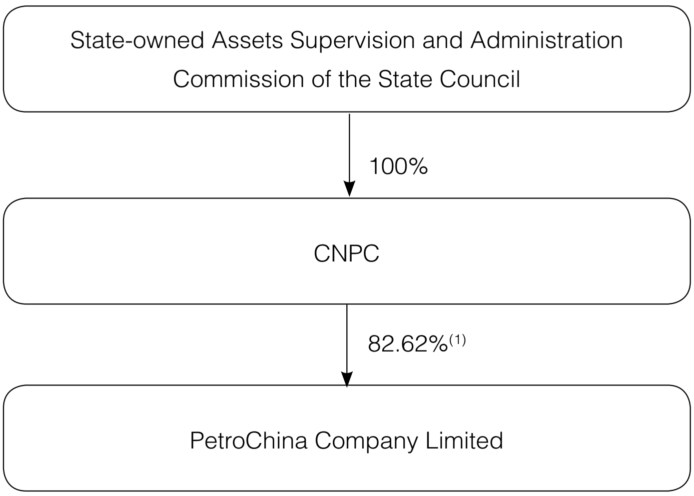
In 2023, CNPC was committed to building itself into a globally first-class integrated energy corporation with truly international standards. It earnestly observed its requirements for high-quality development, fully implemented its strategies, namely, innovation, resources, markets, internationalization, green and low carbon. CNPC optimized the production and operation, deepened reform and innovation, strengthened risk prevention and control, and further enhanced the quality and profitability. As a result of these efforts, CNPC delivered a steady production and operation under control.

(2) Currently, except for CNPC, no other legal person holds 10% or more of the shares in the Company (excluding HKSCC Nominees Limited).

(3) Ultimate controller

State-owned Assets Supervision and Administration Commission of the State Council is the ultimate controller of the Company.

(4) Ownership and controlling relationship between the Company and the ultimate controller



Note: (1) Such figure includes the 291,518,000 H shares held by CNPC through its overseas wholly-owned subsidiary, Fairy King Investments Limited.

Dai Houliang Chairman

CHAIRMAN'S REPORT

Dear Shareholders,

I am pleased to submit to you the annual report of the Company for the year ended December 31, 2023 for your review.

In 2023, the world economy experienced a slow recovery, with varying speeds of development among different economies; the PRC economy continued to improve, with a year-on-year increase of 5.2% in the gross domestic product ("GDP"). The international crude oil market remained generally loose in terms of supply and demand, and the international crude oil prices remained fluctuating at medium and high levels throughout the year, with a significant decrease for the average prices compared to the same period of the previous year. The domestic demand for refined products experienced a recovery growth, and the consumption in the natural gas market increased rapidly.

Seizing the favorable opportunities of recovery of the development of the domestic economy and growing demand in the oil and gas market, the Group implemented the requirements for high-quality development, vigorously strengthened oil and gas exploration and development, continued to promote increased reserves and production, and solidified the foundation for the Company's development. The Group further enhanced the transformation and upgrading of refining business, continuously optimized the product structure, and increased the proportion of high-end and high-profitability products. It also strenuously increased marketing efforts, striving to achieve both volume and profitability growth. The Group steadily implemented green and low carbon transformation, and the development of new energy and new materials businesses showed significant acceleration. It continued to strengthen the initiative on environmental, social and governance (ESG) in order to enhance the Company's long-term sustainable development capabilities. The Group implemented activities to improve quality and profitability, continuously enhancing the quality and profitability of the Company's development. In 2023, the average realized price for crude oil of the Group was USD76.60 per barrel, representing a decrease of 16.8% as compared with USD92.12 per barrel for last year. It achieved RMB3,011.012 billion in revenue, representing a decrease of 7.0% as compared with RMB3,239.167 billion for last year, in which the decrease of revenue was less than the decrease of oil prices; and the profit attributable to owners of the Company was RMB161.146 billion, representing an increase of 8.3% as compared with RMB148.743 billion for last year, reaching a historical high; the Group realized free cash flows of RMB176.122 billion, representing an increase of 17.1% as compared with RMB150.419 billion for last year, reaching a historical high; the structure of assets and liabilities was further optimized, and the financial position of the Group remained stable.

In 2024, it is expected that the world economy will maintain a slow recovery trend, showing a certain degree of resilience; the margin effect of supply and demand in the international oil and gas market are loose, the average international crude oil price will decline slightly. The PRC economy will maintain the trend of long-term improvement, and the GDP growth expected target is approximately 5%. The domestic refined products market will show increases in both supply and demand, and competition will remain fierce; the demand for natural gas market will maintain a rapid growth momentum. In the face of opportunities and challenges, the Group will adhere to the five development strategies of innovation, resources, market, internationalization and green and low-carbon, continue to optimize production and operation. The Group will promote quality and profitability enhancement, maintain the safe, smooth and efficient operation of the two major industry chains of oil and gas, and continue to strengthen the foundation of the Company's development. The Group will proactively seize the energy transition and market opportunities, steadily push forward the strategic transformation, optimize and adjust the business layout, and accelerate the development of new energy and new materials business to enhance the Company's long-term development capability and continue to create value for shareholders.

In terms of Oil, Gas and New Energy Business, the Group's domestic oil and gas business will adhere to high-profitable exploration and development, highlight the seven major basins, continuously discover and evaluate preferred potential targets, and continue to strengthen risk exploration. The Group will focus on the implementation of the drilling of the Shenditake-1(深地塔科1井) and ShendiChuanke-1(深地川科1井); focus on the six major areas, including marine carbonate rocks, clastic rock lithology strata, foreland thrust belt, unconventional oil and gas, volcanic rocks, and strategic new areas, strengthen comprehensive geological evaluation and target demonstration, and strive to find strategic discoveries and breakthroughs. The Group will strengthen the concentrated exploration in areas of large-scale reserve-increasing areas such as Ordos, Sichuan, Tarim, and Junggar; enhance exploration efficiency and profitability; focus on stabilizing the production of old oil and gas fields and building production in new areas with profitability, and strive to increase reserves and production. The international oil and gas business will further optimize the asset structure, increase the development of high-quality new projects and accelerate the disposal of inefficient assets; focus on the concentrated exploration in Chad and the Aktobe Project in Kazakhstan, and strive to realize profitability from the scale and reserve increase. The new energy business will accelerate the construction of new energy bases in Qinghai, Xinjiang, Inner Mongolia and Songliao, and ensure the deployment and implementation of projects such as wind and solar power, gas power, geothermal energy, hydrogen energy and carbon capture, utilization and storage (CCUS), so as to improve the conversion rate of the clean power and the grid connection rate. In 2024, the Group plans to reach the crude oil output of 909.2 million barrels and the marketable natural gas output of 5,142.6 billion cubic feet with a total oil and natural gas equivalent output of 1,766.3 million barrels.

In terms of Refining, Chemicals and New Materials Business, the Group will adhere to the market-oriented approach, dynamically optimize the processing routes and product plans, flexibly adjust the product structure, and strive to increase the production of high-profitability refined products. The Group will optimize and enhance the processing workload of ethylene and aromatics lines, strengthen the development of new products, accelerate the development of the chemical new materials business, and continuously increase the chemical new materials output. The Group will intensify efforts in the marketing of chemical products, continue to improve the level of customer service, make a good market layout for new production capacity, vigorously explore high-end markets and intensify the development of overseas markets; adhere to the direction of high-end, intelligent and green, and further promote the transformation and upgrading of the refining and chemical business, accelerate the construction of key transformation and upgrading projects, such as refining and chemical transformation and upgrading project of Jilin Petrochemical Company, Guangxi Petrochemical Company's integration of refining and petrochemical transformation and upgrading project, and Dushanzi Petrochemical Company's Tarim 1.2 million tons per year phase II ethylene project, actively carry out the construction of intelligent factories and green enterprises, actively promote the refining and chemical business towards the middle and high-end of the industrial chain. In 2024, the Group estimates that the processed crude oil will reach 1,403.9 million barrels.

In terms of Marketing Business, the Group will strengthen market analysis and forecasting, improve the efficiency of resource allocation, enhance the integration of wholesale and retail marketing, further increase the sales volume of refined products, especially the sales volume of refueling gun, and endeavor to enhance the profitability of refined products sales. The Group will continue to improve the construction of the terminal network such as refueling and gas stations, charging and swapping stations, hydrogen refueling stations, photovoltaic stations, etc., and to further build the ecosystem of "people, vehicles and life". The Group will deepen the integration development of oil, fuel cards, non-oil business, natural gas and power (油卡非氣電), promote business synergy and online and offline integrated marketing, and enhance the profitability level of non-oil business. The Group will optimize the international trading system and service network, actively explore the export market for refined products, and maximize the value of the industrial chain.

In terms of Natural Gas Sales Business, the Group will highlight market-oriented marketing, deepen lean management, coordinate resource allocation and demand matching, continuously optimize the marketing mechanism and gradually build a multi-products contract model. The Group will give full play to the synergistic advantages of wholesale and retail, strengthen the development of high-end and high-profitability projects, and endeavor to increase the sales proportion of terminal markets. The Group will increase online trading at market prices, and continuously improve sales profitability. The Group will promote in an orderly manner the construction of the LNG receiving stations and ancillary pipelines projects in Fujian Province, the expansion of LNG storage tanks and the construction of branch pipelines in Jiangsu Province.

Dai Houliang
Chairman
Beijing, the PRC
March 25, 2024

BUSINESS REVIEW

1. Market Review

(1) Crude Oil Market

In 2023, global petroleum demand gradually recovered, the market's supply and demand remained overall loose, the geopolitical impact gradually weakened, and the international oil prices decreased as compared with last year. The annual average spot price of North Sea Brent crude oil was USD82.64 per barrel, representing a decrease of 18.4% as compared with last year; the annual average spot price of West Texas Intermediate crude oil was USD77.67 per barrel, representing a decrease of 17.8% compared with last year.

Statistics from the National Bureau of Statistics showed that the domestic production of crude oil was 209.026 million tons in 2023, representing an increase of 2.1% as compared with last year.

(2) Refined Products Market

In 2023, benefiting from the steady recovery of the PRC economy, the domestic refined products market recovered significantly, and the supply and demand generally showed a relaxed pattern. Regulatory efforts in the industry continued, and the competition in the refined products market was continuously regulated.

Statistics from the National Bureau of Statistics showed that in 2023, the domestic processing volume of crude oil of industries above designated size was 734.78 million tons, representing an increase of 9.3% as compared with last year. The price trend of domestic refined products remained consistent with the changes in the international oil prices. The PRC adjusted the domestic prices of gasoline and diesel 22 times in 2023. The prices of gasoline and diesel standard products decreased, in aggregate, by RMB50 per ton, respectively.

(3) Chemical Products Market

In 2023, the demand for chemical products in the market experienced a slow recovery, while the supply grew rapidly. The chemical products market remained in a period of downturn of the business cycle. Prices of key products of the domestic chemical products market decreased as compared with last year, and a majority of the chemical products continued to experience historical low profit margins.

(4) Natural Gas Market

In 2023, the global natural gas market experienced a slow recovery, and the basic factors of supply and demand tended to be loose. The gas prices in major markets experienced a significant decline, but they were also disturbed by geopolitical and supply chain risks, causing wide and high-frequent fluctuations in gas prices. Benefiting from factors such as the steady recovery of the PRC economy, national natural gas consumption showed positive signs of recovery.

Statistics from National Bureau of Statistics and National Development and Reform Commission of the PRC showed that in 2023, the output of domestic natural gas was 232.43 billion cubic meters, representing an increase of 5.6% as compared with last year; the import volume of natural gas was 119.97 million tons, representing an increase of 9.9% as compared with last year; and the apparent consumption of natural gas was 394.53 billion cubic meters, representing an increase of 7.6% as compared with last year.

2. Business Review

(1) Oil, Gas and New Energy

Domestic Oil and Gas

In 2023, the Group promoted high-efficient exploration in domestic oil and gas business, striving to enhance economically recoverable reserves. Significant breakthroughs and important discoveries were achieved in key basins such as Ordos, Tarim, Sichuan and Bohai Bay. The drilling of two scientific exploration wells, namely Shenditake-1 (深地塔科1井) and ShendiChuanke-1 (深地川科1井), both with a depth of over ten thousand meters, was successfully carried out. The Group strengthened the stable output of old oil and gas fields and pursued profitable production in new areas. Crude oil production remained stable with increases, while natural gas production continued to grow rapidly, leading to a sustained increase in the proportion of natural gas production in our overall oil and gas production. In 2023, the domestic oil and gas business achieved crude oil output of 773.7 million barrels, representing an increase of 0.8% as compared with 767.4 million barrels for last year, the marketable natural gas output of 4,739.0 billion cubic feet, representing an increase of 6.0% as compared with 4,471.3 billion cubic feet for last year, and the oil and natural gas equivalent output of 1,563.5 million barrels, representing an increase of 3.4% as compared with 1,512.6 million barrels for last year.

Overseas Oil and Gas

In 2023, the Group strengthened its concentrated exploration in overseas oil and gas business and achieved new discoveries in the Doseo Basin in Chad and the eastern margin of Pre-Caspian Basin. Emphasis was placed on optimizing production organization and promoting profitable oil and gas development. The Group actively participated in the "Belt and Road Initiative", completing the North Field Expansion Project in Qatar (卡塔爾北方氣田擴容項目) and signing the agreement on the transfer of operating rights for the West Qurna-1 oilfield in Iraq (伊拉克西古爾納1項目). The business structure, assets structure, and regional layout of the overseas oil and gas business were continuously optimized. In 2023, the crude oil output from overseas oil and gas business amounted to 163.4 million barrels, representing an increase of 17.7% as compared with 138.8 million barrels for last year; the output of marketable natural gas amounted to 193.4 billion cubic feet, representing a decrease of 5.1% as compared with 203.7 billion cubic feet for last year; and the oil and natural gas equivalent output was 195.7 million barrels, representing an increase of 13.2% as compared with 172.8 million barrels for last year, accounting for 11.1% of the oil and natural gas equivalent output of the Group.

In 2023, the Group's crude oil output amounted to 937.1 million barrels, representing an increase of 3.4% as compared with 906.2 million barrels for last year. The marketable natural gas output reached 4,932.4 billion cubic feet, representing an increase of 5.5% as compared with 4,675.0 billion cubic feet for last year. The oil and natural gas equivalent output amounted to 1,759.2 million barrels, representing an increase of 4.4% as compared with 1,685.4 million barrels for last year. As at the end of the Reporting Period, the total area to which the Group had the right of prospecting and mining of oil and natural gas (including coalbed methane) amounted to 235.5 million acres, among which the area of prospecting was 192.6 million acres and the area of mining was 42.9 million acres. The net number of wells in the process of being drilled was 278. The number of multi-completed wells during the Reporting Period was 4,870.

New Energy

The Group's new energy business has achieved large-scale and leapfrog development. The Group actively promoted the implementation of new energy projects in Xinjiang, Qinghai, Jilin, Heilongjiang and other regions. In 2023, the Group's wind power and photovoltaic power generation was 2.2 billion kilowatt-hours, added 3.7 million kilowatts of wind and photovoltaic power installations; the cumulative geothermal heating areas exceeded 35 million square meters, and the newly signed geothermal heating contracts covered areas of over 40 million square meters; the total high-purity hydrogen capacity reached 6,600 tons per year. The Tarim Oilfield has completed a 1.1 million kilowatt photovoltaic power station, the Huabei Oilfield has completed the first medium and deep-level geothermal heating project in Beijing, and the Yumen Oilfield has completed an electrolysis water hydrogen production project. The total capacity of new energy developed and utilized amounted to 11.5 million tons of standard coal per year; CCUS has injected 1.592 million tons of carbon dioxide.

Key Figures for the Oil, Gas and New Energy Segment

	Unit	2023	2022	Year-on-year change (%)
Crude oil output	Million barrels	937.1	906.2	3.4
of which: domestic	Million barrels	773.7	767.4	0.8
overseas	Million barrels	163.4	138.8	17.7
Marketable natural gas output	Billion cubic feet	4,932.4	4,675.0	5.5
of which: domestic	Billion cubic feet	4,739.0	4,471.3	6.0
overseas	Billion cubic feet	193.4	203.7	(5.1)
Oil and natural gas equivalent output	Million barrels	1,759.2	1,685.4	4.4
of which: domestic	Million barrels	1,563.5	1,512.6	3.4
overseas	Million barrels	195.7	172.8	13.2
Proved reserves of crude oil	Million barrels	6,219	6,418	(3.1)
Proved reserves of natural gas	Billion cubic feet	72,794	73,453	(0.9)
Proved developed reserves of crude oil	Million barrels	5,240	5,574	(6.0)
Proved developed reserves of natural gas	Billion cubic feet	41,381	41,508	(0.3)

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

(2) Refining, Chemicals and New Materials

In 2023, the Group's refining, chemicals and new materials business seized the favourable opportunity of market recovery, fully increased processing capacity, continuously optimized product structure, and constantly improved the proportion of featured refined products and high-end chemical products. The production of petroleum coke, lubricating oil base, and chemical new materials experienced a significant increase, while the output of ethylene and para-xylene (PX) products continued to increase. The Group adhered to the development strategy of "foundation + high-end", optimized operational mechanisms and marketing models, fully leveraged the "PetroChina e-Chemical" Platform, and intensified the marketing efforts of chemical products. The Group further promoted transformation and upgrading, and the construction of key projects were advanced in an orderly manner. The Guangdong Petrochemical Company's integration project of refining and chemicals was successfully put into commercial operation, and the refining and chemical transformation and upgrading project of Jilin Petrochemical Company, the Guangxi Petrochemical Company's integration of refining and petrochemical transformation and upgrading project, and Dushanzi Petrochemical Company's Tarim 1.2 million tons per year phase II ethylene project steadily advanced. In 2023, the Group processed 1,398.8 million barrels of crude oil, representing an increase of 15.3% as compared with 1,212.7 million barrels of crude oil for last year, among which 697.7 million barrels of crude oil were from the Group's oil and gas business, accounting for 49.9% of the total amount and showing good synergic effects; the Group produced 122.736 million tons of refined products, representing an increase of 16.5% as compared with 105.354 million tons of refined products for last year; the volume of chemical products output of the Group was 34.308 million tons, representing an increase of 8.7% as compared with last year; the output of ethylene and synthetic resin increased by 7.8% and 8.3%, respectively, as compared with last year; the volume of chemical new materials output of the Group was 1.37 million tons, representing an increase of 60.0% as compared with last year.

Key Figures for the Refining, Chemicals and New Materials Segment

	Unit	2023	2022	Year-on-year change (%)
Processed crude oil [1]	Million barrels	1,398.8	1,212.7	15.3
Gasoline, kerosene and diesel output	'000 tons	122,736	105,354	16.5
of which: Gasoline	'000 tons	49,776	43,514	14.4
Kerosene [2]	'000 tons	14,561	8,192	77.7
Diesel	'000 tons	58,399	53,648	8.9
Crude oil processing load	%	85.6	80.9	4.7 percentage points
Light products yield	%	76.1	76.5	(0.4) percentage point
Refining yield	%	93.4	93.9	(0.5) percentage point
Ethylene	'000 tons	8,001	7,419	7.8
Synthetic Resin	'000 tons	12,579	11,620	8.3
Synthetic fiber materials and polymers	'000 tons	1,098	1,099	(0.1)
Synthetic rubber	'000 tons	966	1,044	(7.5)
Urea	'000 tons	2,300	2,549	(9.8)

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

(2) The relatively larger increase in kerosene output was mainly due to the significant increase in demand for aviation kerosene as the air travel market recovered in 2023.

(3) Marketing

Domestic Operations

In 2023, the Group strengthened the coordination between production and sales in domestic sales operations, optimized resource allocation, and ensured the smooth operation of the crude oil industry chain. The Group innovated the integrated operation mode of wholesale and retail, made efforts to increase the sales volume and market share of refined products, and continuously enhanced marketing profitability. The Group steadily promoted the green and low-carbon transformation of terminal sales operations, successfully acquired Potevio New Energy Co., Ltd, and actively carried out construction layout for hydrogen refuelling stations, charging and swapping stations, photovoltaic stations and others. The Group vigorously developed non-oil business, resulting in a substantial increase in gross profit from non-oil business.

International Trading Operations

In 2023, the Group continued to improve the business layout and network construction of international trading operations, optimized the export of refined products and chemical products, and made efforts to maximize the value of the industrial chain.

In 2023, the sales volume of gasoline, kerosene and diesel of the Group reached a total of 165.798 million tons, representing an increase of 10.1% as compared with 150.649 million tons for last year, among which, the domestic sales of gasoline, kerosene and diesel were 123.386 million tons, representing an increase of 17.3% as compared with 105.164 million tons for last year.

Key Figures for the Marketing Segment

	Unit	2023	2022	Year-on-year change (%)
Total sales volume of gasoline, kerosene and diesel	'000 tons	165,798	150,649	10.1
of which: Gasoline	'000 tons	67,136	58,209	15.3
Kerosene [1]	'000 tons	18,962	13,678	38.6
Diesel	'000 tons	79,700	78,762	1.2
Domestic sales volume of gasoline, kerosene and diesel	'000 tons	123,386	105,164	17.3
of which: Gasoline	'000 tons	51,541	44,284	16.4
Kerosene[1]	'000 tons	9,955	5,467	82.1
Diesel	'000 tons	61,890	55,413	11.7
Market share in domestic retail market	%	36.6	34.4	2.2 percentage points
Sales volume per service station	Tons/day	9.57	7.79	22.8

Note: (1) The relatively larger increase in the sales volume of kerosene was mainly due to the significant increase in demand for aviation kerosene as the air travel market recovered in 2023.

	Unit	December 31, 2023	December 31, 2022	Year-on-year change (%)
Number of gas stations	Units	22,755	22,586	0.7
Among which: Self-operated gas stations	Units	20,367	20,564	(1.0)
Number of convenience stores	Units	19,583	20,600	(4.9)

(4) Natural Gas Sales

In 2023, the Group continued to optimize the natural gas sales business by enhancing the import gas resource pool, reasonably arranging the pace of natural gas imports, and effectively controlling the cost of imported natural gas. The Group continuously optimized resource allocation and increased efforts in developing high-end, high-profitability markets and terminal markets. The Group adopted proactive marketing strategies and made efforts to enhance the quality and profitability of marketing.

In 2023, the Group sold 273.548 billion cubic metres of natural gas, representing an increase of 5.1% as compared with 260.284 billion cubic metres for last year, among which 219.757 billion cubic metres were sold in the domestic market, representing an increase of 6.1% as compared with 207.096 billion cubic metres for last year.

Huang Yongzhang Director and President

DISCUSSION AND ANALYSIS OF OPERATIONS

The following discussions and analysis should be read in conjunction with the audited financial statements of the Group and the notes set out thereto in the annual report and other sections hereof.

1. The financial data set out below is extracted from the audited financial statements of the Group prepared under IFRS Accounting Standards.

(1) Consolidated Operating Results

In 2023, the Group achieved a revenue of RMB3,011.012 billion, representing a decrease of 7.0% as compared with RMB3,239.167 billion for last year; profit attributable to owners of the Company was RMB161.146 billion, representing an increase of 8.3% as compared with RMB148.743 billion for last year; basic earnings per share were RMB0.88, representing an increase of RMB0.07 as compared with RMB0.81 for last year.

Revenue The revenue of the Group was RMB3,011.012 billion for 2023, representing a decrease of 7.0% as compared with RMB3,239.167 billion for last year. This was primarily due to the combined effect of the decrease in the prices and increase in sales volume of the oil and gas products such as crude oil and natural gas. The table below sets out external sales volume and average realized prices for major products sold by the Group in 2023 and 2022 and their respective percentage of change:

	Sales Volume ('000 ton)			Average Realized Price (RMB/ton)		
	2023	2022	Percentage of Change (%)	2023	2022	Percentage of Change (%)
Crude oil [1]	149,936	125,625	19.4	4,030	4,645	(13.2)
Natural gas (hundred million cubic meters, RMB/'000 cubic meter) [2]	2,735.48	2,602.84	5.1	2,076	2,684	(22.7)
Gasoline	67,136	58,209	15.3	8,205	8,686	(5.5)
Diesel	79,699	78,762	1.2	7,064	7,861	(10.1)
Kerosene	18,962	13,678	38.6	5,982	6,771	(11.7)
Polyethylene	6,001	6,455	(7.0)	7,398	7,807	(5.2)
Polypropylene	3,700	4,007	(7.7)	6,838	7,488	(8.7)
Lubricant	1,659	1,132	46.6	8,853	9,149	(3.2)

Note: (1) The crude oil listed above represents all the external sales volume of crude oil of the Group.

(2) The natural gas listed above represents all the external sales volume of natural gas of the Group. The decrease in average realized prices was mainly due to a significant decrease in overseas re-export trade prices.

Operating Expenses Operating expenses for 2023 was RMB2,775.546 billion, representing a decrease of 8.2% as compared with RMB3,022.507 billion for last year, among which:

Purchases, Services and Other Purchases, services and other for 2023 was RMB1,972.940 billion, representing a decrease of 10.9% as compared with RMB2,213.080 billion for last year. This was primarily due to the decrease of expenses for purchasing oil and gas products and trading expenses.

Employee Compensation Costs Employee compensation costs (including salaries of employees and cost of various market-oriented temporary and seasonal contractors, social insurance, housing provident fund, training costs and other additional costs) for 2023 was RMB172.745 billion, representing an increase of 5.9% as compared with RMB163.073 billion for last year. This was primarily due to the employee's compensation of the Group changed in tandem with the operating results of the Group.

Exploration Expenses Exploration expenses for 2023 was RMB20.764 billion, representing a decrease of RMB6.310 billion as compared with RMB27.074 billion for last year. This was primarily due to the Group's persistence in profitable exploration and continuous optimization of oil and gas exploration work deployment.

Depreciation, Depletion and Amortisation Depreciation, depletion and amortisation for 2023 was RMB247.452 billion, representing an increase of 4.0% as compared with RMB238.036 billion for last year. This was primarily due to the increase in oil and gas production and the year-on-year increase in fixed assets and oil and gas properties.

Selling, General and Administrative Expenses Selling, general and administrative expenses for 2023 was RMB64.074 billion, representing an increase of 7.6% as compared with RMB59.529 billion for last year. This was primarily due to increase of the standard to determine the safety fund as well as an increase in research and development expenses.

Taxes other than Income Taxes Taxes other than income taxes for 2023 was RMB296.226 billion, representing an increase of 6.5% as compared with RMB278.055 billion for last year, among which: according to PRC regulations, the levy for mineral rights concessions newly added in this year was RMB23.685 billion; due to the increase in production and sales volume of refined products, the consumption tax for 2023 was RMB183.360 billion, representing an increase of 15.2% as compared with RMB159.132 billion for last year; influenced by the decrease in the crude oil prices, the resource tax for 2023 was RMB29.674 billion, representing a decrease of 10.1% as compared with RMB32.991 billion for last year; and crude oil special gain levy for 2023 was RMB17.108 billion, representing a decrease of 60.9% as compared with RMB43.768 billion for last year.

Other Expenses, net Other expenses, net for 2023 was RMB1.345 billion, representing a decrease of RMB42.315 billion as compared with RMB43.660 billion for last year. This was primarily due to the reduction in asset disposal losses and the impact of disposal in gains or losses from derivative financial instruments.

Profit from Operations The profit from operations for 2023 was RMB235.466 billion, representing an increase of 8.7% as compared with RMB216.660 billion for last year.

Net Exchange Loss Net exchange loss for 2023 was RMB0.744 billion, representing a decrease of RMB1.074 billion as compared with RMB1.818 billion for last year. This was primarily due to the impact of fluctuation in the exchange rate of US Dollar against RMB.

Net Interest Expense Net interest expense for 2023 was RMB15.798 billion, representing a decrease of 6.1% as compared with RMB16.816 billion for last year, mainly due to the Group's reduction of interest-bearing debt scale and the optimization of its debt structure.

Profit Before Income Tax Expense Profit before income tax expense for 2023 was RMB237.462 billion, representing an increase of 11.3% as compared with RMB213.277 billion for last year.

Income Tax Expense The income tax expense for 2023 was RMB57.169 billion, representing an increase of 14.5% as compared with RMB49.929 billion for last year. This was primarily due to the increase in the Group's profit before income tax expense.

Profit for the Year Profit for the year for 2023 was RMB180.293 billion, representing an increase of 10.4% as compared with RMB163.348 billion for last year.

Profit Attributable to Non-controlling Interests Profit attributable to non-controlling interests for 2023 was RMB19.147 billion, representing an increase of 31.1% as compared with RMB14.605 billion for last year. This was primarily due to the increased profits from the Group's subsidiaries.

Profit Attributable to Owners of the Company Profit attributable to owners of the Company for 2023 was RMB161.146 billion, representing an increase of 8.3% as compared with RMB148.743 billion for last year .

(2) Segment Results

- Oil, Gas and New Energy

Revenue The revenue of the Oil, Gas and New Energy segment for 2023 was RMB892.335 billion, representing a decrease of 4.0% as compared with RMB929.279 billion for last year, which was primarily due to the combined effect of increase in the sales volumes and the decrease in the prices of oil and gas products such as crude oil and natural gas.

The average price for crude oil of the Group in 2023 was USD76.60 per barrel, representing a decrease of 16.8% as compared with USD92.12 per barrel for last year.

Operating Expenses Operating expenses of the Oil, Gas and New Energy segment for 2023 was RMB743.640 billion, representing a decrease of 2.6% as compared with RMB763.531 billion for last year, which was primarily due to the decrease in procurement expenses and losses on disposal of assets.

In 2023, the unit oil and gas lifting costs of the Group was USD11.95 per barrel, representing a decrease of 3.8% as compared with USD12.42 per barrel for last year.

Profit from Operations In 2023, the Oil, Gas and New Energy segment, guided by the goal of improving efficiency and profitability, persisted in high-efficient exploration and high-profitable development. The Group made great efforts to control investments and cost expenses, continuously strengthened the management and control of oil and gas discovery costs and production costs, and endeavoured to promote the increase of production and profitability. The Oil, Gas and New Energy segment realized profit from operations of RMB148.695 billion, decreased by 10.3% as compared with RMB165.748 billion for last year, mainly due to the decrease in the product price of crude oil, natural gas and others.

◆ Refining, Chemicals and New Materials

Revenue The revenue of the Refining, Chemicals and New Materials segment for 2023 was RMB1,221.161 billion, representing an increase of 4.9% as compared with RMB1,164.596 billion for last year, primarily due to the combined effect of the increase in sales volume of the refined and chemical products and the decrease in the prices of the refined and chemical products.

Operating Expenses Operating expenses of the Refining, Chemicals and New Materials segment for 2023 was RMB1,184.225 billion, representing an increase of 5.4% as compared with RMB1,124.026 billion for last year, primarily due to the increase in the procurement costs of crude oil and feedstock and the increase in consumption tax.

In 2023, the cash processing costs of refineries of the Group was RMB230.74 per ton, representing an increase of 7.1% as compared with RMB215.37 per ton for last year, mainly due to the impact of the high consumption of the initial commissioning of Guangdong Petrochemical Company's integration project of refining and chemicals and the increase in the price of fuel and power.

Profit from Operations In 2023, the Refining, Chemicals and New Materials segment adhered to market-oriented principles, aiming to continuously optimize the products structure based on market demand. The Group increased production of high-end featured refined products and chemical products. The Group also intensified research and development efforts in chemical new materials, promoting a substantial increase in the production and sales volume of chemical new materials. The Group strengthened cost benchmarking analysis, improved lean management in the production process and made efforts to control processing costs. The Refining, Chemicals and New Materials segment in 2023 realized profit from operations of RMB36.936 billion, representing a decrease of 9.0% as compared with RMB40.570 billion for last year, among which, the refining business recorded profit from operations of RMB36.252 billion, representing a decrease of 11.9% as compared with RMB41.168 billion for last year, primarily due to the combined effects of narrowing profit margins in the refining business and an increase in production volume; the chemical business recorded profit from operations of RMB0.684 billion, representing a turnaround of RMB1.282 billion from an operating loss of RMB0.598 billion for last year, primarily due to an increase in the sales volume of chemical products and a decrease in crude oil prices and cost of raw materials under the chemical business.

◆ Marketing

Revenue The revenue of the Marketing segment for 2023 was RMB2,527.059 billion, representing a decrease of 8.8% as compared with RMB2,771.894 billion for last year, primarily due to the decrease in the price of refined products and the revenue of international trading operations.

Operating Expenses Operating expenses of the Marketing segment for 2023 was RMB2,503.097 billion, representing a decrease of 9.2% as compared with RMB2,757.520 billion for last year, primarily due to the decrease in the expenditure arising from the purchase of refined products and trading expenses.

Profit from Operations In 2023, the Marketing segment seized the favourable opportunity of the recovery in domestic refined products market demand. The Group vigorously strengthened marketing efforts to increase market share; coordinated and optimized the allocation of resources in both domestic and international markets, and further enhanced the overall profitability of the industry chain. The Marketing segment recorded profit from operations of RMB23.962 billion, representing an increase of 66.7% as compared with RMB14.374 billion for last year.

◆ Natural Gas Sales

Revenue The revenue of the Natural Gas Sales segment amounted to RMB561.191 billion for 2023, representing an increase of 8.1% as compared with RMB519.211 billion for last year, primarily due to the increase in both sales volume and price of domestic natural gas.

Operating Expenses Operating expenses of the Natural Gas Sales segment amounted to RMB518.147 billion for 2023, representing an increase of 2.3% as compared with RMB506.254 billion for last year, primarily due to the increase in the expenditure of natural gas purchase.

Profit from Operations In 2023, the Natural Gas Sales segment made overall arrangement regarding the procurement of natural gas, optimized the imported natural gas source structure, and strived to control the procurement costs. The Group continuously promoted low-cost development, implemented the concept of reducing costs and improving profitability, controlled operation costs through optimizing overall integration of our resource allocation. Under the strict implementation of national price policies, the Group adhered to market-oriented and specialized marketing, actively explored high-end and high-profitability markets, fully utilized the function of value discovery through online trading, strived to increase sales volume and profit. The Group continuously improved the natural gas terminal business and terminal marketing network to increase the profitability of terminal business. The Natural Gas Sales segment recorded profit from operations of RMB43.044 billion, representing an increase of RMB30.087 billion as compared with RMB12.957 billion for last year.

In 2023, the Group's overseas operations[a] realized a revenue of RMB1,010.507 billion, accounting for 33.6% of the Group's total revenue; profit before income tax expense amounted to RMB41.726 billion, accounting for 17.6% of the Group's total profit before income tax expense. The Group's overseas operations maintained a stable development with continuous improvement in its international operation abilities.

(a) Overseas operations do not constitute a separate operating segment of the Group. The financial data of overseas operations are included in the financial data of respective operating segments mentioned above.

(3) Assets, Liabilities and Equity

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

	As at December 31, 2023	As at December 31, 2022	Percentage of Change
	RMB million	RMB million	%
Total assets	2,752,448	2,670,400	3.1
Current assets	658,520	613,867	7.3
Non-current assets	2,093,928	2,056,533	1.8
Total liabilities	1,122,075	1,136,234	(1.2)
Current liabilities	689,007	624,263	10.4
Non-current liabilities	433,068	511,971	(15.4)
Equity attributable to owners of the Company	1,446,163	1,365,617	5.9
Share capital	183,021	183,021	-
Reserves	343,738	332,327	3.4
Retained earnings	919,404	850,269	8.1
Total equity	1,630,373	1,534,166	6.3

Total assets amounted to RMB2,752.448 billion, representing an increase of 3.1% as compared with RMB2,670.400 billion as at the end of last year, of which:

Current assets amounted to RMB658.520 billion, representing an increase of 7.3% as compared with RMB613.867 billion as at the end of last year, primarily due to the increase in cash and cash equivalents and inventories.

Non-current assets amounted to RMB2,093.928 billion, representing an increase of 1.8% as compared with RMB2,056.533 billion as at the end of last year, primarily due to the increase in the property, plant and equipment.

Total liabilities amounted to RMB1,122.075 billion, representing a decrease of 1.2% as compared with RMB1,136.234 billion as at the end of last year, of which:

Current liabilities amounted to RMB689.007 billion, representing an increase of 10.4% as compared with RMB624.263 billion as at the end of last year, primarily due to the increase in the long-term borrowings due within a year and other taxes payable.

Non-current liabilities amounted to RMB433.068 billion, representing a decrease of 15.4% as compared with RMB511.971 billion as at the end of last year, primarily due to the optimization of debt structure of the Group and the decrease in long-term borrowings.

Equity attributable to owners of the Company amounted to RMB1,446.163 billion, representing an increase of 5.9% as compared with RMB1,365.617 billion as at the end of last year, primarily due to the increase in retained earnings.

(4) Cash Flows

As at December 31, 2023, the primary sources of funds of the Group were cash from operating activities and short-term and long-term borrowings. The funds of the Group were mainly used for operating activities, capital expenditures, repayment of short-term and long-term borrowings as well as distribution of dividends to shareholders.

The table below sets out the net cash flows of the Group for 2023 and 2022 respectively and the amount of cash and cash equivalents as at the end of each year:

	Year ended December 31	
	2023	2022
	RMB Million	RMB Million
Net cash flows from operating activities	456,596	393,768
Net cash flows used for investing activities	(255,789)	(232,971)
Net cash flows used for financing activities	(146,572)	(113,713)
Translation of foreign currency	3,576	7,317
Cash and cash equivalents at end of the year	249,001	191,190

◆ Net Cash Flows from Operating Activities

The net cash flows from operating activities of the Group in 2023 amounted to RMB456.596 billion, representing an increase of 16.0% as compared with RMB393.768 billion for last year, primarily due to the combined impact from the increase in profit and the change in working capital during the Reporting Period. As at December 31, 2023, the Group had cash and cash equivalents of RMB249.001 billion. The cash and cash equivalents were mainly denominated in Renminbi and US Dollar (approximately 52.4% were denominated in US Dollar, approximately 44.5% were denominated in Renminbi, approximately 2.6% were denominated in HK Dollar and approximately 0.5% were denominated in other currencies).

◆ Net Cash Flows Used for Investing Activities

The net cash flows used for investing activities of the Group in 2023 amounted to RMB255.789 billion, representing an increase of 9.8% as compared with RMB232.971 billion for last year, primarily due to the increase in the capital expenditure.

◆ Net Cash Flows Used for Financing Activities

The net cash used for financing activities of the Group in 2023 was RMB146.572 billion, representing an increase of 28.9% as compared with RMB113.713 billion for last year, primarily due to the Group's control of debt size and the optimization of the debt structure, and the decrease in new long-term and short-term borrowings.

The net borrowings of the Group as at December 31, 2023 and December 31, 2022, respectively, were as follows:

	As at December 31, 2023	As at December 31, 2022
	RMB Million	RMB Million
Short-term borrowings (including current portion of long-term borrowings)	148,780	100,639
Long-term borrowings	143,198	222,478
Total borrowings	291,978	323,117
Less: Cash and cash equivalents	249,001	191,190
Net borrowings	42,977	131,927

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

	As at December 31, 2023	As at December 31, 2022
	RMB Million	RMB Million
Within 1 year	160,305	107,461
Between 1 and 2 years	93,927	129,885
Between 2 and 5 years	36,931	102,490
After 5 years	22,961	16,500
	314,124	356,336

Of the total borrowings of the Group as at December 31, 2023, fixed-rate borrowings were RMB138,029 million, accounting for 47.3%, floating-rate borrowings were RMB153,949 million, accounting for 52.7%; approximately 65.4% were denominated in Renminbi, approximately 32.0% were denominated in US Dollar and approximately 2.6% were denominated in other currencies.

As at December 31, 2023, the gearing ratio of the Group (gearing ratio = interest-bearing borrowings/(interest-bearing borrowings + total equity), interest-bearing borrowings include various long-term and short-term borrowings) was 15.2% (17.4% as at December 31, 2022).

(5) Capital Expenditures

In 2023, the Group, by adhering to the principle of investing on a rigorous, precise and profitable basis, continued to improve its level of investment structure, increased investment in oil and gas exploration and development, refining and upgrading, new energy and new materials businesses and promoted the steady development of core businesses. In 2023, the capital expenditures of the Group amounted to RMB275.338 billion, representing an increase of 0.4% as compared with RMB274.307 billion for last year. The table below sets out the capital expenditures of the Group for 2023 and 2022 and estimated capital expenditure of each business segment for 2024.

	2023		2022		Estimated amount for 2024	
	RMB Million	%	RMB Million	%	RMB Million	%
Oil, Gas and New Energy	248,378	90.21	221,592	80.78	213,000	82.56
Refining, Chemicals and New Materials	16,383	5.95	41,771	15.23	29,000	11.24
Marketing	4,673	1.70	5,069	1.85	7,000	2.71
Natural Gas Sales	4,050	1.47	4,936	1.80	6,000	2.33
Head Office and Other	1,854	0.67	939	0.34	3,000	1.16
Total	275,338	100.00	274,307	100.00	258,000	100.00

◆ Oil, Gas and New Energy

Capital expenditures for the Oil, Gas and New Energy segment for 2023 amounted to RMB248.378 billion, which were primarily used for the exploration and development with scale benefit and profitability in key domestic basins such as Songliao, Ordos, Junggar, Tarim, Sichuan and Bohai Bay, devoting greater efforts in the exploration of unconventional resources such as shale gas and shale oil, promoting new energy projects such as wind, solar, and other clean power, CCUS, and hydrogen energy demonstration projects; and actively responded to changes in the overseas situations, strengthened production capacity construction of key projects, and continuously managed projects effectively in cooperation areas such as the Middle East, Central Asia, the Americas and the Asia-Pacific region.

It is estimated that the capital expenditures for the Oil, Gas and New Energy segment for 2024 will be RMB213.000 billion, which will be primarily for the continuous concentration of exploration and development with scale benefit and profitability in key domestic basins such as Songliao, Ordos, Junggar, Tarim, Sichuan and Bohai Bay. The Company will devote greater efforts in the exploration of unconventional resources such as shale gas and shale oil, accelerate the construction of gas storage capacity, promote new energy projects including clean power, utilization of geothermal waste heat, CCUS and hydrogen energy, adhere to the principle of concentrated and profitable development in overseas operations, promote the independent exploration projects, strengthen the obtaining of high-quality projects, continuously optimize asset structure, business structure and regional layout while continuing operating existing projects in cooperation areas such as the Middle East, Central Asia, America and the Asia Pacific region.

◆ Refining, Chemicals and New Materials

Capital expenditures for the Refining, Chemicals and New Materials segment for 2023 amounted to RMB16.383 billion, which were primarily used for refining and chemical transformation and upgrading project of Jilin Petrochemical Company and Guangxi Petrochemical Company's integration of refining and petrochemical transformation and upgrading project, as well as transformation and upgrading projects related to the reduction of refining products and increase of chemical products (減油增化) and new materials and new technologies.

It is estimated that the capital expenditures for the Refining, Chemicals and New Materials segment for 2024 will be RMB29.000 billion, mainly allocated for the large-scale projects such as refining and chemical transformation and upgrading project of Jilin Petrochemical Company and Guangxi Petrochemical Company's integration of refining and petrochemical transformation and upgrading project. It will also be used to commence the construction of Dushanzi Petrochemical Company's Tarim 1.2 million tons per year phase II ethylene project and progress steadily with the transformation and upgrading projects such as project of Lanzhou Petrochemical Company.

◆ Marketing

Capital expenditures for the Marketing segment for 2023 amounted to RMB4.673 billion, which were primarily used for the construction of domestic integrated stations covering oil, gas, hydrogen, power and non-oil products, improvement of terminal network, the equipment construction of overseas oil and gas storage and transportation and sales.

It is estimated that the capital expenditures for the Marketing segment for 2024 will amount to RMB7.000 billion which will be primarily used for the construction of domestic integrated energy stations for oil, gas, hydrogen, power and non-oil products, the construction of charging and swapping stations and the optimization of terminal network and the equipment construction of overseas oil and gas storage and transportation and sales.

◆ Natural Gas Sales

Capital expenditures for the Natural Gas Sales segment for 2023 amounted to RMB4.050 billion, which were primarily used for construction of natural gas branch lines and market development projects for urban gas terminal market.

It is estimated that capital expenditures for the Natural Gas Sales segment for 2024 will be RMB6.000 billion, which will be used primarily for construction of Fujian liquid natural gas ("LNG") receiving stations and ancillary pipelines, natural gas branch lines and market development projects for urban gas terminal market.

◆ Head Office and Other

Capital expenditures for the Head Office and Other segment for 2023 were RMB1.854 billion, which were primarily used for construction of scientific research facilities and IT systems.

It is estimated that the capital expenditures for the Head Office and Other segment of the Group for 2024 will be RMB3.000 billion, which will be primarily used for construction of scientific facilities and IT systems.

2. The financial data set out below is extracted from the audited financial statements of the Group prepared under CAS.

(1) Financial Data Prepared under CAS

	As at December 31, 2023	As at December 31, 2022	Percentage of Change
	RMB Million	RMB Million	%
Total assets	2,752,710	2,670,666	3.1
Current assets	658,520	613,867	7.3
Non-current assets	2,094,190	2,056,799	1.8
Total liabilities	1,122,089	1,136,250	(1.2)
Current liabilities	689,007	624,263	10.4
Non-current liabilities	433,082	511,987	(15.4)
Total equity attributable to owners of the Company	1,446,410	1,365,866	5.9
Total equity	1,630,621	1,534,416	6.3

Please refer to sub-section "(3) Assets, Liabilities and Equity" under the section "1. Discussion and Analysis of Operations" of this annual report for reasons of changes.

(2) Principal operations by segment under CAS

	Income from principal operations for the year 2023	Cost of principal operations for the year 2023	Margin(1)	Year-on-year change in income from principal operations	Year-on-year change in cost of principal operations	Increase or decrease in margin
	RMB million	RMB million	%	%	%	Percentage point
Oil, Gas and New Energy	870,850	556,332	26.7	(4.2)	(4.1)	0.3
Refining, Chemicals and New Materials	1,213,919	939,270	5.9	4.8	4.8	(1.2)
Marketing	2,492,392	2,404,817	3.4	(9.1)	(8.9)	(0.3)
Natural Gas Sales	554,593	514,759	7.1	8.0	3.0	4.5
Head Office and Other(2)	1,258	833	-	133.4	20.2	-
Inter-segment Elimination	(2,194,874)	(2,191,086)	-	-	-	-
Total	2,938,138	2,224,925	14.5	(7.5)	(9.4)	0.3

Note: (1) Margin = Profit from principal operations / Income from principal operations.

(2) The relatively larger increase in income from Head Office and Other segment was mainly due to the significant increase in the Group's scientific research business income.

(3) Principal Operations by regions under CAS

Revenue	In 2023 RMB Million	In 2022 RMB Million	Increase or decrease compare with last year %
China's mainland	2,000,505	1,888,906	5.9
Others	1,010,507	1,350,261	-25.2
Total	3,011,012	3,239,167	-7.0

Non-current assets [(1)]	As at December 31, 2023 RMB Million	As at December 31, 2022 RMB Million	Increase or decrease compare with last year %
China's mainland	1,885,187	1,853,721	1.7
Others	184,104	178,343	3.2
Total	2,069,291	2,032,064	1.8

Note: (1) Non-current assets mainly include non-current assets other than financial instruments and deferred tax assets.

(4) Principal subsidiaries and associates of the Group under CAS

Name of company	Registered capital RMB million	Shareholding %	Amount of total assets RMB million	Amount of total liabilities RMB million	Amount of total net assets/ (liabilities) RMB million	Net profit/ (loss) RMB Million
Daqing Oilfield Company Limited	47,500	100.00	386,563	153,134	233,429	8,771
CNPC Exploration and Development Company Limited ("CNPC E&D")	16,100	50.00	218,697	30,210	188,487	16,253
PetroChina Hong Kong Limited	HKD7,592 million	100.00	164,817	56,475	108,342	10,019
PetroChina International Investment Company Limited	31,314	100.00	104,797	185,079	(80,282)	(8,030)
PetroChina International Co., Ltd.	18,096	100.00	313,504	206,041	107,463	14,003
PetroChina Sichuan Petrochemical Company Limited	10,000	90.00	28,574	3,976	24,598	218
China Oil & Gas Pipeline Network Corporation (the "PipeChina")	500,000	29.90	940,495	355,627	584,868	34,054
China Petroleum Finance Co., Ltd. ("CNPC Finance")	16,395	32.00	528,105	440,887	87,218	6,625
CNPC Captive Insurance Co., Ltd.	6,000	49.00	10,922	3,418	7,504	459
China Marine Bunker (PetroChina) Co., Ltd.	1,000	50.00	12,215	9,685	2,530	201
Mangistau Investment B.V.	USD131 million	50.00	12,941	3,459	9,482	816
Trans-Asia Gas Pipeline Co., Ltd.	5,000	50.00	52,894	2,196	50,698	4,404

Note: For the nature of business and net profit of principal subsidiaries and associates, please refer to Note 6 and Note 16 to the financial statements prepared in accordance with CAS.

SIGNIFICANT EVENTS

1. Cash Dividend in the Recent Three Years

Unit: RMB Million

Year	Amount (inclusive of tax)	Profit of the Year (1)	Percentage of Profit (%)
2021	41,476	92,170	45.0
2022	77,341	148,743	52.0
2023	80,529	161,146	50.0

Note: (1) Profit means historical data of profit attributable to owners of the Company in the year as calculated in accordance with the IFRS Accounting Standards.

Formulation and implementation of the cash dividend policy of the Company

To safeguard the interests of vast shareholders, it is provided by the Company in the Articles of Association of PetroChina Company Limited ("Articles of Association") that in the premise that the net profit attributable to owners of the Company and the accumulated undistributed profit for the year are positive, and the Company's cash flows can satisfy the normal operation and sustainable development of the Company, the amount of cash dividend to be distributed shall not be less than 30% of the net profit attributable to owners of the Company realized in the relevant year. The Company distributes dividends twice a year, with the final dividend to be determined by the general meeting by ordinary resolution and the interim dividend determined by the Board of Directors as authorized by the general meeting by way of ordinary resolution.

Since its listing, the Company has strictly complied with the Articles of Association and relevant regulatory requirements and made decision on dividend distribution adopting the principle of returns to shareholders. The steady and active dividend distribution policy of the Company is welcomed by the shareholders. The independent Directors of the Company have performed their duties faithfully and diligently, formed opinions on dividend distribution independently and objectively, and played a desirable role. In 2023, the Company distributed 50.0% of its net profit attributable to owners of the Company as dividend.

2. Distribution Plan for the Final Dividend for 2023

After overall consideration of the Company's operating results, financial position and cash flows, etc. and in return for the shareholders, the Board recommended a final cash dividend of RMB0.23 (inclusive of applicable tax) per share for 2023 to all shareholders of the Company. The total amount of cash dividends reaches approximately RMB42.095 billion. The proposed final dividend is subject to shareholders' review and approval at the forthcoming 2023 annual general meeting. The final dividend of H shares will be paid to all shareholders of H shares whose names appear on the register of members of the Company at the close of trading on June 25, 2024. The register of members of H shares will be closed from June 20, 2024 to June 25, 2024 (both days inclusive) during which period no transfer of H shares will be registered. In order to qualify for the final dividend, holders of H shares must lodge all transfer documents together with the relevant share certificates at Hong Kong Registrars Limited, Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at or before 4:30 p.m. on June 19, 2024. Holders of A shares whose names appear on the register of members of the Company maintained at China Securities Depository and Clearing Corporation Limited ("CSDC") at the close of trading on the Shanghai Stock Exchange in the afternoon of June 25, 2024 are eligible for the final dividend. The final dividend of A shares and H shares for 2023 will be paid on or about June 26, 2024 and July 29, 2024, respectively.

In accordance with the relevant provisions of the Articles of Association and relevant laws and regulations, dividends payable to the Company's shareholders shall be declared in Renminbi. Dividends payable to the holders of A shares shall be paid in Renminbi, and for the A shares of the Company listed on the Shanghai Stock Exchange and invested by the investors through the Hong Kong Stock Exchange, dividends shall be paid in Renminbi to the accounts of the nominal shareholders through CSDC. Save for the H shares of the Company listed on the Hong Kong Stock Exchange and invested by the investors through the Shanghai Stock Exchange and the Shenzhen Stock Exchange (the "H Shares under the Southbound Trading Link"), dividends payable to the holders of H shares shall be paid in Hong Kong Dollar. The applicable exchange rate shall be the average of the medium exchange rate for Renminbi to Hong Kong Dollar as announced by the People's Bank of China for the week prior to the declaration of the dividends at the 2023 annual general meeting. Dividends payable to the holders of H Shares under the Southbound Trading Link shall be paid in Renminbi. In accordance with the Agreement on Payment of Cash Dividends on the H Shares under the Southbound Trading Link (《港股通H股股票現金紅利派發協議》) between the Company and CSDC, CSDC will receive the dividends payable by the Company to holders of the H Shares under the Southbound Trading Link as a nominal holder of the H Shares under the Southbound Trading Link on behalf of investors and assist the payment of dividends on the H Shares under the Southbound Trading Link to investors thereof.

In relation to individual shareholders and securities investment funds holding A shares of the Company, according to the rules of the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2012] No.85) (《關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2012]85號)) and the Notice of the Ministry of Finance, the State Administration of Taxation ("SAT") and the China Securities Regulatory Commission on Issues concerning Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2015] No.101) (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號)), when the Company distributes dividends, investors holding the shares of the Company for more than one year shall be temporarily exempted from individual income tax; investors holding the shares of the Company within one year (including one year) shall be temporarily exempted from paying individual income tax. When individual shareholders and securities investment funds holding A shares of the Company transfer their shares after the equity registration date, the Shanghai Branch of CSDC will calculate the actual tax payable based on the period of their shareholding, and securities companies and other share custodians will withhold the amount of tax payable from their respective accounts transfer to the Shanghai Branch of CSDC. The actual tax payable is calculated as follows: if the shareholding period (meaning the duration from the date of public offering or acquiring the Company's shares from the market to the day before the date of transfer and delivery of the stock) is within one month (including one month), the dividends and bonuses will be fully considered as taxable income, and the actual tax payable will be 20% of the dividends and bonuses; if the shareholding period is more than one month to one year (including one year), 50% of the dividends and bonuses will be considered as taxable income, and the actual tax payable will be 10% of the dividends and bonuses; if the shareholding period exceeds one year, the dividends and bonuses are temporarily exempted from individual income tax.

In relation to Qualified Foreign Institutional Investors ("QFII") holding A shares of the Company, according to the rules of Notice on Issues Concerning the Withholding of Enterprise Income Tax on Dividends, Bonuses and Interests Paid to QFII by Chinese Resident Enterprises (《關於中國居民企業向QFII支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》(國稅函[2009]47號)) promulgated by the SAT on January 23, 2009 (Letter No. 47 [2009] of the SAT), the Company will withhold enterprise income tax at the rate of 10%; if the relevant shareholders consider that they are entitled to tax treatment under certain tax treaty (arrangement) in relation to the dividends, such shareholders may file an application for the tax treatment under the tax treaty (arrangement) with the competent tax authority after receiving dividends according to Letter No. 47 [2009] of the SAT.

According to the Law on Corporate Income Tax of the People's Republic of China (《中華人民共和國企業所得稅法》) and the relevant implementing rules which came into effect on January 1, 2008, amended on February 24, 2017 and December 29, 2018, the Company is required to withhold corporate income tax at the rate of 10% before distributing dividends to non-resident enterprise shareholders whose names appear on the register of members of H shares of the Company. Any H shares registered in the name of non-individual shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations will be treated as being held by non-resident enterprise shareholders and therefore will be subject to the withholding of the corporate income tax. Should any holder of H shares wish to change his/her/its shareholder status, please consult his/her/its agent or trust institution over the relevant procedures. The Company will withhold payment of the corporate income tax strictly in accordance with the relevant laws or requirements of the relevant governmental departments and strictly based on the information registered on the Company's H share register of members on June 25, 2024.

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

The Company will determine the country of domicile of the individual H shareholders based on the registered address as recorded in the register of members of the Company (the "Registered Address") on June 25, 2024 and will accordingly withhold and pay the individual income tax. If the country of domicile of an individual H shareholder is not the same as the Registered Address, the individual H shareholder shall notify the share registrar of the Company's H shares and provide relevant supporting documents on or before 4:30 p.m. on June 19, 2024 (address: Hong Kong Registrars Limited, Shops 1712-1716, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong). If the individual H shareholder does not provide the relevant supporting documents to the share registrar of the Company's H shares within the time period stated above, the Company will determine the country of domicile of the individual H shareholder based on the recorded Registered Address on June 25, 2024.

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

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

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

3. Shareholding in other companies

(1) Shareholding interests in other listed companies

As at the end of the Reporting Period, interests in other listed securities held by the Group were as follows:

Unit: HK dollars million

Stock code	Stock short name	Initial Investment amount	Number of shares held	Shareholding (%)	Book value as at the end of the year	Profit or loss in the Reporting Period	Change in equity in the Reporting Period	Classification in accounts	Source of shareholding
135	KUNLUN ENERGY COMPANY LIMITED ("Kunlun Energy")(1)	25,802	4,708,302,133	54.38	25,802	-	-	Long-term equity investments	Acquisition and further issue of shares

Note: The Group held the shares in Kunlun Energy through PetroChina Hong Kong Limited, an overseas wholly-owned subsidiary of the Company. The shares of Kunlun Energy are listed on the Hong Kong Stock Exchange.

(2) Shareholding of interests in non-listed financial institutions

Unit: RMB Million

Name of investment target	Initial investment amount	Number of shares held	Shareholding (%)	Book value as at the end of the year	Profit or loss in the Reporting Period	Change in equity in the Reporting Period	Classification in accounts	Source of shareholding
CNPC Finance	10,223	5,246,490,000	32.00	28,259	2,120	1,597	Long-term equity investment	Injection of capital
CNPC Captive Insurance Co., Ltd.	2,450	2,940,000,000	49.00	3,677	225	132	Long-term equity investment	Establishment by promotion

4. Significant connected transactions during the Reporting Period

Please refer to the section "Connected Transactions" in this annual report. During the Reporting Period, no substantial shareholder of the Company has utilized the funds of the Company for non-operating purposes.

5. Material contracts and the performance thereof

(1) During the Reporting Period, there was no escrow, contracting or leasing of the assets of other companies or escrow, contracting or leasing of the Company's assets by other companies which occurred or continued into the Reporting Period and which generated profits for the Company amounting to 10% or more (including 10%) of the Company's total profit for the year.

(2) As of the end of the Reporting Period, the Company and its subordinate companies had a guarantee balance of RMB200.963 billion, including RMB194.635 billion for performance guarantee, RMB6.328 billion for financing guarantee, and the balance of guarantees as of the end of the Reporting Period accounted for approximately 12.32% of the Group's net asset. The guarantee balance of the Company as of the end of the Reporting Period did not exist for the guarantee provided to the controlling shareholder, the ultimate controller and its related parties.

(3) The Company did not entrust any other person on material wealth management during the Reporting Period.

(4) The Company had no material external entrustment loans during the Reporting Period.

(5) The Company had no overdue principals or interests of material bank loans during the Reporting Period.

(6) Save as disclosed in this annual report, during the Reporting Period, the Company did not enter into any material contract which requires disclosure.

6. Performance of Undertakings

In order to support the business development of the Company, consolidate the relevant quality assets and avoid industry competition, CNPC, the controlling shareholder of the Company, entered into the Agreement on Non-Competition and Pre-emptive Right to Transactions (the "Agreement") with the Company on March 10, 2000. As at the end of the Reporting Period, except for those already performed, the undertakings not performed by CNPC included the following: (1) certain overseas oil and gas projects owned by CNPC are located in countries or regions in social and political turbulence. In relation to such projects, foreign investors from specific countries are restricted by the policies, laws and regulations of their countries and cannot or are inconvenient to invest in companies that own such assets, and in order to protect the safety of the Company's own supply chain and reduce compliance risks, the Company has not yet decided to exercise the right to acquire such projects; (2) after execution of the Agreement, CNPC obtained certain business opportunities that competed or were likely to compete with the principal business of the Company, which was not in strict compliance with the Agreement. Nevertheless, such industry competition primarily concentrated on oil and gas exploration and development operations at certain overseas countries and regions in which the resources owned by CNPC were insufficient or uncertain.

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

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

Save for the above undertakings, there is no material undertakings given by the Company, any shareholders, ultimate controllers, purchasers, Director, Supervisor or senior management or other related parties during the Reporting Period.

7. Engagement and disengagement of accounting firm

The Company did not change its accounting firm during the Reporting Period.

As approved at the 2022 annual general meeting, the Company continued to engage PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers to serve as the domestic and overseas auditors, respectively, for the year of 2023. The engagement partner of the 2023 audit work is Ms. Zhao Juan, who has provided the Company with audit services for three years; and the signing accountant is Mr. Hu Yang, who has provided the Company with audit services for three years. Remuneration in respect of the 2023 audit work amounted to RMB46 million, mainly for the provision of auditing services for the Company's domestic and international needs, in which the financial report auditing fee amounted to RMB39 million and the financial report internal control auditing fee amounted to RMB7 million. For details of the auditors' remuneration, please refer to Note 7 to the financial statements prepared in accordance with IFRS Accounting Standards in this annual report.

As at the end of the Reporting Period, PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers have both provided audit services to the Company for three years.

8. Material litigation and arbitration

During the Reporting Period, the Company has no material litigations or arbitrations.

9. Penalties on the Company and its Directors, Supervisors, senior management, controlling shareholder and ultimate controller and remedies thereto

During the Reporting Period, none of the Company or its current Directors, Supervisors, senior management, controlling shareholder or ultimate controller of the Company was subject to any investigation by the competent authorities or enforcement by judicial or disciplinary departments, or was handed over to judicial departments or subject to criminal liability, or subject to investigation or administrative penalty by the China Securities Regulatory Commission, or any denial of participation in the securities market or was deemed as unsuitable candidates, or was imposed on material punishment by other administrative authorities or was subject to any public criticisms made by a stock exchange.

The incumbent Directors, Supervisors and senior management of the Company and those who retired during the Reporting Period did not receive any punishment from the securities regulation organizations in recent three years.

10. Creditworthiness of the Company and its controlling shareholder and ultimate controller

During the Reporting Period, the Company and its controlling shareholder and ultimate controller did not incur any unperformed material court judgement that had come into force or any significant outstanding debt that had become due and payable.

11. Other Significant Matters

(1) The Chinese Government issues Measures for the Levy for Mineral Rights Concessions

On March 24, 2023, the Ministry of Finance, the Ministry of Natural Resources and the State Taxation Administration issued the Measures for Levy for Mineral Rights Concessions (Cai Zong [2023] No. 10) (《礦業權出讓收益徵收辦法》（財綜〔2023〕10號）) to further improve the system of remunerative use of mineral resources, regulate the management of the levy for mineral rights concessions, and levy for mineral rights concessions from the owners of mining rights in the form of the rate of return on the mineral rights concessions in respect of mineral types such as petroleum, natural gas and other minerals, with effect from May 1, 2023.

This event did not affect the continuity of the business and stability of management of the Group.

(2) The Chinese Government further clarifies the implementation caliber of consumption tax policies for certain refined products

On June 30, 2023, the Ministry of Finance and the State Administration of Taxation issued the Announcement on the Implementation Caliber of Consumption Tax Policies for Certain Refined Products (Announcement No. 11 [2023] of the Ministry of Finance and the State Administration of Taxation) (《關於部分成品油消費稅政策執行口徑的公告》（財政部 稅務總局公告2023年第11號）), which clearly defined that from the date of that announcement, consumption tax on alkylated oils (iso-octane) shall be levied according to relevant provisions on gasoline; consumption tax on petroleum ether, crude white oil, light white oil, and certain industrial white oils (No.5, No.7, No.10, No.15, No.22, No.32, and No.46) shall be levied according to relevant provisions on solvent oil; consumption tax on mixed aromatics, heavy aromatics, mixed C8, stable light hydrocarbons, light oil and light coal tar shall be levied according to relevant provisions on naphtha; the levying of consumption tax on aerospace kerosene shall be postponed by reference to the provisions on aviation kerosene.

This event did not affect the continuity of the business and the stability of management of the Group and was conducive to the sustainable and healthy development and positive operating results of the Group.

(3) The Chinese Government continuously implemented preferential policies for reduction of resource tax on shale gas

On September 20, 2023, the Ministry of Finance and the State Administration of Taxation issued the Announcement on Continued Implementation of Preferential Policies for Reduction of Resource Tax on Shale Gas (Announcement [2023] No. 46 of the Ministry of Finance and the State Administration of Taxation) (《關於繼續實施頁岩氣減徵資源稅優惠政策的公告》（財政部 稅務總局公告 2023年第46號）), which clearly states that the resource tax on shale gas shall continue to be reduced by 30% based on the stipulated tax rate of 6% until December 31, 2027.

This event did not affect the continuity of the business and the stability of management of the Group and was conducive to the sustainable and healthy development and positive operating results of the Group.

CONNECTED TRANSACTIONS

CNPC is the controlling shareholder of the Company and therefore transactions between the Group and CNPC constitute connected transactions of the Group under the SSE Listing Rules and the Hong Kong Listing Rules. China National Oil and Gas Exploration and Development Corporation ("CNODC"), a wholly-owned subsidiary of CNPC, holds 50% interest in CNPC E&D, a non-wholly-owned subsidiary of the Group. Pursuant to the Hong Kong Listing Rules, CNPC E&D is a connected person of the Company and transactions between the Group and CNPC E&D constitute connected transactions of the Group. Since December 28, 2006, the Group has held 67% equity interest in PetroKazakhstan Inc. ("PKZ") through CNPC E&D. Pursuant to the Hong Kong Listing Rules, CNPC E&D and its subsidiaries are connected persons of the Group. Therefore, transactions between the Group and PKZ constitute connected transactions of the Group.

The following connected transactions constitute the connected transactions or continuing connected transactions as defined under the SSE Listing Rules and/or the Chapter 14A of the Hong Kong Listing Rules and satisfy relevant disclosure requirements thereof. For details of the following connected transactions, please refer to the relevant announcements published on the websites of the Shanghai Stock Exchange or the Hong Kong Stock Exchange and the Company. Note 63 set out thereto in the financial statements of the Company prepared in accordance with the CAS has properly disclosed connected transactions or continuing connected transactions pursuant to the Hong Kong Listing Rules.

Continuing Connected Transactions

1. Continuing Connected Transactions with CNPC

The Group and CNPC continue to carry out certain continuing connected transactions. The Company obtained the approval of the independent Directors and the independent shareholders at the seventh meeting of the Board of Directors in the year of 2020 held on August 26 to 27, 2020 and the third extraordinary general meeting of 2020 held on November 5, 2020 for a renewal of and amendments to the relevant continuing connected transactions, and for the proposed caps for relevant continuing connected transactions from January 1, 2021 to December 31, 2023. Details of the above transactions were set out in the Company's announcements in respect of continuing connected transactions published on the website of the Shanghai Stock Exchange (Announcement No: Lin 2020-036) and Hong Kong Stock Exchange on August 27, 2020, respectively, the Company's circular in respect of continuing connected transactions published on the website of the Hong Kong Stock Exchange on September 15, 2020, and the Company's announcements in respect of passing resolutions at the extraordinary general meeting published on the website of the Shanghai Stock Exchange (Announcement No: Lin 2020-048) and Hong Kong Stock Exchange on November 5, 2020, respectively.

The Group and CNPC carried out the continuing connected transactions in 2023 referred to in the following agreements:

(1) Comprehensive Products and Services Agreement

The Group and CNPC implemented the Comprehensive Products and Services Agreement (the "Comprehensive Agreement") entered into on August 27, 2020 for the provision including (A) by the Group to CNPC/jointly-held entities and (B) by CNPC/jointly-held entities to the Group, of a range of products and services. The Comprehensive Agreement entered into force on January 1, 2021 with an effective term of three years.

On August 30, 2023, the Company and CNPC have entered into a new comprehensive products and services agreement (the "New Comprehensive Agreement") based on the Comprehensive Agreement entered into in 2020. The terms of the New Comprehensive Agreement shall be 3 years commencing on January 1, 2024. Main revised terms and conditions of the New Comprehensive Agreement in comparison with the Comprehensive Agreement are as follows: (1) the pricing basis for entrustment loans and guarantee services provided by the Group to CNPC/jointly-held entities has been updated; (2) the pricing basis for refinery construction, loan and guarantee services provided by CNPC to the Group has been updated; and (3) the financial services provided by CNPC Finance to the Group have been excluded from the New Comprehensive Agreement and the Company and CNPC Finance have entered into a separate Financial Services Agreement in relation to the financial services between the Group and CNPC Finance.

During the term of the Comprehensive Agreement, individual product and service implementation agreements described below may be terminated from time to time by the parties thereto by providing at least 6 months' written notice of termination in relation to any one or more categories of products or services. Further, in respect of any products or services contracted to be provided on or before the notice of termination, the notice of termination will not affect the completion of the provision of such products and services.

(A) Products and Services to be provided by the Group to CNPC/jointly-held entities

Under the Comprehensive Agreement, products and services to be provided by the Group to CNPC/jointly-held entities include: crude oil, natural gas, refined oil products, chemical products, supply of water, supply of electricity, supply of gas, supply of heating, quantifying and measuring, entrusted operation, material supply and other products and services as may be requested by CNPC/jointly-held entities for its own consumption, use or sale from time to time. In addition, the Group shall provide the jointly-held entities with financial services including entrustment loans, guarantees and other financial services.

(B) Products and Services to be provided by CNPC/jointly-held entities to the Group

More products and services are expected to be provided by CNPC/jointly-held entities to the Group, both in terms of quantity and variety, than those provided by the Group to CNPC/jointly-held entities. They have been categorized according to the following types of products and services:

- Engineering technology services, including but not limited to exploration technology service, downhole operation service, oilfield construction service, refinery construction service, engineering design service;

- Production services, mainly associated with products and services to be provided, arising from the day-to-day operations of the Group, including but not limited to crude oil, natural gas, refined oil products, chemical products, water supply, electricity supply, gas supply and communication services;

- Material supply services, mainly involving the agency services on the procurement of materials, including but not limited to purchase of materials, quality examination, storage of materials and delivery of materials, which by virtue of its nature, are not covered in the engineering technology services and production services referred to above;

• Social and living services, including but not limited to security system services, staff canteens and training centers etc.; and

• Financial services, including loans and other financial assistance, deposits services, entrusted loans, settlement services, financial leasing services and other financial services.

The Comprehensive Agreement details specific pricing principles for the products and services to be provided pursuant to the Comprehensive Agreement. If, for any reason, the specific pricing principle for a particular product or service ceases to be applicable, whether due to a change in circumstances or otherwise, such product or service must then be provided in accordance with the following general pricing principles as defined in the Comprehensive Agreement:

(a) government-prescribed prices; or

(b) where there is no government-prescribed price, then according to the relevant market prices; or

(c) where neither (a) nor (b) is applicable, then according to:

(i) the actual cost incurred; or

(ii) the agreed contractual price.

In particular, the Comprehensive Agreement stipulates, among other things, that:

(i) for the financial services provided by the Group:

• the pricing of entrusted loans shall be determined based on the relevant interest rate and standard for fees as promulgated by the People's Bank of China and with reference to market-oriented price;

• the guarantees shall be provided with reference to the market-oriented price; and

• the pricing of other financial services shall be determined based on the prices prescribed by government authorities including, among others, People's Bank of China, China Banking and Insurance Regulatory Commission, and the fee charging standards published by the aforementioned relevant regulatory authorities and with reference to the market-oriented price

(ii) for the financial services provided by CNPC/ jointly-held entities:

• the loans and deposit services shall be provided at prices determined in accordance with the relevant interest rate and fee charging standards as promulgated by the People's Bank of China. Such prices must also be no less favorable to the Group than those offered by other independent third parties;

• the guarantees shall be provided at prices not higher than the fees charged by the state policy banks in relation to the provision of guarantees. References must also be made to the relevant government-prescribed price and market-oriented price; and

- the pricing of other financial services shall be determined based on the prices prescribed by government authorities including, among others, People's Bank of China, China Banking and Insurance Regulatory Commission, and the fee charging standards published by the aforementioned relevant regulatory authorities and with reference to the market-oriented price

(2) Product and Service Implementation Agreements

According to the current arrangements, from time to time and as required, individual product and service implementation agreements may be entered into between the relevant subordinate companies and entities of CNPC/jointly-held entities or the Group providing the relevant products or services, as appropriate, and the relevant subordinate companies and entities of the Group or CNPC/jointly-held entities, requiring such products or services, as appropriate.

Each product and service implementation agreement will set out the specific products and services requested by the relevant party and any detailed technical and other specifications which may be relevant to those products or services. The product and service implementation agreements may only contain provisions which are in all material respects consistent with the binding principles and guidelines and terms and conditions in accordance with which such products and services are required to be provided as contained in the Comprehensive Agreement.

As the product and service implementation agreements are merely further elaborations on the provision of products and services as contemplated by the Comprehensive Agreement, they do not as such constitute new categories of connected transactions.

(3) Land Use Rights Leasing Contract and Supplemental Agreement

The Company and CNPC signed the Land Use Rights Leasing Contract on March 10, 2000 under which CNPC has leased land in connection with various aspects of the operations and business of the Group covering an aggregate area of approximately 1,145 million square meters, located throughout the PRC, to the Group for a term of 50 years at an annual fee of RMB2 billion. The total rent payable for the lease of all such property may, as at the expiration of 10-year term of the Land Use Rights Leasing Contract, be adjusted by agreement between the Company and CNPC to reflect market conditions prevalent at such time of adjustment, including the then prevailing marketing prices, inflation or deflation (as applicable) and such other factors considered as relevant by both parties in negotiating and agreeing to any such adjustment.

Taking into account the actual business needs of the Group and the changes in the land market in recent years, the Company entered into a supplementary agreement to the Land Use Rights Leasing Contract with CNPC on August 25, 2011, in which the area of the leased land was reconfirmed as 1,783 million square meters and the annual rent was adjusted to no more than RMB3,892 million (excluding taxes and fees). Meanwhile, the parties agreed to adjust the area of building leased and the rental fees every three years as appropriate by reference to the status of the production and operations of the Company. The supplementary agreement took effect as from January 1, 2012.

On August 27, 2020, the parties reconfirmed in a letter of confirmation as agreed that the area of the leased land was approximately 1,142 million square meters and the annual rental was adjusted to approximately RMB5,673 million (excluding taxes and fees). The letter of confirmation took effect as from January 1, 2021.

On August 30, 2023, the parties reconfirmed in a letter of confirmation as agreed that the area of the leased land was approximately 1,134 million square meters and the annual rental was adjusted to approximately RMB5,724 million (excluding taxes and fees). The letter of confirmation took effect as from January 1, 2024.

(4) Buildings Leasing Contract (Amended)

On August 24, 2017, the Company entered into a New Buildings Leasing Contract with CNPC, pursuant to which the Company agreed to lease from CNPC buildings with an aggregate gross floor area of approximately 1,153,000 square meters and the annual rental was no more than RMB730 million. Meanwhile, the parties agreed to adjust the area of building leased and the rental fees every three years as appropriate by reference to the status of the production and operations of the Company, but the adjusted rental fees shall not exceed the comparable fair market price. The contract took effect as from January 1, 2018 for a term of 20 years.

On August 27, 2020, the parties reconfirmed in a letter of confirmation that the area of the leased buildings was approximately 1,287,500 square meters and the annual rental was adjusted to approximately RMB713 million. The letter of confirmation took effect as from January 1, 2021.

On August 30, 2023, the parties reconfirmed in a letter of confirmation that the area of the leased buildings was approximately 1,613,100 square meters and the annual rental was adjusted to approximately RMB893 million. The letter of confirmation took effect as from January 1, 2024.

(5) Intellectual Property Licensing Contracts

The Company and CNPC continue to implement the three intellectual property licensing contracts entered into on March 10, 2000, namely the Trademark Licensing Contract, the Patent and Know-how Licensing Contract and the Computer Software Licensing Contract. CNPC has agreed to extend the term of the Computer Software Licensing Contract to the expiry date of the statutory protection period of the relevant software or when such software enters the public domain. Pursuant to these licensing contracts, CNPC has granted the Company the exclusive right to use certain trademarks, patents, know-how and computer software of CNPC at nil consideration. These intellectual property rights relate to the assets and businesses of CNPC which were transferred to the Company pursuant to the restructuring.

(6) Contract for the Transfer of Rights under Production Sharing Contracts

The Company and CNPC continue to implement the Contract for the Transfer of Rights under Production Sharing Contracts dated December 23, 1999. As part of the restructuring, CNPC transferred to the Company relevant rights and obligations under 28 production sharing contracts entered into with a number of international oil and natural gas companies, except for the rights and obligations relating to CNPC's supervisory functions.

As of December 31, 2023, CNPC has been in the process of executing in aggregate 27 projects contemplated under the production sharing contracts, in respect all of which the transfer of rights under the production sharing contracts between CNPC and the Company has been completed. CNPC has assigned to the Company all of its rights and obligations under the production sharing contracts at nil consideration and subject to applicable PRC laws and regulations, except for the rights and obligations relating to CNPC's supervisory functions.

As each of the applicable percentage ratio(s) (other than the profits ratio) in respect of the Trademark Licensing Contract, the Patent and Know-how Licensing Contract, the Computer Software Licensing Contract and the Contract for the Transfer of Rights under Production Sharing Contracts was less than 0.1%, the continuing connected transactions under these contracts were exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The Directors believe that these continuing connected transactions were entered into in the normal and ordinary course of business for the benefits of the Company and were in the interests of the shareholders as a whole.

2. Continuing Connected Transactions with CNPC E&D

On December 28, 2006, the following continuing connected transactions arose as a result of the completion of the Company's acquisition of 67% equity interest in PKZ, which was announced by the Company on August 23, 2006:

• the provision of production services by CNPC to the Group;

• the provision of construction and technical services by CNPC to the Group;

• the provision of material supply services by CNPC to the Group.

Upon completion of the acquisition of PKZ, PKZ became a subsidiary (as defined under the Hong Kong Listing Rules) of CNPC E&D. As CNPC is the controlling shareholder of the Company and as each of CNPC and the Company is interested in 50% interest in CNPC E&D respectively, therefore, CNPC and CNPC E&D are connected persons of the Company under the Hong Kong Listing Rules. The caps for these continuing connected transactions have already been included within the caps for the continuing connected transactions between the Group and CNPC.

3. Ongoing connected transactions with CNPC Finance

(1) Transactions under the Comprehensive Agreement

During the Reporting Period, the beginning balance of the Group's deposits with CNPC Finance was RMB41,192 million; the time deposits increased RMB5,367,210 million during the Reporting Period and the time deposits decreased RMB5,362,248 million, and the end-of-period balance was RMB46,154 million, with the interest rate range of RMB being 0.20%-3.15%; the beginning balance of the loans provided by CNPC Finance to the Group was RMB64,616 million; the amount of loans increased RMB42,315 million during the Reporting Period and the amount of loans decreased RMB36,418 million during the Reporting Period, and the end-of-period balance was RMB70,513 million, with the interest rate range of RMB being 1.95%-4.185%; the acceptance bill of exchange and bill discount issued by CNPC Finance for the Group was RMB20,354 million and RMB4,176 million, respectively. CNPC is the controlling shareholder of the Company and CNPC Finance is a company owned as to 40% by CNPC, 32% by the Company and 28% by CNPC Capital Corporation. According to the Hong Kong Listing Rules and the SSE Listing Rules, CNPC Finance is a connected person of the Company. The relevant transaction amounts for these continuing connected transactions have been included within the caps for the continuing connected transactions between the Group and CNPC.

(2) Financial Services Agreement

The Comprehensive Agreement entered into between the Company and CNPC on August 27, 2020 includes the financial services between the Group and CNPC Finance mentioned above. The Comprehensive Agreement was effective from January 1, 2021 and expired on December 31, 2023. Thus, pursuant to the rules of Shanghai Stock Exchange, on August 30, 2023, the Company entered into a financial services agreement with CNPC Finance (the "Financial Services Agreement") which would come into effect on January 1, 2024 and is valid for three years. According to the Financial Services Agreement, the main services and prices of the services to be provided by CNPC Finance to the Group are as follows:

Settlement services: CNPC Finance would not charge the Group in relation to provision of settlement services.

Deposit services: The interest rate for Renminbi deposit services would be no less than the relevant interest rate for deposit as promulgated by the People's Bank of China and the interest rate offered by the independent third parties for same deposit service during the same period. The interest rate for foreign currency deposit services shall be determined after arm's length negotiation with reference to the market conditions.

Other financial services: including entrustment loans, bills, bonds underwriting, non-financing letter of guarantee services, financial advisory, credit verification and consulting agency business, etc. With respect to other financial services, fees for other financial services would be no higher than the fees offered by independent third parties to the Group for the same category of services and the fees charged by CNPC Finance to the subsidiaries of CNPC (excluding the Group) for the same category of services.

The Group and CNPC Finance entered into separate agreements regarding their loan and financial derivative transactions. The loan services provided by CNPC Finance is based on normal commercial terms or on better terms and the Group does not provide assets as collateral. Pursuant to Chapter 6.3.18 of the SSE Listing Rules and Chapter 14A.90 of the Hong Kong Listing Rules, the loan services provided by CNPC Finance to the Group are fully exempted from shareholders' approval, annual review and all disclosure requirements under Chapter 6 Section 3 of the SSE Listing Rules and Chapter 14A of the Hong Kong Listing Rules.

(3) Derivatives Framework Agreement with CNPC Finance

On March 29, 2023, the Company and CNPC Finance entered into a currency derivatives service framework agreement in respect of currency derivatives transactions for the year of 2023 (the "2023 Derivatives Framework Agreement"). According to the 2023 Derivatives Framework Agreement, the Group conducted currency derivatives transactions with CNPC Finance to actively manage exchange rates, risks and exposure to reduce losses in exchange rates in 2023. The term of the agreement expired on December 31, 2023. For details, please refer to the announcements published by the Company on March 29, 2023 on the website of Shanghai Stock Exchange and Hong Kong Stock Exchange, respectively. During the Reporting Period, the transaction amount of currency derivatives transactions between CNPC Finance and the Group amounted to USD6,255 million. On December 20, 2023, the Company entered into a currency derivatives service framework agreement for the year of 2024 (the "2024 Derivatives Framework Agreement") based on the 2023 Derivatives Framework Agreement, which took effect from January 1, 2024 and valid for one year.

Caps for the Continuing Connected Transactions

The following annual caps in respect of the continuing connected transactions are set for the relevant transactions for the period from January 1, 2021 to December 31, 2023:

(A) In relation to the products and services contemplated under (a) the Comprehensive Agreement, (b) Land Use Rights Leasing Contract and its supplemental contract, (c) Buildings Leasing Contract (amended), and (d) the Group's currency derivative service transactions with CNPC Finance, the total annual revenue or expenditure in respect of each category of products and services will not exceed the proposed annual caps set out in the following table:

Category of Products and Services	Proposed annual caps		
	2021	2022	2023
	RMB Million		
(i) Products and services provided by the Group to the CNPC/jointly-held entities	150,000	147,200	144,600
(ii) Products and services provided by CNPC/jointly-held entities to the Group			
(a) Engineering technology services	198,200	197,500	197,000
(b) Production services	207,700	205,500	204,500
(c) Material supply services	35,300	35,300	35,300
(d) Social and living services	5,800	5,800	5,800
(e) Financial Services			
- Aggregate of the daily highest amount of deposits of the Group in CNPC and the total amount of interest received in respect of these deposits	55,000	55,000	55,000
- Insurance fees, handling charges for entrusted loans, and fees and charges for settlement services and other intermediary business	2,400	2,400	2,400
- Rents and other payments made under financial leasing	5,000	5,000	5,000
- Currency derivative service provided by CNPC Finance to the Group (in USD million) (1)	-	7,500	6,500
(iii) Financial services provided by the Group to the jointly-held entities	22,000	22,000	22,000
(iv) Land leases provided by CNPC to the Group(2)	16,578	11,019	5,685
(v) Rental for buildings provided by CNPC to the Group(2)	2,083	1,384	714

Note: (1) This service was provided by CNPC Finance pursuant to the Derivatives Framework Agreement. For details, please refer to the announcements published by the Company on the websites of Shanghai Stock Exchange and Hong Kong Stock Exchange on March 29, 2023, respectively.

(2) According to the provisions of the Hong Kong Stock Exchange, the upper limit of the land and property provided by CNPC to the Group for lease from 2021 to 2023 shall be determined by reference to the annual value of the right-of-use assets. Please refer to the circular, i.e. Update on Ongoing Connected Transactions of 2021 to 2023 published on the website of the Hong Kong Stock Exchange on September 15, 2020 for basis of determining the upper limit.

(B) In relation to the Trademark Licensing Contract, the Patent and Know-how Licensing Contract and the Computer Software Licensing Contract, CNPC has granted the Company the right to use certain trademarks, patents, know-how and computer software of CNPC at nil consideration.

Independent Non-Executive Directors' Confirmation

In relation to the continuing connected transactions undertaken by the Group in 2023, the independent non-executive Directors of the Company confirm that:

(i) the connected transactions mentioned above have been entered into during the usual course of business of the Group;

(ii) the connected transactions mentioned above have been entered into based on normal commercial terms or better terms; and

(iii) the connected transactions mentioned above have been conducted in accordance with the agreements governing such transactions and their terms are fair and reasonable and consistent with the interests of shareholders as a whole.

Auditor's Confirmation

The auditor of the Company has audited the transactions mentioned above and has provided the Board of Directors with a letter indicating that:

(i) all the connected transactions have been approved by the Board of Directors;

(ii) all the connected transactions have been in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group in all material respects;

(iii) all the connected transactions in all material aspects have been proceeded in accordance with the terms of agreements; and

(iv) these transactions have been entered into within the cap mentioned above, if applicable.

Save as disclosed above, none of other related-party transactions set out in the note 63 of the consolidated financial statements prepared by the Company in accordance with the CAS constitutes connected transactions or continuing connected transactions that are required to be disclosed under the Hong Kong Listing Rules. The Company confirms that it has complied with the requirements of Chapter 14A of the Hong Kong Listing Rules in relation to all connected transactions and continuing connected transactions to which the Company was a party during 2023.

The information set out in the tables below is principally extracted from the financial statements of the Group prepared in accordance with CAS:

Connected sales and purchases

	Sales of goods and provision of services to related party		Purchase of goods and services from related party	
	Transaction amount	Percentage of the total amount of the type of transaction	Transaction amount	Percentage of the total amount of the type of transaction
Related parties	**RMB Million**	**%**	**RMB Million**	**%**
CNPC and its subsidiaries	41,293	1	400,038	14
Other related parties	127,048	4	101,436	4
Total	168,341	5	501,474	18

Connected obligatory rights and debts

Unit: RMB Million

	Funds provided to related party			Funds provided to the Group by related party		
Related parties	**Opening balance**	**Occurrence amount**	**Closing balance**	**Opening balance**	**Occurrence amount**	**Closing balance**
CNPC and its subsidiaries	-	-	-	133,800	14,714	148,514
Other related parties	21,092	1,295	22,387	-	-	-
Total	21,092	1,295	22,387	133,800	14,714	148,514

CORPORATE GOVERNANCE

1. Improvement of Corporate Governance

During the Reporting Period, the Company operated its business in a compliant manner strictly in accordance with domestic and overseas regulatory requirements. Pursuant to the Articles of Association, relevant laws and regulations and the securities regulatory rules of the jurisdictions in which the Company is listed, and in light of the actual conditions of the Company, the Company formulated, improved and effectively implemented the various rules of procedure, and the relevant working system and processes for the Board of Directors and its respective committees.

During the Reporting Period, the corporate governance of the Company complied with the requirements of regulatory documents on the corporate governance of listed companies issued by the regulatory authorities and stock exchanges of places where the Company is listed. Through the coordinated operation and effective check and balance of the general meeting of shareholders, the Board of Directors and its special committees, the Supervisory Committee and the management led by the President, as well as the implementation of effective internal control and management systems, the Company further standardized its internal management operations and continuously improved its management level. In accordance with the relevant provisions of the Articles of Association, the Company elected Directors and Supervisors, adjusted members of the special committees of the Board, and appointed Presidents and other senior management of the Company, which further improved the structure of the corporate governance of the Company. Resolutions in respect of the financial reports, dividend distribution proposal, connected transactions agreements, investment plans, financial budget were reviewed and passed to promote the high-quality development of the Company. The Company formulated the Administrative Measures for Board of Directors Authorization, and amended the Rules of Procedure of the Board, the Rules of Procedure of the Supervisory Committee, the Rules of Procedure of the Audit Committee, the Administrative Measures for Information Disclosure, the Measures for the Management of Investor Relations, the Regulations on the Administration of Guarantees and other systems to continuously consolidate and standardize the foundation of operating system.

The Company always attaches importance to information disclosure, and strictly complies with various regulatory rules of the places of listing. The Company established an information disclosure management system to disclose information in a timely and compliant manner, and designated specific departments responsible for handling matters relating to the disclosure of inside information, and prohibited insiders from dealing or procuring others to deal the Company's shares using inside information. During the Reporting Period, the Company timely, truly, accurately and completely disclosed various information, ensuring all shareholders of the Company enjoyed equal opportunities to access to information relating to the Company, and continuously enhanced the transparency in the corporate governance of the Company.

2. Corporate Culture

(1) Aligning the Group's culture with its purpose, values and strategy

The Board has established the Group's purpose, values and strategy, and satisfied itself that these and the

Group's culture are aligned. All Directors are committed to promoting this culture and disseminating this culture throughout the Group, and continuously reinforcing the Group's values of acting lawfully, ethically and responsibly.

(2) Culture and Values

The Group actively promotes and maintains a diversified, equal and healthy corporate culture, which is vital for the Group to achieve its vision and mission towards sustainable growth. The Board is responsible for creating and maintaining a good corporate culture to guide the behaviors of its employees, and ensure that the Group's vision, values and business strategies are aligned to the corporate culture.

(3) Integrity Value Framework

Integrity underpins the behaviors of the Group's employees in working with each other and conducting business activities with business partners. The Group has human resources management policies in place to promote a caring environment with mutual respect and inclusive atmosphere in the workplace. Regarding business ethics, the Group's Anti-Commercial Bribery Compliance Guide, Integrity and Compliance Manual, Employee Misconduct Handling Regulations and Corporate Culture Manual and other systems and regulations have defined the behavioral guidelines for its employees to ensure that the Group's values of acting lawfully, ethically and responsibly are continuously reinforced.

3. Improvement of Internal Control System

The Company attaches great importance to internal control and risk management. By following the regulatory requirements of its places of listing, the Company established and effectively operated its internal control system.

During 2023, the Company focused on improving and perfecting its internal control system, continuously enhancing its ability to prevent and mitigate major risks, and effectively utilizing internal control and risk management to support and safeguard the modernization of the Company's governance system and governance capabilities. Firstly, it continuously built its internal control system to ensure comprehensive coverage of the internal control system. Secondly, it continuously promoted process reengineering to enhance the quality and efficiency of process management. Thirdly, it continuously strengthened risk management and improved risk management mechanisms.

The Company strictly complied with professional financial processes and standards to ensure that financial reports be true, accurate and valid. The Company also strengthened the implementation of the information disclosure management system, the identification standards and reporting procedures for major events, and the collection, compilation and disclosure procedures for disclosable matters.

The Legal and Corporate Reform Department of the Company is responsible for organizing and coordinating the internal control tests both internally and externally, supervising the rectification, and organizing operational evaluation of the internal control system. For the exceptional matters found in the tests, by adhering to the problem-oriented approach, the Company analyzed the underlying reasons in depth and rectified the problems. All exceptional maters were rectified and no major defect was found in internal control of the financial report and the internal control system is operating effectively.

The Company values the construction and assessment of internal control system and regularly (at least once a year) report to the Board and the Audit Committee regarding the internal control matters and act accordingly to the arrangement made by the Board to ensure the completeness and effective operation of internal control system of the Company.

The Board is responsible for establishing and maintaining sufficient internal control systems. Upon evaluation of the internal control and risk management systems of the Group based on regulatory requirements, the Board was of the view that such systems were effective and adequate for the year ending December 31, 2023. Such annual review covered the main business, as well as major matters such as finance management and key high-risk areas. Such internal control system aims to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable rather than absolute warranty that there will not be any material misrepresentation or loss. The Company will disclose its internal report and internal audit report separately. The Company had engaged PricewaterhouseCoopers Zhong Tian LLP which audited the effectiveness of the internal control system in relation to financial report of the Company and issued a standard and unqualified audit opinion.

Despite the risk management system developed by the Company to identify, analyze, evaluate and respond to risks, the Group's business activities may still be subject to risks that could materially affect the Company's strategy, operations, compliance and financial situation. Please refer to the "Risk Factors" section in this annual report for the main risk factors of the Company.

4. Performance of Independent Directors' Duties

During the Reporting Period, the independent Directors of the Company earnestly and diligently performed their duties in accordance with the relevant domestic and overseas laws and regulations and the Articles of Association. During the Reporting Period, they reviewed the proposals and relevant documents submitted by the Company and actively participated in the shareholders' general meetings and Board meetings and special committees meetings, expressed their views independently and objectively and protected the lawful interests of all shareholders of the Company, in particular, those of the non-controlling interest shareholders. Independent Directors reviewed regular reports of the Company diligently. They had discussions with auditors before and after the annual auditors come in for the audit and before the Board meetings. They monitored and procured that the Company made disclosures in compliance with the relevant laws, regulations as well as information disclosure management system of the Company, thus ensuring the truthfulness, accuracy and completeness of the Company's information disclosure. During the Reporting Period, the independent Directors of the Company did not raise any objection to any resolutions or other matters discussed at the meetings of the Board of the Company for the year. Furthermore, the independent Directors of the Company kept themselves informed of relevant laws, regulations and regulatory rules by participating in various important meetings of the Company, conducting work surveys and referring to the "Company Status Bulletin" (情況通報) and "Special Report for Directors and Supervisors" (董監事專報) on topical issues prepared by the Company to understand the progress of major matters of the Company.

(1) Attendance of meetings

For proposals that need to be submitted to the Board of Directors for review, all independent Directors carefully read the relevant documents and materials in advance, took the initiative to obtain the relevant information, got a detailed understanding of the background of proposals to be fully prepared for discussion and decision-making for the Board of Directors and its special committees, and put forward relevant independent opinions and review opinions. They actively attended meetings, carefully reviewed proposals in meetings, actively participated in discussion, strove to give full play to their professional advantages, and provided professional opinions and recommendations through in-depth communication with the management team; supervised the implementation after meetings and learned about the progress to ensure effective implementation.

(2) Work Seminars, communications about investigations and research

The Company's independent Directors actively fulfilled their duty of diligence by conducting collective research, attending meetings, engaging in high-level exchanges and corresponding through letters, among other methods, proactively sought to understand the Company's operational status, financial performance, connected transactions and significant projects, and actively made recommendations for the operation of the Board of Directors and the Company's business development, faithfully fulfilling their duty of diligence.

(3) Daily work

To perform work in compliance with laws and regulations, all independent Directors actively studied the latest policies and regulations concerning listed companies, carefully read through the Company's internal governance system, performance reminder letter, annual work plan, the "Company Status Bulletin", "Special Report for Directors and Supervisors" and other work materials during the annual debriefing period to understand the Company's latest work progress and perform their duties strictly in accordance with regulatory requirements. Through relevant Board meetings, they regularly listened to management reports to understand the overall situation of the Company's operation and management.

Meanwhile, all independent Directors continued to pay attention to the relevant information feedback from the regulatory authorities, investors, the media and the public, and allowing the management to fully note and understand the demands of relevant stakeholders. They especially paid close attention to matters such as the cap of continuing connected transactions, the investment budget plan, and the demands of capital market investors.

5. Independence of the Company from the Controlling Shareholder

The Company is independent from its controlling shareholder, CNPC, in respect of business, personnel, institution, asset and finance. The Company has independent and comprehensive business operations and management capabilities in market.

6. Senior Management Evaluation and Incentive Scheme

During the Reporting Period, in accordance with the "Measures of Evaluation of Annual Performance of the President's Work Team", the Company evaluated the completion of the performance targets of 2023 by the President's team with reference to the achievement of the performance targets in 2023 and the financial budget and business development plan of 2024 and formulated the performance contract for the President's team for 2024. Amongst all, the "Resolution on Evaluation of the President's Operating Results for 2023 and the Formulation of Performance Contracts for 2024" was reviewed and passed at the sixth meeting of the ninth session of the Board of Directors. The Company conducted, on the basis of the "Measures of Evaluation of Performance of the Management Officer of PetroChina Company Limited", appraisals on management of specialized companies, each company and headquarter department with respect to their achievement of the performance targets for 2023. Rewards and punishments were made on the basis of the performance evaluation. With reference to the financial budgets, business development plan and key tasks of the Company for 2024 as well as the positions and duties of the various management officers, the Company formulated and signed performance contracts for 2024 with the management officers.

7. Corporate Governance Report

(1) Compliance with the Corporate Governance Code

For the year ended December 31, 2023, the Company has complied with all the code provisions of the Corporate Governance Code ("Corporate Governance Code") set out in Appendix C1 to the Hong Kong Listing Rules.

(2) Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the provisions in relation to dealing in shares of the Company by Directors as set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Hong Kong Listing Rules (the "Model Code"). After specific enquiries were made to all the Directors and Supervisors, each of the Directors and Supervisors has confirmed to the Company that each of them has complied with the relevant requirements set out in the Model Code in the Reporting Period.

(3) Board of Directors

In accordance with the provisions of the Hong Kong Listing Rules relating to the composition of the Board of Directors, at least one third of the members of the Board of Directors shall be independent non-executive Directors, and at least one of whom must possess appropriate professional qualifications or expertise in accounting or financial management. Please refer to the "Directors, Supervisors, Senior Management and Employees" section of this annual report for the basic information of the current Directors of the Company and changes during the Reporting Period.

Pursuant to the Articles of Association and Rules of Procedure for the Board of Directors, the Board convened 7 Board meetings, including 2 onsite and video meetings, 2 onsite meetings and 3 meetings by written resolution in 2023. For details of the attendance rate of Directors at on-site regular meetings of the Board during the year, please refer to the sub-section "the convening of Board meetings and issues resolved" under the "Directors' Report" section of this annual report.

There is no relationship (including financial, business, family or other material or relevant relationship(s)) among members of the Board and between the Chairman and the President of the Company.

(4) Operations of the Board of Directors

The Company's Board is elected by the shareholders' general meeting through voting and is held accountable to the shareholders' general meeting. The primary responsibilities of the Board are to provide strategic guidance to the Company, exercise effective supervision over the management, ensure that the Company's interests are protected and are accountable to the shareholders. The powers and duties of the Board and the management have been clearly specified in the Articles of Association, with the aim to provide adequate check and balance mechanism for good corporate governance and internal control. In accordance with the Articles of Association or as authorized by the shareholders' general meeting, the Board makes decisions on certain important matters, including annual plans for principal operations development and investment; annual criteria for assessment of the performance of members of operation teams of the Company and annual remuneration plans; distribution plans in respect of interim profit; and corporate reorganization of the Company. The remuneration of the Directors of the Company is determined by the Board as approved and authorized by the shareholders' general meetings, with a calculation based on responsibilities and performances of Directors and performance of the Group. The Directors and the Board carry out corporate governance duties in a serious and responsible manner. The Directors attend the Board meetings in a serious and responsible manner, perform their duties as Directors faithfully and diligently, make important decisions concerning the Company, appoint, dismiss and supervise the members of the operation teams of the Company. Led by the President, the management of the Company is responsible for implementing the resolutions approved by the Board and administering the Company's day-to-day operation and management.

The Company has received a confirmation of independence from each of the five independent non-executive Directors pursuant to Rule 3.13 of the Hong Kong Listing Rules. The Company considers that the five independent non-executive Directors are completely independent of the Company, its substantial shareholders and its connected persons, and fully comply with the requirements concerning independent non-executive Directors under the Hong Kong Listing Rules. Ms. Hung Lo Shan Lusan, the independent non-executive Director of the Company, has appropriate accounting and financial experience as required under Rule 3.10 of the Hong Kong Listing Rules. Please see the sub-section of the "Brief Biographies of the Directors" under the "Directors, Supervisors, Senior Management and Employees" section of this annual report for biographical details of Ms. Hung Lo Shan Lusan. The five independent non-executive Directors do not hold other positions in the Company. They perform their duties seriously according to the Articles of Association and the relevant requirements under the applicable laws and regulations.

The Board has established five committees: the Nomination Committee, the Audit Committee, the Investment and Development Committee, the Examination and Remuneration Committee and the Sustainable Development Committee. The main responsibility of these committees is to provide support to the Board in decision-making. The Directors participating in these special committees focus on particular issues according to their division of labor and make recommendations on the improvement of the corporate governance of the Company.

During the Reporting Period, the Board has performed the corporate governance obligations set out below as provided in the Hong Kong Listing Rules: (a) to develop and review the Company's policies and practices on corporate governance and make recommendations; (b) to review and monitor the training and continuous professional development of Directors and senior management; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to review the Company's compliance with Corporate Governance Code and disclosure in this annual report.

The Company believes that there are sufficient mechanisms of the Company in ensuring that independent views and input are granted by the Board, and the relevant mechanisms include: (a) the Company promulgated the Independent Directors' Management Measures, Independent Directors' Field Study Working System and provided special reports for independent non-executive Directors, to ensure independent non-executive Directors understand the Company's daily businesses, finance management and other regulatory operations; (b) sufficient time is provided to the Directors to review the relevant documents in advance in accordance with the Rules of Procedures of the Board of Directors and the Company's independent non-executive Directors asked constructive questions to the management after objective analysis and the Company shall follow up on the implementation of comments and suggestions from independent non-executive Directors after the Board meeting; (c) the longest term of the Company's independent non-executive Directors is six years; (d) the Company's non-executive Directors (excluding independent non-executive Directors) do not receive any remunerations from the Company; (e) the Nomination Committee of the Board of the Company considers the Board composition, Directors' reputation, achievement and experience, time and energy available, and Director diversity policy when nominating Director candidates; (f) the auditor of the Company communicated with the Audit Committee of the Company on a regular basis.

(5) The Chairman, Vice Chairman and President

Pursuant to the Articles of Association, the primary duties and responsibilities of the Chairman are chairing the shareholders' general meetings and convening and chairing the Board meetings, inspecting the implementation of Board resolutions, signing certificates of securities issued by the Company, and other duties and power authorized by the Articles of Association and the Board. Pursuant to the Articles of Association, the primary duties and responsibilities of the Vice Chairman are when the Chairman is unable to exercise his/her powers, such powers shall be exercised by the Vice Chairman who has been designated by the Chairman to exercise on his/her behalf. The primary duties and responsibilities of the President are managing production and operation of the Company, organizing the implementation of Board resolutions, organizing the implementation of annual business plans and investment plans of the Company, formulating plans for the establishment of internal management institutions of the Company, devising the basic management system of the Company, formulating specific rules and regulations of the Company, advising the Board to appoint or dismiss Senior Vice Presidents, Vice Presidents, the Chief Financial Officer and other senior management personnel, appointing or dismissing management staff other than those who should be appointed or dismissed by the Board, and performing other duties and power authorized by the Articles of Association and the Board.

(6) Term of Office of Directors

Pursuant to the Articles of Association, the Directors (including non-executive Directors) shall be elected at the shareholders' general meeting and serve a term of three years. Upon the expiry of their terms of office, the Directors may be re-elected for another term. According to the provisions in "Administrative Measures for Independent Directors of Listed Companies" published by the China Securities Regulatory Commission, an independent director shall not be re-elected for more than six years.

(7) Training Attended by Directors and Secretary to the Board (Company Secretary)

The Directors and the Secretary to the Board (Company Secretary) continued participating in professional development programs to develop and update their knowledge and skills, with a view to contribute to the Board with sufficient information and up to its requests. As the majority of the Company's independent Directors were abroad, they actively understood the Company's operating status, financial performance and progress of significant projects through methods such as collective research, attending conferences, engaging in high-level exchanges and corresponding through letters in 2023. They actively made recommendations for the operation of the Board of Directors and the Company's business development, faithfully fulfilling their duty of diligence.

Details of trainings attended by the current Directors and the Secretary to the Board (Company Secretary) are set out as below:

Names	Positions	Updates on corporate governance/legislations, rules and regulations		Accounting/finance/corporate management and productions and operations of the Company	
		Reading relevant materials	Attending training and seminars	Reading relevant materials	Research
Dai Houliang	Chairman	√	√	√	√
Hou Qijun	Vice Chairman and Non-executive Director	√	√	√	√
Duan Liangwei	Non-executive Director	√	√	√	√
Huang Yongzhang	Executive Director and President	√	√	√	√
Ren Lixin	Executive Director and Senior Vice President	√	√	√	√
Xie Jun	Non-executive Director	√	√	√	√
Zhang Daowei	Executive Director and Senior Vice President	√	√	√	√
Cai Jinyong	Independent non-executive Director	√	√	√	√
Jiang, Simon X.	Independent non-executive Director	√	√	√	√
Zhang Laibin	Independent non-executive Director	√	√	√	√
Hung Lo Shan Lusan	Independent non-executive Director	√	√	√	√
Ho Kevin King Lun	Independent non-executive Director	√	√	√	√
Wang Hua	the Secretary to the Board and Company Secretary	√	√	√	√

(8) Nomination Committee

As of December 31, 2023, the Nomination Committee of the Company consisted of three Directors, including two independent non-executive Directors, with Mr. Dai Houliang, the Chairman, as the chairman of the committee, and Mr. Cai Jinyong and Mr. Jiang, Simon X., the independent non-executive Directors, as members of the committee.

The main duties of the Nomination Committee of the Company are as follows: regularly examining and discussing the structure and number of members and composition of the Board (including respective skills, knowledge and experience), and making recommendations on any change to the Board to align with the strategy of the Company; researching the standards and procedures for the selection of Directors, President and other senior management personnel and making recommendations thereon to the Board; researching the Board diversity policy and the training system of the Directors and the management; widely selecting qualified candidates for Directors and senior management personnel, examining the candidates for Directors, the President and other senior management positions nominated by the President and making recommendations thereon; accepting the candidate proposals made by persons entitled to nominate such candidates in accordance with the Articles of Association; reviewing the independence of independent non-executive Directors and providing an assessment opinion; making recommendations to the Board regarding the election or re-election of Directors and the succession of the Chairman and Vice Chairman of the Company and the President; and any such other matters as authorized by the Board.

The Company has established a nomination policy for Directors, setting out the selection criteria and nomination procedures of Directors. The Nomination Committee, when nominating candidates for Directors, mainly considers whether he or she has qualifications for Directors, whether he or she complies with laws, administrative regulations, rules and the Articles of Association, and also assesses his or her reputation, achievement and experience, time and energy available, and diversity policy of Directors. The Nomination Committee will summarize the nominees before the meeting for consideration by the members of the committee. After receiving the nomination proposal and the candidate's personal information, the Nomination Committee will evaluate the candidate based on the above criteria to determine whether the candidate is eligible to serve as a Director.

The board diversity policy of the Company specifies the position in upholding the diversity of the Board, and the approaches adopted by the Company to achieve such diversity. The Company acknowledges and appreciates the benefits brought from diversity of the Board, and regards the diversity of the Board as a critical factor in achieving the Company's strategic goals, maintaining its competitive strengths and achieving sustainable development. The Company considers the diversity of the Board from various aspects, including talents, skills, industry experience, cultural and education background, gender, age and other factors, when deciding the composition of the Board. All appointments of Directors shall be decided after taking into consideration of talents, skills and experience required for the overall operation of the Board. The appointment of all Board members are made based on the level of competence, skills and experience required for the Board to function overall.

At present, the Company's male Directors accounted for 91.7% and female Directors accounted for 8.3%. 66.7% of the Directors are from China's mainland, 25.0% are from Hong Kong, China and 8.3% are from Macao, China. Directors aged between 41 and 50 years old accounted for 8.3%, aged between 51 and 60 years old accounted for 66.7%, aged between 61 and 70 years old accounted for 25.0%. 66.7% of the Directors of the Company have a professional background in petrochemical industry, 25.0% of Directors have a professional background in economics, and 8.3% of Directors have a professional background in finance.

The Nomination Committee convened four meetings during the Reporting Period and reported to the Board in writing.

From March 22 to March 28, 2023, the eleventh meeting of the eighth session of the Nomination Committee of the Company was held by way of written resolution to review the Proposal for the Re-election of the Board of Directors of the Company and passed the resolution thereon;

On June 8, 2023, the first meeting of the ninth session of the Nomination Committee of the Company was held by way of onsite meeting to review 2 proposals, including the Proposal for the Appointment of the President of the Company and the Proposal for the Appointment of Other Senior Management of the Company, and passed the resolutions thereon;

From August 22 to August 29, 2023, the second meeting of the ninth session of the Nomination Committee of the Company was held by way of written resolution to review the Proposal for the Nomination of Directors of the Company, and passed the resolution thereon;

From December 15 to December 19, 2023, the third meeting of the ninth session of the Nomination Committee of the Company was held by way of written resolution to review the Proposal for the Supplementary of Members of Special Committees of the Company, and passed the resolution thereon.

All members attended all the Nomination Committee meetings.

(9) Audit Committee

As of December 31, 2023, the Audit Committee of the Company consisted of three Directors, including two independent non-executive Directors, with Ms. Hung Lo Shan Lusan, an independent non-executive Director, as the chairman of the committee, Mr. Duan Liangwei, a non-executive Director and Mr. Jiang, Simon X., an independent non-executive Director, as members of the committee.

Under the Rules of Procedures of the Audit Committee of the Company, the chairman of the committee must be an independent non-executive Director.

The major responsibilities of the Audit Committee of the Company are: reviewing and supervising the engagement of external auditors and their performance; reviewing and ensuring the completeness of annual reports, interim reports and quarterly reports 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 in writing on the financial reports of the Company and related information with due consideration to the matters raised by the auditors engaged by the Company or the Company's external auditors; reviewing and supervising the work conducted by the internal audit department in accordance with the applicable domestic and overseas rules; monitoring the financial reporting system and internal control procedures of the Company; checking and assessing matters relating to, among others, the Company's finance, 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 in respect of any significant matters which may affect the financial position and business operations of the Company and in respect of the self-evaluation of the committee on the performance of their duties; and other matters authorized by the Board.

During the Reporting Period, the Audit Committee held five meetings, all resolutions have been submitted in writing to the Board.

From March 24 to March 28, 2023, the eighteenth meeting of the eighth session of the Audit Committee of the Company was held by way of written resolution and reviewed the Proposal for the Annual Financial Report of the Company for 2022, the Profit Distribution Proposal for 2022, the Proposal for the Annual Report and Annual Results Announcement of the Company for 2022, the Proposal for the Provision for Asset Impairment of the Company for 2022, the Proposal for the Feasibility Analysis Report and the Annual Plan of Financial Derivative Business of the Company for 2023, the Proposal for the Continuous Assessment of Risk of CNPC Finance, the Proposal for the Company's Financial Transactions with CNPC Finance for 2023, the Proposal for the Report on the Company's Continuing Connected Transactions in 2022, the Proposal for the Report on Internal Controls of the Company in 2022, the Proposal for the Report on Audit Work of the Company in 2022, the Proposal for Appointing the Domestic and Overseas Accounting Firms of the Company for 2023, and reviewed the Report of PricewaterhouseCoopers Zhong Tian LLP Addressed to the Audit Committee and passed resolutions thereon.

From April 21 to April 27, 2023, the nineteenth meeting of the eighth session of the Audit Committee of the Company was held by way of written resolution to review the Proposal for the First Quarterly Report of the Company for 2023 and the Proposal for the Company's 20-F Annual Report for 2022 and passed resolutions thereon.

On August 29, 2023, the first meeting of the ninth session of the Audit Committee of the Company was held onsite and by video conference. It reviewed the Proposal for the Interim Financial Report of the Company for 2023, the Proposal for the Interim Profit Distribution Plan of the Company for 2023, the Proposal for the Interim Report and Interim Results Announcement of the Company for 2023, the Proposal for Renewal of the Continuing Connected Transactions Agreements between the Company and CNPC and Jointly-Held Entities, the Proposal for the Signing of the Financial Services Agreement between the Company and CNPC Finance, the Proposal for the Assessment of Risk of CNPC Finance, the Proposal for the Interim Report on the Continuing Connected Transactions of the Company of 2023, the Proposal for the Interim Report on the Audit Work of the Company for 2023, the Proposal for the Audit Fees of the Accounting Firms for 2023, the Proposal for the Amendment of the Rules of Procedure of the Audit Committee, and listened to the Report of Accounting Firm Addressed to the Audit Committee and passed resolutions thereon.

From October 24 to October 29, 2023, the second meeting of the ninth session of the Audit Committee of the Company was held by way of written resolution to review the Proposal for the Third Quarterly Report of the Company for 2023 and passed the resolution thereon.

From December 15 to December 19, 2023, the third meeting of the ninth session of the Audit Committee of the Company was held by way of written resolution and reviewed the Proposal for the Third Quarterly Report on Audit Work for 2023 and the Proposal for the Feasibility Analysis Report and the Annual Plan of Financial Derivative Business of the Company for 2024, reviewed the Report of Accounting Firm Addressed to the Audit Committee, and passed resolutions thereon.

In addition, the Audit Committee of the Company carried out the independence check and the business approval procedure regarding the non-audit project conducted by PricewaterhouseCoopers Zhong Tian LLP.

Apart from Mr. Duan Liangwei who attended one meeting by proxy, each member attended all Audit Committee meetings in person.

(10) Examination and Remuneration Committee

As of December 31, 2023, the Examination and Remuneration Committee of the Company consisted of three Directors, including two independent non-executive Directors, with Mr. Cai Jinyong, an independent non-executive Director, as the chairman of the committee, and Mr. Duan Liangwei, a non-executive Director, and Mr. Ho Kevin King Lun, an independent non-executive Director, as members of the committee.

The main duties and responsibilities of the Examination and Remuneration Committee are: organizing the performance assessment on the President and reporting to the Board, and monitoring the performance assessments to be conducted by the President on Senior Vice Presidents, Vice Presidents, the Chief Financial Officer and other senior managers; studying the Company's incentive plan, salary system and option plan; monitoring and appraising the effectiveness of their implementation, and providing recommendations for reform and improvement; and any such other matters as authorized by the Board.

During the Reporting Period, the Examination and Remuneration Committee convened one meeting, all the resolutions by the committee have been submitted in writing to the Board.

From March 22 to March 28, 2023, the third meeting of the eighth session of the Examination and Remuneration Committee of the Company was held by way of written resolution to review the Proposal for the Report on Assessment of the Results of Operations by the President's Work Team for 2022 and the Formulation of President's Performance Contract for 2023 and passed resolution thereon.

All members attended all the Examination and Remuneration Committee meetings.

(11) Investment and Development Committee

As of December 31, 2023, the Investment and Development Committee of the Company consisted of three Directors, with Mr. Hou Qijun, the Vice Chairman and non-executive Director, as the chairman of the committee, and Mr. Huang Yongzhang, an executive Director, and Mr. Xie Jun, a non-executive Director, as members of the committee.

The main duties and responsibilities of the Investment and Development Committee are: conducting research on the strategic plan put forward by the President and making recommendations to the Board; studying the annual business development and investment plan and business development and investment adjustment plan put forward by the President, and making comments to the Board; reviewing feasibility study report and pre-feasibility study report of major investment projects that need to be decided by the Board and making recommendations to the Board; and any such other matters as authorized by the Board.

During the Reporting Period, the Investment and Development Committee convened two meetings.

From October 24 to October 29, 2023, the first meeting of the ninth session of the Investment and Development Committee of the Company was held by way of written resolution to review the Proposal for the Adjusted Plan of Business Development and Investment Plan of the Company for 2023 and passed the resolution thereon.

From December 15 to December 19, 2023, the second meeting of the ninth session of the Investment and Development Committee of the Company was held by way of written resolution to review the Proposal for the Business Development and Investment Plan of the Company for 2024 and passed the resolution thereon.

All members of attended all the Investment and Development Committee meetings.

(12) Sustainable Development Committee

As of December 31, 2023, the Sustainable Development Committee of the Company consisted of four Directors, with Mr. Huang Yongzhang, the executive Director, as the chairman of the committee, and Mr. Ren Lixin, an executive Director, Mr. Zhang Daowei, an executive Director and Mr. Zhang Laibin, an independent non-executive Director, as the members of the committee.

The main duties and responsibilities of the Sustainable Development Committee of the Company are: studying the sustainable development of the Company (including but not limited to environmental, society and governance matters), identifying and assessing major risks and impacts on the sustainable development of the Company, enhancing risk management (including that in respect of environmental, social and corporate governance), and making recommendations to the Board; supervising the Company's commitments and performance on addressing climate change, ensuring health and safety and environmental protection and fulfilling social responsibilities in relation to key issues, and making recommendations to the Board; examining the approach and strategies, goals, measures and relevant key issues in respect of the sustainable development of the Company, and supervising and reviewing the implementation of the sustainable development goals; reviewing the environmental, society, and governance report and the health and safety and environmental protection report of the Company annually and making recommendations to the Board; monitoring important information concerning sustainable development, assessing significant impacts of environmental, social and governance issues on relevant stakeholders, monitoring the Company's relevant safety and environmental risks, formulating response measures, and making relevant proposals to the Board of Directors; and other matters as delegated by the Board of Directors.

During the Reporting Period, the Sustainable Development Committee convened two meetings.

From March 24 to March 28, 2023, the third meeting of the eighth session of the Sustainable Development Committee of the Company was held by way of written resolution to review two proposals, including the Proposal for the ESG Report of the Company for 2022, and the Proposal for the Health, Safety and Environmental Protection Report of the Company for 2022 and resolutions were passed thereon.

From December 18 to December 19, 2023, the first meeting of the ninth session of the Sustainable Development Committee of the Company was held by way of written resolution to review the Proposal for the Three-Year Action Plan to Enhance the Company's ESG Efforts and resolution was passed thereon.

All members attended all the Sustainable Development Committee meetings.

(13) Shareholders and Shareholders' General Meetings

For details of shareholders and shareholder's general meetings, please refer to "Shareholders' Rights and Shareholders' Meetings" section of this annual report.

(14) Supervisors and the Supervisory Committee

The Supervisory Committee of the Company now comprises eight members, including four Supervisors representing shareholders and four employee representative Supervisors. The Supervisory Committee of the Company reports to the shareholder's general meeting and exercises the following functions according to law: to review and propose written review opinion on the regular reports of the Company drafted by the Board; to review the financials of the Company; to supervise the conducts of the Directors and senior management officers carrying out Company duties, and to propose suggestions to remove the aforesaid officers if they violate laws, administrative regulations, the Articles of Association or resolutions of the shareholders' general meetings; to ask the Directors and senior management officers to rectify if their conducts violate the interest of the Company; to verify the financial materials including financial reports, operation reports and profit distribution plans to be proposed by the Board to the shareholders' general meeting, and, if there is any doubt, appoint Certified Public Accountants and practicing auditors to review in the name of the Company; to propose extraordinary shareholders' meeting and to convene and chair shareholders' general meetings when the Board fails to perform its duty under the Company Law to convene and chair shareholders' general meetings; to make proposals for the shareholders' general meetings; to represent the Company to negotiate with Directors or to bring litigation claims against the Directors and senior management officers in accordance with Article 151 of the Company Law; to conduct investigation in the event of abnormal operation of the Company; to supervise the compliance of connected transactions; and eleven other powers and functions stipulated in the Articles of Association. During the Reporting Period, the Supervisory Committee conducted five meetings, including three onsite meetings and two meetings by written resolution, conducted review of the 2022 Annual Report, the First Quarterly Report, Interim Report, and the Third Quarterly Report of 2023 of the Company; attended four Board meetings, issued five opinions of the Supervisory Committee; attended four shareholders' general meetings and proposed four proposals to the shareholders' general meetings.

The Supervisory Committee of the Company discharged its duties diligently in accordance with the Articles of Association, including convening Supervisory Committee meetings, attending all in-person Board meetings and regularly reporting their work to the shareholders' general meeting, submitting the Supervisory Committee Report and related proposals. In line with the spirit of accountability to all shareholders, the Supervisory Committee monitored the financial affairs of the Company and the performance of duties and responsibilities by the Directors, President and other senior management personnel of the Company to ensure that they have performed their duties in compliance with applicable laws and regulations. The Supervisory Committee has made good recommendations to major matters of the Company including production, operation and investment projects.

(15) Directors' Responsibility in Preparing Financial Statements

The Directors are charged with the responsibility to prepare the financial statements in each financial year with support from the accounting departments, and to ensure that the relevant accounting practices and policies are observed and IFRS Accounting Standards and CAS are complied with in the compilation of such financial statements in order to report the financial position of the Company in a factual and unbiased manner.

(16) Going Concern

The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

(17) Remuneration of the Auditors

For information relating to the remuneration received by the auditors for their auditing services to the Company, please refer to the section of "Significant Events" for the part entitled "Engagement and disengagement of firm of accountants" in this annual report.

(18) Risk Management and Internal Control

For information relating to the risk management and internal control of the Company, please refer to the sections of "Improvement of Corporate Governance" and "Improvement of Internal Control System" in this annual report.

(19) Others

Relevant information on corporate governance, mechanisms for assessment of performance and performance incentives and restrictions of the Company, information disclosure and transparency, the relationship between CNPC and the Company, performance of duty by independent non-executive Directors, professional and ethical code for senior management personnel and code of conduct for staff and workers etc. can be found on the Company's website (www.petrochina.com.cn). You may access to such information by following these steps:

1. From our main web page, click "Investor Relations";

2. Next, click "Corporate Governance Structure";

3. Finally, click on the information you are looking for.

The Board will review such rules in accordance with the relevant regulatory requirements and the actual circumstances of the Company on an annual basis.

SHAREHOLDERS' RIGHTS AND SHAREHOLDERS' MEETINGS

1. Shareholders' rights

(1) Shareholders' procedures to propose to convene an extraordinary general meeting

To ensure that all shareholders of the Company enjoy equal rights and exercise their rights effectively, the Articles of Association of the Company provides that an extraordinary general meeting or class meeting may be called upon by shareholders according to the following procedures: one or more shareholders holding in aggregate 10% or above (including 10%) of the shares of the Company with voting rights is/are entitled to request the Board to convene an extraordinary general meeting or class meeting in writing. The Board shall, within ten days upon receipt of the request, make available their written comments on their agreeing or disagreeing with the convening of such extraordinary general meeting or class meeting.

If the Board agrees to convene such extraordinary general meeting or class meeting, it shall, within five days upon passing the Board resolution, serve a notice of the meeting. Consent of the relevant shareholder(s) shall be sought for any variation to the original request.

If the Board disagrees to convene such extraordinary general meeting or class meeting, or fails to respond within ten days upon receipt of the request, the individual or the shareholders holding in aggregate 10% or above (including 10%) of the shares of the Company with voting rights is/ are entitled to recommend in writing to the Supervisory Committee to convene such extraordinary general meeting or class meeting.

If the Supervisory Committee agrees to convene such extraordinary general meeting or class meeting, it shall, within five days upon receipt of such request, serve a notice of meeting. Consent of the relevant shareholder(s) shall be sought for any variation to the original request.

If the Supervisory Committee fails to serve the notice of shareholders' meeting within the period as provided, it shall be deemed as the Supervisory Committee not convening and presiding over the meeting. One or more shareholders holding in aggregate 10% or above (including 10%) of the shares of the Company with voting rights for 90 consecutive days or above is/ are entitled to convene and preside over such meeting on its/their own.

(2) Procedures for putting proposals to a general meeting

Pursuant to the Articles of Association in respect of convening an annual general meeting, any shareholder(s) holding 3% or above (including 3%) of the total number of shares of the Company with voting rights may put forward any provisional proposal(s) in writing to the convener ten days prior to the general meeting. The convener shall, within two days upon receipt of the proposal(s), serve a supplemental notice of general meeting, announcing the contents of such provisional proposals. The contents of any such proposals shall fall within the purview of the general meeting, with clear and definite issues for consideration and substantive matters for resolution and in compliance with laws, administrative rules and the Articles of Association.

Should any shareholder wish to make a proposal in accordance with the Articles of Association, both the annual report of the Company and the "Corporate Information" section of the Company's website provide specific contact information.

(3) Procedures for enquiries of shareholders made with the Board of Directors

Any shareholder may make any written enquiry with the Board at any time. The administrative measures of the Company in respect of management of investors' relations provide for clear and definite procedures for enquiries. Definite guidelines in respect of contact details are also set out in the annual report of the Company and the "Corporate Information" section on the website of the Company.

A question-and-answer session is in place in any general meeting of the Company. Questions from any shareholder will be answered by the Chairman, Vice Chairman, President and independent Directors or intermediary. Forms for written questions are available to any shareholders who are not able to ask any questions due to time limitation. Such written questions will be answered in detail by the Investors' Relations Department of the Company. Shareholders may also make more frequent use of the mailbox of the Secretary to the Board on the website of the Company. Issues of concern to shareholders are answered by the Company in a prompt manner. The Company reviewed the relevant shareholders communication policy and its implementation during the Reporting Period and believed the relevant policy is appropriate and effective.

2. Shareholders' meetings

The Company convened four shareholders' general meetings pursuant to the Articles of Association:

The annual general meeting for 2022 of the Company was held onsite on June 8, 2023. Nine ordinary resolutions were reviewed and passed at the meeting by more than half of the affirmative votes, which were the Report of Board of Directors for 2022, the Report of the Supervisory Committee for the year 2022, the Proposal for the Annual Financial Report of the Company for 2022, the Proposal for the Profit Distribution Plan of the Company for 2022, the Proposal to Authorize the Board of Directors to Decide on the Interim Profit Distribution Plan of the Company for 2023, the Proposal on Guarantee Matters of the Company for 2023, the Proposal for the Engagement of Domestic and Overseas Accounting Firms of the Company for 2023, the Proposal for the Election of Director of the Company, the Proposal for the Election of Supervisor of the Company. Three special resolutions were adopted at the meeting by more than two thirds of the affirmative votes, which were the Proposal to Grant the Board of Directors a General Mandate to Repurchase Shares, the Proposal to Grant the Board of Directors a General Mandate to Issue Debt Financing Instruments, and Proposal to Amend the Rules of Procedure of the Board of Directors.

On June 8, 2023, the 2023 first Class A shareholders' general meeting of the Company was held on site. The meeting voted by poll and passed one special resolution by more than two thirds of the affirmative votes, which is the Proposal to Grant the Board of Directors a General Mandate to Repurchase Shares.

On June 8, 2023, the 2023 first Class H shareholders' general meeting of the Company was held on site. The meeting voted by poll and passed one special resolution by more than two thirds of the affirmative votes, which is the Proposal to Grant the Board of Directors a General Mandate to Repurchase Shares.

On November 9, 2023, the first extraordinary general meeting of 2023 of the Company was held onsite and by video conference. The meeting voted by poll and passed the Proposal for the Renewal of the Continuing Connected Transactions Agreement between the Company and CNPC and Jointly-Held Entities and the Proposal for Signing of the Financial Services Agreement between the Company and CNPC Finance by more than half of the independent shareholders' affirmative votes; passed three ordinary resolutions on Election of Directors of the Company by more than half of all the shareholders' affirmative votes; and passed one special resolution on the Amendment of the Organization and Rules of Procedure of the Supervisory Committee by more than two-thirds of all shareholders' affirmative votes.

None of the independent Directors attending the above shareholders' meetings raised any objection.

Please refer to the announcements published by the Company on the websites of Shanghai Stock Exchange and Hong Kong Stock Exchange, for resolutions passed at the annual general meeting and details.

DIRECTORS' REPORT

The Board of the Company is pleased to present its Directors' report for perusal.

1. Review of results of operations and the business prospect of the Company during the Reporting Period

Please refer to the sections headed "Business Review", "Discussion and Analysis of Operations" and "Chairman's Report" in this annual report.

2. Risk Factors

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

(1) Industry Regulations and Tax Policies Risk

The PRC government exercises supervision and regulation over the domestic oil and natural gas industry. These regulatory measures include the obtaining of exploration and production licenses, the payment of industry-specific taxes and levies, and the implementation of environmental protection policies and safety standards, which may affect the Group's operating activities. Any future changes in the PRC governmental policies in respect of the oil and natural gas industry may also affect the Group's business operations.

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

(2) Price Fluctuations of Crude Oil and Refined Products Risk

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

(3) Foreign Exchange Rate Risk

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

(4) Market Competition Risk

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

(5) Uncertainty of the Oil and Gas Reserves Risk

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

(6) Overseas Operations Risk

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

(7) Risk Relating to Climate Change

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

(8) Hidden Hazards and Force Majeure Risk

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

3. Contingent Matters

(1) Bank and other guarantees

As at December 31, 2023 and 2022, the Group did not provide material guarantees to loans to other companies nor had any other material guarantee matters.

(2) Environmental liabilities

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

(3) Legal contingencies

During the Reporting Period, the Company has complied with laws, regulations and supervision provisions domestic and abroad. The Board of Directors believes that any liabilities resulting from insignificant lawsuits as well as other proceedings arising in ordinary course of business of the Group will not have a material adverse effect on the financial position of the Group.

(4) Group insurance

The Group carries limited insurance coverage for certain assets subject to significant operating risks, has purchased third-party liability insurance against claims relating to personal injury, property and environmental damages arising from accidents and employer's liability insurance. The effect of non-coverage on future incidents on the Company's liability cannot be reasonably assessed at present.

4. Projects not Funded by Proceeds from Fund Raising

Unit: RMB Million

Name of project	Total project amount	Cumulative investment	Progress of project	Project return
Refining and chemical transformation and upgrading project of Jilin Petrochemical Company	33,926	6,080	Construction Phase	Evaluations show that the project meet the Company's return benchmarks. As it is currently under the construction phase, the actual profitability is still subject to verification.
Guangxi Petrochemical Company's integration of refining and petrochemical transformation and upgrading project	30,459	1,535	Construction Phase	Evaluations show that the project meet the Company's return benchmarks. As it is currently under the construction phase, the actual profitability is still subject to verification.
Restart and supporting new energy project of Qinghai Oilfield Golmud Gas Turbine Power Station	5,662	2,500	Construction Phase	Evaluations show that the project meet the Company's return benchmarks. As it is currently under the construction phase, the actual profitability is still subject to verification.

5. Operations of the Board of Directors

(1) The convening of Board meetings and the issues resolved

During the Reporting Period, the Board convened seven Board meetings, including two onsite and video meetings, 2 onsite meetings and three meetings by way of written resolutions and passed 46 Board resolutions. The details are set out as below:

No.	Title	Date	Method
1	Twentieth meeting of the eighth Session of the Board of Directors	March 29, 2023	Onsite and video meeting
2	Twenty-first meeting of the eighth Session of the Board of Directors	April 21-28, 2023	By written
3	First meeting of the ninth Session of the Board of Directors	June 8, 2023	Onsite
4	Second meeting of the ninth Session of the Board of Directors	June 19-26, 2023	By written
5	Third meeting of the ninth Session of the Board of Directors	August 30, 2023	Onsite and video meeting
6	Fourth meeting of the ninth Session of the Board of Directors	October 24-30, 2023	By written
7	Fifth meeting of the ninth Session of the Board of Directors	December 20, 2023	Onsite

For specific information on meetings and the relevant resolutions of the Board meetings, please refer to the announcements uploaded on the websites of Shanghai Stock Exchange and Hong Kong Stock Exchange after each Board meeting.

(2) Composition of the current Board and attendance rate of the Board meetings in 2023

Position	Name	Number of required attendance	Attendance in person (times)	Attendance by proxy (times)
Chairman	Dai Houliang	7	7	0
Vice Chairman and non-executive Director	Hou Qijun	7	5	2
Non-executive Director	Duan Liangwei	7	6	1
Executive Director and President	Huang Yongzhang	7	7	0
Executive Director and Senior Vice President	Ren Lixin	7	6	1
Non-executive Director	Xie Jun	7	6	1
Executive Director and Senior Vice President	Zhang Daowei	1	0	1
Independent non-executive Director	Cai Jinyong	7	6	1
Independent non-executive Director	Jiang, Simon X.	7	6	1
Independent non-executive Director	Zhang Laibin	5	5	0
Independent non-executive Director	Hung Lo Shan Lusan	5	5	0
Independent non-executive Director	Ho Kevin King Lun	5	5	0

Note: On June 8, 2023, the Company held the annual general meeting for 2022, in which the resolutions on the election of Directors of the Company were considered and approved and Mr. Zhang Laibin, Ms. Hung Lo Shan Lusan and Mr. Ho Kevin King Lun were elected as independent non-executive Directors of the Company. On November 9, 2023, the Company held the first extraordinary general meeting of 2023 in which the resolution for the election of a director was considered and approved and Mr. Zhang Daowei was elected as Director of the Company.

(3) Attendance of the Current Directors at Shareholders' General Meetings for the Year 2023

Position	Name	Number of Required Meetings	Attendance in Person (times)
Chairman	Dai Houliang	4	3
Vice Chairman and non-executive Director	Hou Qijun	4	1
Non-executive Director	Duan Liangwei	4	3
Executive Director and President	Huang Yongzhang	4	4
Executive Director and Senior Vice President	Ren Lixin	4	1
Non-executive Director	Xie Jun	4	4
Executive Director and Senior Vice President	Zhang Daowei	0	0
Independent non-executive Director	Cai Jinyong	4	3
Independent non-executive Director	Jiang, Simon X.	4	4
Independent non-executive Director	Zhang Laibin	1	1
Independent non-executive Director	Hung Lo Shan Lusan	1	1
Independent non-executive Director	Ho Kevin King Lun	1	1

(4) The implementation of AGM resolutions by the Board of Directors

All members of the Board have conscientiously and tirelessly performed their duties, implemented the resolutions passed at the AGM and accomplished all tasks as authorized by the AGM according to the relevant laws, regulations and rules of the respective jurisdictions where Company's shares are listed and the provisions as set out in the Company's Articles of Association.

(5) Work of the special committees of the Board of Directors

During the Reporting Period, for the convening and attendance of meetings of the Nomination Committee, the Audit Committee, the Investment and Development Committee, the Examination and Remuneration Committee and Sustainable Development Committee of the Company, reference can be made to the relevant parts under the "Corporate Governance" Section of this annual report.

6. Five-Years Financial Summary

For the summary of the results and of the assets and liabilities of the Group for the last five financial years, please refer to the sub-section "Key Financial Data Prepared under IFRS Accounting Standards" under the section "Summary of Financial Data and Financial Indicators" of this annual report.

7. Bank Loans and Other Borrowings

Details of bank loans and other borrowings of the Company and the Group as at December 31, 2023 are set out in Note 30 to the financial statements prepared in accordance with IFRS Accounting Standards in this annual report.

8. Interest Capitalization

Interest capitalized by the Group for the year ended December 31, 2023 was RMB478 million.

9. Fixed Assets

Changes to the fixed assets of the Company and the Group during the year are summarized in Note 16 to the financial statements prepared in accordance with IFRS Accounting Standards in this annual report.

10. Land Value Appreciation Tax

There was no substantial land value appreciation tax payable by the Group during the year.

11. Reserves

Details of changes to the reserves of the Company and the Group for the year ended December 31, 2023 are set out in Note 32 to the financial statements prepared in accordance with IFRS Accounting Standards in this annual report.

12. Distributable Reserves

As at December 31, 2023, the reserves of the Company that can be distributed as dividends were RMB 754.155 billion.

13. Management Contract

During the Reporting Period, the Company did not enter into any management contracts concerning the management or administration of its overall business or any of its material business, nor did any such management contract exist.

14. Major Suppliers and Customers

The aggregate purchase attributable to the five largest suppliers of the Group accounted for approximately 29% of the Group's total purchase in 2023, among which the purchase attributable to the largest supplier of the Group accounted for approximately 18% of Group's total purchase. The aggregate revenue derived from the major customers is set out in Note 38 to the financial statements prepared in accordance with IFRS Accounting Standards in this annual report. The aggregate revenue derived from the five largest customers accounted for approximately 8% of the Group's total sales.

During the Reporting Period, all the five largest suppliers and the five largest customers of the Company, except for CNPC and PipeChina (the Group's associated company), are the independent third parties.

15. Repurchase, Sale or Redemption of Securities

Except as described in section "Relevant Information on Bonds" section of this annual report, the Group did not sell any securities of the Group, nor did it repurchase or redeem any of the securities of the Group during the twelve months ended December 31, 2023.

16. Trust Deposits and Irrecoverable Overdue Time Deposits

As at December 31, 2023, the Company did not have trust deposits or irrecoverable overdue time deposits.

17. Pre-emptive Rights

There is no provision regarding pre-emptive rights under the Articles of Association or the PRC laws.

18. Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained the amount of public float as required under the Hong Kong Listing Rules during the last practicable date prior to the publication of this annual report.

19. Performance of Environment and Social Responsibilities

The Group actively fulfilled its social responsibility, incorporated green and low-carbon into its development strategies, strictly abided by the Environmental Protection Law of the People's Republic of China and other relevant regulations, prevented and controlled pollution, strengthened ecological protection and strived to become a good global corporate citizen.

The Group always adheres to the concept of "development with protection, protection with development, and giving priority to environmental protection", promoting all-round development of ecological and environmental protection. The Group deeply promotes clean production, energy saving and emission reduction, ensuring that waste gas and waste water pollutants are discharged stably and within standards, solid wastes are disposed of in compliance with laws and regulations, achieving comprehensive reduction of the total amount of wastes. The Group continuously promotes the construction of green mines and strictly control the discharge of "waste water, waste gas and solid waste"; strengthened the investigation on hidden dangers in ecological environmental and risk prevention and control, with no major or above serious environmental pollution and ecological damage incidents occurring during the Reporting Period. Major environmental information about the Group is as follows:

(1) Waste information

In 2023, the emissions of nitrogen oxides (NO_x) was 48,500 tons; the emissions of general solid waste was 3.555 million tons; the emission of hazardous waste was 1.300 million tons; the emissions of chemical oxygen demand (COD) was 4,900 tons[1]. The waste information has been disclosed in accordance with the relevant regulations and the requirements of the local environmental protection authority. For details, please refer to the website of National Waste Permit Management Information Platform (全國排污許可證管理信息平台) (http://permit.mee.gov.cn/permitExt/defaults/default-index!getInformation.action)

1 Waste gas emissions statistics including torch emissions and the statistics of general solid waste is the amount of disposal entrusted by the company to a third-party organization with relevant qualifications.

(2) Construction and operation of pollution prevention and control facilities, environmental impact assessment of construction projects and other administrative permits of environmental protection

During the Reporting Period, in accordance with the requirements of national and local pollution prevention and environmental protection standards, the Company established pollution prevention and control facilities such as waste water, waste gas, solid waste and noise to ensure its overall effective and stable operation. The Company strictly standardizes the full-cycle environmental storage of project construction, implements the management requirements such as environmental impact assessment of national construction projects, and obtains EIA approvals from government departments in accordance with the law.

(3) Emergency plan for environmental incidents and environmental self-monitoring plan

The Company has carried out relevant work in accordance with the national regulations on the management of emergency plans for environmental emergencies, strictly enforced the "PetroChina Emergency Plan for Environmental Emergencies", fully implemented monitoring networking for key pollution sources, strictly monitored the emission of pollutants up to standard by enterprises, and implemented dynamic analysis and early warning for excessive and abnormal emissions. As at the end of 2023, there were 860 online monitoring pollution sources. The key pollution sources required by the country have been fully monitored and networked. The automatic monitoring of pollution sources covers the Company's main production facilities and pollution sources.

(4) Administrative penalties due to environmental issues during the Reporting Period

In 2023, the companies which are key pollutant discharging units of the Company received 7 local environmental penalties for environmental issues, with a total amount of RMB815,000. The above companies have disclosed environmental information and administrative penalties on the website of local environmental authorities in accordance with the relevant regulations of the Ministry of Ecology and Environment of the People's Republic of China and the requirements of local environmental authorities. For companies that are not key pollutant discharging units, information on administrative penalties for environmental issues has been disclosed on the website of local environmental protection authorities in strict accordance with national and local government requirements. Please refer to the details on the local environmental protection authorities' website.

(5) Other environmental information

The Company actively implemented the national overall work arrangements of "carbon emission peak and carbon neutrality", organized the preparation of an action plan for the target of "carbon emission peak and carbon neutrality", implemented energy conservation, emission reduction and clean substitution of production energy to reduce fossil energy consumption and carbon dioxide emissions from the source; vigorously developed natural gas, sped up the implementation of new energy projects such as wind and solar, geothermal heating, and hydrogen energy to increase the supply of clean energy; actively explored and improved the technical and profitable paths of carbon capture and carbon storage, implemented large-scale carbon dioxide flooding and carbon dioxide storage, continuously expanded the "zero carbon" and "negative carbon" industries, and enhanced the carbon sequestration capacity and scale of the ecosystem.

Details of the performance of social responsibilities by the Company are set forth in the 2023 Environmental, Social and Governance Report published on the websites of Hong Kong Stock Exchange and Shanghai Stock Exchange.

20. Rural Revitalization

In 2023, the Company promoted the effective connection between the results of poverty alleviation and rural revitalization according to local conditions and contribute to rural revitalization, carrying out 1,110 rural revitalizing projects, benefiting over 5 million people, with the objective of helping with the development in poverty areas and those who have been lifted out of poverty. With the main line of "focus on food security, people-enriching industries and rural tourism", the Company solidly pushed forward the "Characteristic Industry Enhancement Action" to help revitalize the industry; carried out the "Village Craftsman Project", "Benefiting Teacher Plan", "Capacity Enhancement for Grassroots Rural Revitalization Personnel" and "I Send My Mother to Work" and provided trainings to a total of about 128,500 people throughout the year, and created PetroChina "Prosperity in Agriculture Lecture Hall" (興農講堂), which helped revitalize talents. The Company assisted in the construction of a rural tourism assistance demonstration project, and carried out activities to promote petroleum science in schools and key newspapers and magazines in villages to help cultural revitalization. The Company has also continued to promote the "Happy Countryside Construction Action", assisted in the construction of living environment improvement projects, promoted rural toilet revolution, domestic sewage and waste management, and overall improvement of village appearance, which has helped revitalize the ecology.

In 2024, the Company will further exert its resource and market advantages, assist in the construction of special breeding industry projects, carry out upgrading of rural tourism, pilot the construction of zero-carbon villages, further implement the "Prosperity in Agriculture Lecture Hall" action and the "Consumption Support and Empowerment" action, expand the scope of remote consultation and medical care, create a model for rural revitalization to comprehensively enhance the capacity of rural public services, and sustainably enhance the endogenous development power of poverty-stricken areas and poverty-stricken populations, so as to consolidate and expand the results of the poverty alleviation and rural revitalization and make new contributions to the consolidation and expansion of poverty alleviation and rural revitalization.

21. Donations

During the Reporting Period, the Company's donations amounted to approximately RMB544 million, of which RMB269 million was for rural revitalization, RMB62 million was for education, RMB47 million was for disaster relief, RMB3 million was for environmental protection and RMB163 million was for other public welfare purposes.

22. Technological Innovation

The Group takes innovation as the first strategy of its development, adheres to the orientation of technology development of "developing the business and giving priority to science and technology, supporting the present and leading the future", and continuously strengthens the construction of the technology innovation system. We have made new breakthrough in the independent innovation, obtained and promoted a batch of new important technology achievements and a number of landmark achievements in energy and chemical technology innovation, which strongly supports and leads the development of the main business.

In 2023, the Group spent RMB30,477 million in research and development, which represented an increase of 6.1% as compared with last year, representing 1.0% of the operating income of the Group. The ratio of research and development input capitalization was 28.0%. The Group obtained 1,760 patents in China. As at December 31, 2023, the Group owned a total of 20,697 patents obtained in China and overseas.

By Order of the Board
Dai Houliang
Chairman
Beijing, the PRC
March 25, 2024

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

During the year of 2023, the Supervisory Committee has performed and discharged its duties and responsibilities conscientiously in accordance with the relevant provisions of the Company Law and the Articles of Association

1. Meetings of the Supervisory Committee

During the Reporting Period, the Company held five meetings of the Supervisory Committee, successfully completed the election of the Supervisory Committee members, the election of the Chairman of the Supervisory Committee and the review of the annual report of the Company for the year of 2022 and the interim and quarterly reports of 2023, and formed the resolution of the Supervisory Committee, and provided the relevant disclosure information in accordance with the requirements of the regulatory authorities.

On March 28, 2023, the Supervisory Committee held the fifteenth meeting of the eighth session of the Supervisory Committee by way of onsite meeting. The meeting was chaired by Mr. Cai Anhui, the Chairman of the Supervisory Committee. The meeting reviewed and passed the Proposal for the Election of the Supervisory Committee Members, the Annual Financial Report of the Company for 2022, the Proposal for the Profit Distribution of the Company for 2022, Report on the Assessment of the Results of Operations by the President for 2022 and the Formulation of the Performance Contract for 2023, the Supervisory Committee's Proposal for the Engagement of Domestic and Overseas Accounting Firms for 2023, the Report of Supervisory Committee of the Company for 2022, the Work Summary of the Supervisory Committee for 2022 and the Work Plan for 2023, Environmental, Social and Governance Report of the Company for 2022 and the Annual Report and Annual Results Announcement of the Company for 2022. The Supervisory Committee also formed the assessment opinion of Financial Report of the Company for 2022, Proposal for the Profit Distribution of the Company for 2022, and Report on the Assessment of the Results of Operations by the President for 2022.

From April 21 to 28, 2023, the Supervisory Committee held the sixteenth meeting of the eighth Supervisory Committee by way of written resolution and reviewed and passed the First Quarterly Report of the Company for 2023.

On June 8, 2023, the Supervisory Committee held the first meeting of the ninth session of the Supervisory Committee by way of onsite meeting. Mr. Cai Anhui was elected by over half of the Supervisory Committee members as the chair of the meeting. The meeting reviewed and passed the Proposal for the Election of the Chairman of the Supervisory Committee of the Company. Upon voting by all the attending Supervisors, it was unanimously agreed that Mr. Cai Anhui was the Chairman of the Supervisory Committee of the Company.

On August 29, 2023, the Supervisory Committee held the second meeting of the ninth session of the Supervisory Committee by way of onsite meeting. The meeting was chaired by Mr. Cai Anhui, Chairman of the Supervisory Committee. The Interim Financial Report of the Company for 2023, the Interim Profit Distribution Plan of the Company for 2023, the Proposal on Revision of the Organization and Rules of Procedure of the Supervisory Committee, the Proposal on Revision of the Management Measures for Supervisors' Performance of Duties, and the Interim Report and Interim Results Announcement of the Company for 2023 were reviewed and passed, forming the Review Opinion on the Interim Financial Report and the Profit Distribution Plan of the Company for 2023.

From October 24 to 30, 2023, the Supervisory Committee held the third meeting of the ninth Supervisory Committee by way of written resolution and reviewed and passed the Third Quarterly Report of the Company for 2023.

2. Supervisory Committee's presence at other meetings and performance of other works

In 2023, the Supervisory Committee attended four shareholders' general meeting, at which it submitted the Report of the Supervisory Committee for 2022, the Proposal for the Engagement of Domestic and Overseas Accounting Firms by the Company for 2023, the Proposal for the Election of Supervisor of the Company, and the Proposal for the Amendment of the Organization and Rules of Procedure of the Supervisory Committee, which were reviewed and approved by the shareholders' general meeting.

The Supervisory Committee attended four meetings of the Board of Directors and listened to the Board of Directors' review of the President's Report for 2022, the Company's annual report for 2022 and the interim report and results of 2023, profit distribution and other relevant proposals. The Supervisory Committee presented five opinions on the review of the Company's financial report, profit distribution plan (draft plan), and the performance assessment of the President, and put forward suggestions such as actively carrying out market capitalization management, continuously promoting the improvement of the pricing mechanism of the oil and gas industry chain, accelerating the high-quality development of the new energy and new materials industry, further increasing the efforts to increase the natural gas storage and production, and continuously improving the Company's ESG management level.

In addition, the Supervisory Committee also enhanced the ability and level of Supervisory Committee practitioners to perform their duties by participating in special training courses for directors, supervisors and senior management organized by China Association for Public Companies.

3. Supervisory Committee's opinion on the works of the Company

The Supervisory Committee is of the view that in 2023, the Company seized the favorable opportunity of China's economic recovery and development, and promoted business development, reform and innovation, quality enhancement and efficiency enhancement, risk prevention and control in an integrated manner, with the two major industrial chains of oil and gas and the various businesses operating smoothly and efficiently, with an overall growth in the major production indicators, and with the operating results hitting a record high despite the year-on-year decline in the realized oil price. The Supervisory Committee expressed satisfaction with the Company's achievements.

4. Other matters reviewed or concerned by the Supervisory Committee

(1) Opinion of the Supervisory Committee on the lawful operation of the Company

In 2023, the Company conscientiously complied with the provisions of the relevant laws and regulations of China and places of listing and carried out its activities accordingly. The convening procedures for voting methods applicable to and meeting resolutions adopted at shareholders' general meetings and Board meetings were legally valid, and the information was disclosed to the public in a timely, accurate and complete manner. No director or senior management personnel of the Company was found violating laws, regulations or the Articles of Association, or involved in any act to harm the interests of the Company and the shareholders in the performance of his/her duties.

(2) Opinion of the Supervisory Committee on inspection of the financial status of the Company

In 2023, the Company's production and operating results hit a new record high, achieving stable growth in key economic indicators such as profit from operations, profit attributable to owners of the Company, return on invested capital and free cash flows, and achieving overall profitability in all operating segments, with a healthy financial position.

The annual financial reports of the Company have been prepared in accordance with CAS and IFRS Accounting Standards respectively. The financial reports of the Company audited by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers provided a true and fair view on the financial positions, operating results and cash flows of the Company. The standard and unqualified audit reports issued by them are objective and fair.

(3) Opinion of the Supervisory Committee on connected transactions of the Company

In 2023, the Company strictly complied with national laws and regulations, conscientiously performed the regulatory requirements of the places of listing, fully performed various agreements and contracts with connected persons, and conducted such connected transactions in a compliant manner. All types of the connected transactions of the Company were conducted within the approved caps.

(4) Opinion of the Supervisory Committee on the assessment report on the internal control of the Company

In 2023, in accordance with the latest regulatory requirements, and requirements and deployment of the Board of Directors, the Company continuously intensified the supervision and evaluation of internal control, gave full play to the role of internal audit in the detection of errors and rectification of deficiencies, and continuously improved the effectiveness of internal control. All significant exceptions identified by management testing were effectively rectified and no significant deficiencies in internal control were identified.

(5) Opinion of the Supervisory Committee on the Company's Environmental, Social and Governance Report

In 2023, the Company's Environment, Society and Governance Report continuously adhered to the principle of prudence, soundness and focus, strictly complied with the regulations, responded to the concerns of the investors, rating agencies and other stakeholders actively, and made improved disclosure based on the actual condition of the Company. The Environment, Society and Governance Report reflected the Company's new achievements on environmental protection, contribution to the society and corporate governance. The Supervisory Committee has approved the Company's Environment, Society and Governance Report.

In 2024, the Supervisory Committee will continue to conscientiously perform its duties, and diligently perform various work in strict compliance with the Company Law, the Articles of Association and other relevant regulations.

The Supervisory Committee
Beijing, the PRC
March 25, 2024

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

1. Information on the Directors, Supervisors and Senior Management

(1) Directors

Information on the current Directors is set out below:

Name	Gender	Age	Position	Term	Pre-tax emoluments received from the Company in 2023 (RMB'000)	Whether received emoluments from offices held in CNPC	Number of Shares held in the Company	
							As at December 31, 2022	As at December 31, 2023
Dai Houliang	M	60	Chairman	2023.06-2026.06	-	Yes	0	0
Hou Qijun	M	57	Vice Chairman and Non-executive Director	2023.06-2026.06	-	Yes	0	0
Duan Liangwei	M	56	Non-executive Director	2023.06-2026.06	-	Yes	0	0
Huang Yongzhang	M	57	Executive Director and President	2023.06-2026.06	1,124	No	0	0
Ren Lixin	M	56	Executive Director and Senior Vice President	2023.06-2026.06	1,091	No	0	0
Xie Jun	M	56	Non-executive Director	2023.06-2026.06	-	Yes	0	0
Zhang Daowei	M	51	Executive Director and Senior Vice President	2023.11-2026.06	1,502	No	0	0
Cai Jinyong	M	64	Independent non-executive Director	2023.06-2026.06	597	No	0	0
Jiang, Simon X.	M	70	Independent non-executive Director	2023.06-2026.06	608	No	0	0
Zhang Laibin	M	62	Independent non-executive Director	2023.06-2026.06	-	No	0	0
Hung Lo Shan Lusan	F	57	Independent non-executive Director	2023.06-2026.06	-	No	8,000	0
Ho Kevin King Lun	M	48	Independent non-executive Director	2023.06-2026.06	-	No	0	0

Note:

1. The emoluments above were all pre-tax amounts paid by calendar year, and the emoluments of the executive Directors included salaries and benefits such as basic pension insurance, basic medical insurance, housing provident fund, etc.
2. Except the independent non-executive Directors, other Directors did not receive Directors' emoluments in the capacity of Director from the Company. The emoluments of the independent non-executive Directors consisted of two components, namely, salaries and meeting attendance allowance. The emoluments level of the independent non-executive Directors of the Company was set with reference to the overall market situation and the level of emoluments of independent non-executive Directors of listed companies in comparable industry.

Brief Biographies of Directors:

Dai Houliang, aged 60, is the Chairman of the Company, chairman and the Party secretary of CNPC. Mr. Dai is a professor-level senior engineer with a doctorate degree, a member of the 14th Session of the National Committee of the Chinese People's Political Consultative Conference, a member of the subcommittee of Human, Resources and Environment Committee and an academician of the Chinese Academy of Engineering. From December 1997, he successively served as deputy general manager of Yangzi Petrochemical Corporation, director, deputy general manager, vice chairman, general manager, chairman and a member of the standing Party committee of Yangzi Petrochemical Co., Ltd., deputy chief financial officer, vice president, director, senior vice president, chief financial officer, vice chairman, president and chairman of China Petroleum & Chemical Corporation ("Sinopec Corp"). He served as a member of the Party committee of China Petrochemical Corporation in June 2008, the general manager, director, deputy Party secretary of China Petrochemical Corporation in May 2016, and the chairman of the board and the Party secretary of China Petrochemical Corporation in July 2018. Mr. Dai has been appointed as the chairman of the Board and the Party secretary of CNPC since January 2020 and a Director and the chairman of the Board since March 2020.

Hou Qijun, aged 57, is the Vice Chairman of the Company, a director, general manager and deputy Party secretary of CNPC. Mr. Hou is a professor-level senior engineer with a doctorate degree. From October 2002, Mr. Hou successively served as the director and deputy general manager of Daqing Oilfield Co., Ltd., the general manager and deputy Party secretary of Jilin Oilfield Company, the Party secretary and deputy general manager of Natural Gas and Pipeline Branch, the director-general and deputy Party secretary of PetroChina Oil & Gas Control Centre, and the general manager of the planning department of CNPC and the Company. He was appointed as the deputy general manager of CNPC in March 2017 and concurrently served as the general manager and deputy Party secretary of the exploration and production branch of the Company in April 2017. Mr. Hou was appointed as the Director and Vice President of the Company in June 2017 and the President of the Company in March 2019. He was appointed as director, the general manager and deputy Party secretary of China Oil & Gas Pipeline Network Corporation in October 2019. Mr. Hou has been appointed as a director, the general manager and deputy Party secretary of CNPC since July 2021 and a Director and Vice Chairman of the Board since October 2021.

Duan Liangwei, aged 56, is a Director of the Company, director and deputy Party secretary, and head office Party secretary of CNPC. Mr. Duan is a professor-level senior engineer with a doctorate degree. From February 2006, Mr. Duan successively served as the deputy general manager, safety director, and member of the Party committee of Jilin Petrochemical Company, the general manager and deputy Party secretary of Dagang Petrochemical Company, the general manager and deputy Party secretary of Dalian Petrochemical Company. He was appointed as deputy general manager of CNPC in March 2017 and safety director of CNPC in April 2017. Mr. Duan has been appointed as a Director since June 2017. He was appointed as a member of the Party committee of CNPC in September 2019. Mr. Duan was appointed as the President of the Company in March 2020. He has been appointed as a director and deputy Party secretary of CNPC since September 2020 and head office Party secretary of CNPC since October 2020.

Huang Yongzhang, aged 57, is a Director and President of the Company, member of the Party committee, deputy general manager and safety director of CNPC. Mr. Huang is a professor-level senior engineer with a doctorate degree. From June 2008, he successively served as the deputy general manager of CNPC International (Nile) Ltd., the deputy general manager, and safety director of China Oil Exploration and Development Corporation, the executive deputy general manager and general manager of CNPC Middle East Corporation and senior deputy general manager and a member of the Party Committee of China National Oil and Gas Exploration and Development Corporation. He has been appointed as a member of the Party committee and deputy general manager of CNPC since April 2020, Director since September 2020, safety director of CNPC since February 2021 and the President of the Company since March 2021.

Ren Lixin, aged 56, is a Director and the Senior Vice President of the Company, a member of the Party committee and deputy general manager of CNPC. Mr. Ren is a professor-level senior engineer with a bachelor's degree. From September 2005, Mr. Ren successively served as a member of the Party committee, the deputy general manager, the general manager, deputy Party secretary and safety director of Dushanzi Petrochemical Company, the general manager and deputy Party secretary of the Refinery and Chemical Branch of the Company. He has been appointed as a member of the Party committee and deputy general manager of CNPC since June 2021. He has been appointed as the Senior Vice President of the Company since August 2021 and a Director since October 2021.

Xie Jun, aged 56, is a Director of the Company, a member of the Party committee and deputy general manager and the director-general of CNPC Consulting Centre. Mr. Xie is a professor-level senior engineer with a bachelor's degree. From August 2013, he served successively as a member of the Party committee, the deputy general manager, the executive deputy general manager, the Party secretary and general manager of Southwest Oil and Gas Field Company, the general manager of the development and planning department of CNPC and the Company. He has been appointed as a member of the Party committee and deputy general manager of CNPC since January 2022 and the director-general of CNPC Consulting Centre since March 2022. He has been appointed as a Director since June 2022.

Zhang Daowei, aged 51, is a Director and Senior Vice President of the Company, member of the Party committee and deputy general manager of CNPC. Mr. Zhang is a professor-level senior engineer with a doctorate degree. From December 2015, he served successively as the deputy general manager and executive deputy general manager of Qinghai Oilfield Company, the secretary of the Party Committee, general manager and executive director of Southwest Oil and Gas Field Company, the general manager and executive director of the Company's exploration and production branch, and the executive director of the Company's oil, gas and new energy branch. He has been appointed as the Vice President of the Company since June 2022. He has been appointed as a member of the Party committee and deputy general manager of CNPC since May 2023. He has been appointed as the Senior Vice President of the Company since June 2023. He has been appointed as a Director since November 2023.

Cai Jinyong, aged 64, is the independent non-executive Director of the Company and concurrently serves as a partner of Global Infrastructure Partners (GIP) and a board member of Aon Corporation. Mr. Cai received a bachelor's degree in science from Peking University and doctorate degree of economics from Boston University. Mr. Cai has over 30 years working experience in finance service industry, and he worked in TPG Group, World Bank Group, Goldman Sachs Group, Inc. and Morgan Stanley. Mr. Cai worked at the Central Europe Bureau of the World Bank and was responsible for energy sectors from 1990 to 1994. From 1994 to 2000, he served in Morgan Stanley and was a team member which established China International Capital Corporation Limited (the first domestic joint venture investment bank in the PRC). From 2000 to 2012, he worked in Goldman Sachs Group, Inc., where he was in charge of the PRC investment banking business. From 2012 to 2016, he served as CEO of International Finance Corporation of the World Bank Group. From 2016 to 2018, he led infrastructure business in emerging economies at TPG. Mr. Cai has been appointed as an independent non-executive Director since June 2020.

Jiang, Simon X., aged 70, is an independent non-executive Director of the Company and has been an independent non-executive director of COSCO SHIPPING International (Hong Kong) Co., Ltd. since April 2007. He is the chairman of Cyber City International Limited, a director of China Foundation for Disabled Persons, a senior associate at the Judge Business School of the Cambridge University of England and a member of the United Nations Investments Committee. Mr. Jiang received his bachelor's degree from Beijing Foreign Studies University, master's degree from Australian National University and Ph.D. degree in economics from the Cambridge University of England. Mr. Jiang has investment management experience. Mr. Jiang was the deputy chief of United Nations Joint Staff Pension Fund Investment Management and has worked as a member of its Investment Committee till now. He was a member of the 11th and 12th Sessions of the National Committee of the Chinese People's Political Consultative Conference, an independent director of China Oilfield Services Limited, Greenland Hong Kong Holdings Limited, Nokia Corporation and Sinopec Corp. Mr. Jiang has been appointed as an independent non-executive Director since June 2020.

Zhang Laibin, aged 62, is an independent non-executive Director of the Company and he is also a professor at China University of Petroleum (Beijing) ("CUP (Beijing)") and a doctoral supervisor. Mr. Zhang received a doctorate degree and is a member of the 14th session of the standing committee of National Committee of the Chinese People's Political Consultative Conference, a member of the subcommittee for handing proposals of the Chinese People's Political Consultative Conference and an academician of the Chinese Academy of Engineering. From 1992, Mr. Zhang served successively as vice director, director and dean of the mechanical and electrical department at CUP (Beijing). Mr. Zhang was appointed as the deputy Party secretary of CUP (Beijing) in 1998 and the vice principal of CUP (Beijing) in 1999. Mr. Zhang served as the principal of CUP (Beijing) from 2005 to 2021. Mr. Zhang was elected as an academician of the Chinese Academy of Engineering in 2021. He has been appointed as an independent non-executive Director since June 2023.

Hung Lo Shan Lusan, aged 57, is an independent non-executive Director of the Company. She is a director of Higuma Consulting Limited and an independent non-executive director of LH Group Limited and China Coal Energy Company Limited. Ms. Hung received a bachelor's degree. From May 1990, she served successively as the deputy manager of tax department at Ernst & Young, a partner of tax department at Grant Thornton in Hong Kong and head of tax at Pacific Jade Tax Consultancy Limited, etc. Ms. Hung has been appointed as a director of Higuma Consulting Limited since May 2002, an independent non-executive director of LH Group Limited since May 2018 and an independent non-executive director of China Coal Energy Company Limited since March 2023. She has been appointed as an independent non-executive Director since June 2023.

Ho Kevin King Lun, aged 48, is currently an independent non-executive Director of the Company. He is a director of Macau Tai Fung Bank Company Limited, chairman of Macau Anzac Group Company Limited, director of Macau KNJ Investment and chairman of Macao Juvenile Venture International Group, and independent non-executive director of Asia Pioneer Entertainment Holdings Limited. Mr. Ho received a doctorate degree and is a deputy of the 13th and 14th National People's Congress. Mr. Ho served as senior executive at Hong Kong Cathay Pacific Airways Limited in March 2000. Mr. Ho has been appointed as a director of Macau Tai Fung Bank Company Limited since March 2008, the chairman of Macau Anzac Group Company Limited since August 2008, a director of Macau KNJ Investment since May 2012, and the chairman of Macao Juvenile Venture International Group since May 2017 and an independent non-executive director of Asia Pioneer Entertainment Holdings Limited since October 2017. He has been appointed as an independent non-executive Director since June 2023.

Information on resignation of Directors of the Company is set out below:

Name	Gender	Age	Position	Term	Pre-tax emoluments received from the Company in 2023 (RMB'000)	Whether received emoluments from offices held in CNPC	Number of Shares held in the Company	
							As at December 31, 2022	As at December 31, 2023
Jiao Fangzheng	M	61	Executive Director and Chief Geologist	2019.06-2023.06	326	No	0	0
Elsie Leung Oi-sie	F	84	Independent Non-executive Director	2017.06-2023.06	523	No	0	0
Tokuchi Tatsuhito	M	71	Independent Non-executive Director	2017.06-2023.06	523	No	0	0

(2) Supervisors

Information on the current Supervisors is set out below:

Name	Gender	Age	Position	Term	Pre-tax emoluments received from the Company in 2023 (RMB'000)	Whether received emoluments from offices held in CNPC	Number of Shares held in the Company	
							As at December 31, 2022	As at December 31, 2023
Xie Haibing	M	53	Supervisor	2023.06-2026.06	-	Yes	0	0
Zhao Ying	F	56	Supervisor	2023.06-2026.06	-	Yes	0	0
Cai Yong	M	49	Supervisor	2023.06-2026.06	-	Yes	0	0
Jiang Shangjun	M	59	Supervisor	2023.06-2026.06	-	Yes	0	0
Liao Guoqin	F	59	Employee representative Supervisor	2023.06-2026.06	906	No	0	0
Fu Bin	M	59	Employee representative Supervisor	2023.06-2026.06	1,389	No	0	0
Li Zhanming	M	50	Employee representative Supervisor	2023.06-2026.06	1,002	No	0	0
Jin Yanjiang	M	57	Employee representative Supervisor	2023.06-2026.06	1,244	No	0	0

Note:

1. The pre-tax emoluments for 2023 above were the emoluments received from the Company as an employee of the Company after having been elected as the employee representative Supervisor of the Company.
2. The emoluments above were all pre-tax amounts paid by calendar year, and the emoluments include salaries and benefits such as basic pension insurance, basic medical insurance, housing provident fund, etc.
3. The emoluments of Supervisors for 2023 did not include the tenure incentive of RMB340,000 for 2020-2022 payable by the Company to some Supervisors in accordance with the relevant regulations of tenure system and contract.

Brief Biographies of the Current Supervisors:

Xie Haibing, aged 53, is a Supervisor of the Company, an assistant to the general manager of CNPC, the chairman of CNPC Capital Company Limited and the chairman of CNPC Kunlun Capital Company Limited. Mr. Xie is a professor-level senior economist with a doctorate degree and a member of 14th Session of the Chinese People's Political Consultative Conference in Beijing. From April 2009, Mr. Xie served successively as the director of information of Karamay City Commercial Bank, the director of information and the vice president of Bank of Kunlun Co., Ltd., the deputy general manager of the Finance Department of CNPC and the Company, the deputy head of the preparatory team of the Shared Service Center of CNPC, the general manager of CNPC Shared Operation Co. LTD, and the general manager of the Finance Department of CNPC and the Company. He has served as the assistant to the general manager of CNPC, the chairman of CNPC Capital Company Limited and the chairman of CNPC Kunlun Capital Company Limited since April 2021. He has been appointed as the Supervisor since June 2022.

Zhao Ying, aged 56, is a Supervisor of the Company, the general counsel and chief compliance officer of CNPC and of the Company. Ms. Zhao is a professor-level senior economist with a bachelor's degree. From April 2009, she successively served as the general counsel of China Oil Exploration and Development Corporation, the general counsel of PetroChina overseas exploration and development branch and PetroChina Natural Gas Exploration and Development Corporation, the deputy general manager of PetroChina Kazakhstan Company, the deputy general manager of PetroChina Middle Asia Company, the deputy general manager and the deputy secretary of the Party committee of China National Oil and Gas Exploration and Development Corporation, the general manager of the Legal Affairs Department and the Legal and Enterprise Reform Department of CNPC and the Company. She has served as the general counsel of CNPC since March 2022, a Supervisor since June 2022 and the chief compliance officer of CNPC since December 2022. She has been appointed as the general counsel and chief compliance officer of the Company since July 2023.

Cai Yong, aged 49, is a Supervisor of the Company and the general manager of the Finance Department of CNPC. Mr. Cai is a senior economist with a master's degree. From March 2016, he has successively served as the chief accountant of PetroChina Middle East Company, the general manager of the Taxation and Pricing Department and the general manager of the Treasury Department of CNPC and the Company. He has served as the general manager of the Finance Department of CNPC since April 2021 and been appointed as a Supervisor since June 2022.

Jiang Shangjun, aged 59, is an employee representative Supervisor of the Company, the general manager of the audit department of CNPC and the Company and the executive director of Auditing Service Centre Co., Ltd. Mr. Jiang is a senior economist with a master's degree. From October 2000, Mr. Jiang served successively as the chief accountant, deputy general manager of Lanzhou Refining and Petrochemical Company, general manager of Northwestern Sales Company, chairman of the board of Bank of Kunlun Co., Ltd., the general manager and vice chairman of the board of the CNPC Capital Corporation. Mr. Jiang has been appointed as the general manager of the audit department of CNPC and the Company and the executive director of Auditing Service Centre Co., Ltd since September 2022. He has been appointed as a Supervisor since June 2023.

Liao Guoqin, aged 59, is an employee representative Supervisor, deputy General Economist of the Company and the executive director of the Marketing Branch. Ms. Liao is a professor-level engineer with a doctorate degree. Since September 1999, she has successively served as a deputy general manager of Lanzhou Refining and Petrochemical Company, the general manager of Lubricant Company, a deputy general manager of PetroChina Fuel Oil Company Limited, a deputy general manager and the general manager of the Marketing Branch. She served as the executive director of the Marketing Branch in December 2022. She has been appointed as a Supervisor since June 2023 and deputy General Economist since October 2023.

Fu Bin, aged 59, is an employee representative Supervisor, deputy General Economist of the Company, the executive director of Natural Gas Sales Branch, the chairman of Kunlun Energy. Mr. Fu is a professor-level economist with a master's degree. Since November 2003, Mr. Fu has successively served as the executive deputy general manager and general manager of China Marine Bunker (PetroChina) Co., Ltd., deputy general manager of Marketing Branch, general manager of Sichuan Marketing Company, general manager of Marketing Branch, and the general manager of Natural Gas and Pipeline Branch. He served as the executive director of Natural Gas Sales Branch in October 2020, executive director and the chairman of Kunlun Energy in November 2020. He has been appointed as the Supervisor of the Company since September 2022 and a deputy General Economist since October 2023.

Li Zhanming, aged 50, is an employee representative Supervisor of the Company and the executive director of Changqing Oilfield Company. Mr. Li is a professor-level economist with a master's degree. Since December 2015, he has successively served as a deputy general manager, safety director, executive deputy general manager and the executive director of Qinghai Oilfield Company and the general manager of Changqing Oilfield Company. He was appointed as the executive director of Changqing Oilfield Company in March 2023. He has been appointed as a Supervisor since June 2023.

Jin Yanjiang, aged 57, is an employee representative Supervisor of the Company and the executive director of Jilin Petrochemical Company. Mr. Jin is a professor-level engineer with a doctorate degree. Since August 2011, he has served as the deputy general manager, safety director of Jilin Petrochemical Company, deputy general manager of Huabei Petrochemical Company, executive director and general manager of PetroChina Yunnan Petrochemical Company Limited, and general manager of Jilin Petrochemical Company. He served as the executive director of Jilin Petrochemical Company in October 2020 and was appointed as a Supervisor since May 2022.

Information on resignation of Supervisors of the Company is set out below:

Name	Gender	Age	Position	Term	Pre-tax emoluments received from the Company in 2023 (RMB'000)	Whether received emoluments from offices held in CNPC	Number of Shares held in the Company: As at December 31, 2022	Number of Shares held in the Company: As at December 31, 2023
Cai Anhui	M	54	Chairman of the Supervisory Committee	2023.06-2023.11	-	Yes	0	0
Lan Jianbin	M	57	Employee representative Supervisor	2022.05-2023.06	357	No	0	0
He Jiangchuan	M	58	Employee representative Supervisor	2022.05-2023.06	1,571	No	0	0

Note: Employee representative Supervisors did not receive any emolument from the Company for their duties as employee representative Supervisors. Mr. Lan Jianbin's pre-tax emoluments received from the Company for 2023 was emoluments received as an employee of the Company. Mr. He Jiangchuan's total pre-tax emoluments received from the Company for 2023 consisted of emoluments for the period from January to June when he served as an employee representative Supervisor and emoluments for the period from June to December when he served as a Vice President of the Company.

(3) Senior Management

Information on current members of the senior management is set out below:

Name	Gender	Age	Position	Term	Pre-tax emoluments received from the Company in 2022 (RMB'000)	Whether received emoluments from offices held in CNPC	Number of Shares held in the Company	
							As at December 31, 2022	As at December 31, 2023
Zhu Guowen	M	57	Vice President	2023.06-2026.06	1,597	No	0	0
Wan Jun	M	58	Vice President	2023.06-2026.06	1,590	No	0	0
Wang Hua	M	50	Chief Financial Officer, Secretary to the Board and the Company Secretary	2023.06-2026.06	1,573	No	0	0
Li Ruxin	M	57	Vice President	2023.06-2026.06	1,015	No	0	0
He Jiangchuan	M	58	Vice President	2023.06-2026.06	1,571	No	0	0
Jiang Tongwen	M	55	Chief Geologist	2023.06-2026.06	1,045	No	0	0
Yang Weisheng	M	51	Chief Engineer	2023.06-2026.06	867	No	0	0
Shen Fuxiao	M	54	Chief Safety Director	2024.03-2026.06	0	Yes	0	0

Note:

1. Mr. He Jiangchuan's total pre-tax emoluments received from the Company for 2023 consisted of emoluments for the period from January to June when he served as an employee representative Supervisor and emoluments for the period from June to December when he served as a vice President.
2. The emoluments were all pre-tax amounts paid by calendar year, and the emoluments included salaries and benefits such as basic pension insurance, basic medical insurance, housing provident fund, etc.
3. The emoluments of the senior management of the Company for 2023 did not include the tenure incentive of RMB930,000 for 2020-2022 payable by the Company to some senior management in accordance with the relevant regulations of tenure system and contract.
4. Mr. Shen Fuxiao will receive emoluments from the Company as an employee after being appointed as the Chief Safety Director of the Company since March 2024.

Brief Biographies of the Senior Management:

Zhu Guowen, aged 57, is the Vice President of the Company, the executive director of Daqing Oilfield Co., Ltd., and executive director of Daqing Petroleum Administration Bureau Co., Ltd. Mr. Zhu is a professor-level senior engineer with a doctorate degree. Since March 2010, he has successively served as the plant manager, deputy general manager of the First Production Plant of Daqing Oilfield Co., Ltd., General Manager of Zhejiang Oilfield Company and the General Manager of Daqing Oilfield Co., Ltd. He served as the executive director of Daqing Oilfield Co., Ltd. and executive director of Daqing Petroleum Administration Bureau Co., Ltd. in June 2021 and was appointed as the Vice President of the Company in July 2021.

Wan Jun, aged 58, the Vice President of the Company, the president of Development and Planning Department of CNPC and the Company and the chairman of PetroChina (Beijing) Digital Intelligence Research Institute. Mr. Wan is a professor-level senior engineer with a doctorate degree. Since February 2006, he has successively served as the plant manager of the First Production Plant of Daqing Oilfield Co., Ltd., the vice president, safety director, executive vice president of Daqing Oilfield Co., Ltd., the president of Liaohe Oilfield Company and the president of Exploration and Production Branch. He served as the president of Development and Planning Department of CNPC and the Company in January 2022 and was appointed as the Vice President of the Company in June 2022. He was appointed as the chairman of PetroChina (Beijing) Digital Intelligence Research Institute in January 2024.

Wang Hua, aged 50, the Chief Financial Officer, secretary to the Board and the Company Secretary. Mr. Wang is a professor-level senior accountant with a master's degree. Since October 2016, he has successively served as the chief financial officer and secretary to the board of CNPC Capital Co., Ltd., the vice president of Finance Department of the CNPC and the Company, and president of the Finance Department of the Company. He was appointed as the Chief Financial Officer and secretary to the Board of the Company in June 2022. He was appointed as the Company Secretary in August 2022.

Li Ruxin, aged 57, the Vice President of the Company, and executive director of the Company's refining chemicals and new materials branch. Mr. Li is a professor-level senior economist with a doctorate degree. Since October 2003, He has successively served as the deputy manager of Lanzhou Chemical Industry Company, the deputy general manager of Lanzhou Petrochemical Company, the deputy general manager of Ningxia Petrochemical Company, the general manager of Changqing Petrochemical Company, the executive director of Lanzhou Petrochemical Company, the general manager and the executive director of the Refining and Chemical Company and was appointed as the executive director of the Refining, Chemical and New Materials Company in August 2022. In June 2023, he was appointed as a Vice President of the Company.

He Jiangchuan, aged 58, the Vice President of the Company, and the executive director of Oil, Gas and New Energy Branch. Mr. He is a professor-level engineer with a doctorate degree. Since December 2007, he has successively served as the vice president of Exploration and Production Branch, the executive vice president of Tarim Oilfield Company, and the general manager and executive director of the Changqing Oilfield Company, the general manager of the Oil, Gas and New Energy Branch and a Supervisor of the Company. In May 2023, he became an executive director of the Oil, Gas and New Energy Branch of the Company. In June 2023, he was appointed as a Vice President of the Company.

Jiang Tongwen, aged 55, the Chief Geologist of the Company and the general manager of the science and technology management department of CNPC and the

Company. Mr. Jiang is a professor-level senior engineer with a doctorate degree. Since December 2015, he has been the deputy general manager of Tarim Oilfield Company, the deputy general manager and the general manager of Exploration and Production Branch. He was appointed as the general manager of the science and technology management department of CNPC and the Company in June 2022. In June 2023, he was appointed as the Chief Geologist of the Company.

Yang Weisheng, aged 51, the Chief Engineer of the Company, and an executive director and president of the Petrochemical Research Institute of the Company, and an executive director and general manager of CNPC Petrochemical Research Institute Limited. Mr. Yang is a professor-level senior engineer with a master's degree. Since December 2012, he has been the senior expert of China Petrochemical Corporation, vice president of Sinopec Shanghai Petrochemical Research Institute, vice president of Petrochemical Research Institute, executive director and president of PetroChina Shanghai New Materials Research Institute. He was appointed as executive director and president of the Company's petroleum and chemical industry research institute in June 2022 In December 2022, he was appointed as the executive director and general manager of CNPC Petrochemical Research Institute Company Limited. In June 2023, he was appointed as the Chief Engineer of the Company.

Shen Fuxiao, aged 54, the Chief Safety Director of the Company, the deputy Safety Director of CNPC and the general manager of QHSE Department of CNPC and the Company. Mr. Shen is a professor-level senior engineer with master's degree. Since November 2017, he has been the deputy general manager and safety director of Changqing Oilfield Company, the deputy general manager, safety director, general manager and executive director of Tarim Oilfield Company. In October 2023, he was appointed as the general manager of the QHSE Department of CNPC and the Company. In December 2023, he was appointed as the deputy Safety Director of CNPC. In March 2024, he was appointed as the Chief Safety Director of the Company.

Information on resignation of senior management of the Company is set out below:

Name	Gender	Age	Position	Term	Pre-tax emoluments received from the Company in 2023 (RMB'000)	Whether received emoluments from offices held in CNPC	Number of Shares held in the Company: As at December 31, 2022	Number of Shares held in the Company: As at December 31, 2023
Tian Jinghui	M	61	Vice President	2015.11-2023.01	-	No	0	0
Yang Jigang	M	60	Vice President and Chief Engineer	2017.12-2023.06	432	No	0	0
Zhang Minglu	M	60	Chief Safety Director	2021.07-2024.03	1,655	No	0	0

2. Change in Directors, Supervisors and the Senior Management

On January 6, 2023, Mr. Tian Jinghui resigned from his position as Vice President of the Company due to the age reason.

On June 8, 2023, the Board of Directors and senior management of the Company were due for renewal. Mr. Jiao Fangzheng ceased to be an executive Director and Chief Geologist of the Company due to change of job and ceased to be a member of the Sustainable Development Committee of the Board; Ms. Elsie Leung Oi-sie, whose term has lasted for 6 years, ceased to be an independent non-executive Director of the Company due to regulatory limitation on term of office and ceased to be the Chairman of the Examination and Remuneration Committee of the Board; Mr. Tokuchi Tatsuhito, whose term of office has lasted for 6 years, ceased to be an independent non-executive Director of the Company due to regulatory limitation on term of office and ceased to be a member of the Examination and Remuneration Committee of the Board; and Mr. Yang Jigang, who ceased to be Vice President and Chief Engineer of the Company due to the age reason.

On June 8, 2023, Mr. Dai Houliang, Mr. Hou Qijun, Mr. Duan Liangwei, Mr. Huang Yongzhang, Mr. Ren Lixin and Mr. Xie Jun were elected as Directors, Mr. Cai Jinyong, Mr. Jiang, Simon X., Mr. Zhang Laibin, Ms. Hung Lo Shan Lusan and Mr. Ho Kevin King Lun were elected as independent non-executive Directors, and Mr. Cai Anhui, Mr. Xie Haibing, Ms. Zhao Ying, Mr. Cai Yong and Mr. Jiang Shangjun were elected as Supervisors. Upon democratic election by the employees, Ms. Liao Guoqin, Mr. Fu Bin, Mr. Li Zhanming and Mr. Jin Yanjiang were elected as employees representative Supervisors. On the same date, upon election by the Board of Directors, Mr. Dai Houliang was elected as the Chairman and Mr. Hou Qijun was elected as the Vice Chairman. Upon election by the Supervisory Committee, Mr. Cai Anhui was elected as the Chairman of the Supervisory Committee. As reviewed and approved by the Board of Directors, Mr. Huang Yongzhang was appointed as the President, Mr. Ren Lixin and Mr. Zhang Daowei were appointed as the Senior Vice Presidents, Mr. Zhang Minglu was appointed as the Chief Safety Director, Mr. Zhu Guowen and Mr. Wan Jun were appointed as the Vice Presidents, Mr. Wang Hua was appointed as the Chief Financial Officer and the Secretary to the Board of Directors (Company Secretary), Mr. Li Ruxin and Mr. He Jiangchuan were appointed as the Vice Presidents, and Mr. Jiang Tongwen was appointed as Chief Geologist and Mr. Yang Weisheng was appointed as Chief Engineer. As reviewed and approved by the Board of Directors, Mr. Dai Houliang, Mr. Cai Jinyong and Mr. Jiang, Simon X. joined the Nomination Committee of the Board of Directors, with Mr. Dai Houliang as the chairman; Ms. Hung Lo Shan Lusan, Mr. Duan Liangwei and Mr. Jiang, Simon X. joined the Audit Committee of the Board of Directors, with Ms. Hung Lo Shan Lusan as the chairman; Mr. Hou Qijun, Mr. Huang Yongzhang and Mr. Xie Jun joined the Investment and Development Committee of the Board of Directors, with Mr. Hou Qijun as the chairman. Mr. Cai Jinyong, Mr. Duan Liangwei and Mr. Ho Kevin King Lun joined the Examination and Remuneration Committee of the Board of Directors, of which Mr. Cai Jinyong as the chairman; Mr. Huang Yongzhang, Mr. Ren Lixin and Mr. Zhang Laibin joined the Sustainable Development Committee of the Board of Directors, of which Mr. Huang Yongzhang as the chairman.

On November 9, 2023, Mr. Zhang Daowei was elected as a Director upon election at the shareholders' meeting.

On November 17, 2023, Mr. Cai Anhui resigned as the Chairman of the Supervisory Committee and Supervisor due to change of job.

On December 20, 2023, as reviewed and approved by the Board of Directors, Mr. Zhang Daowei joined the Sustainable Development Committee of the Board of Directors as a member.

On March 25, 2024, Mr. Zhang Minglu resigned as Chief Safety Director due to the age reason.

On March 25, 2024, as reviewed and approved by the Board of Directors, Mr. Shen Fuxiao was appointed as Chief Safety Director.

3. Interests of Directors, Supervisors and chief executive in the Share Capital of the Company

As at December 31, 2023, none of the Directors, Supervisors or chief executive had any interest and short positions in any shares, underlying shares or debentures of the Company or any associated corporation within the meaning of Part XV of the SFO required to be recorded in the register mentioned under Section 352 of the SFO or as otherwise notifiable to the Company and the Hong Kong Stock Exchange by the Directors, Supervisors and senior management pursuant to the Model Code.

4. Service Contracts of Directors and Supervisors

The Company has issued appointment letters to all Directors and Supervisors for a term of three years.

No Director or Supervisor has entered into any service contract with the Company which is not terminable by the Company within one year without payment of compensation other than statutory compensation.

5. Interests of Directors and Supervisors in Contracts

None of the Directors, Supervisors or any entity related to the Directors and Supervisors had any material interest, either directly or indirectly, in any transaction, arrangement and contract of significance to which the Company or any of its subsidiaries was a party to during the year.

6. Permitted Indemnity Provisions

During the Reporting Period, the permitted indemnity provisions to the benefit of the Directors continued to be effective and the Company has arranged appropriate liability insurance for Directors, Supervisors and the senior management.

7. Remuneration Policy of the Senior Management

Each member of the senior management of the Company has entered into a performance agreement with the Company. The Company's senior management remuneration policy links financial interests of the senior management with the Group's operating results.

8. Employees of the Group

As at December 31, 2023, the Group had 375,803 employees (excluding 222,757 temporary and seasonal staff) and 362,981 retired staff. The percentage of male and female employees (including senior management) of the Group was 76.9% and 23.1% respectively. The Group provided fair treatment to all employees regardless of their gender and strictly implement regulations on maternity leave entitlements and breastfeeding breaks to protect the rights and interests of our female employees.

The number of employees for each of the operation segment as of December 31, 2023 is set out below:

	Number of Employees	**Percentage of total number of employees (%)**
Oil, Gas and New Energy	216,159	57.52
Refining, Chemicals and New Materials	119,930	31.91
Marketing	30,725	8.18
Natural Gas Sales	3,612	0.96
Headquarters and Others (1)	5,377	1.43
Total	375,803	100.00

Note: (1) includes staff of the Company's headquarters, specialized companies, Exploration & Development Research Institute, Planning & Engineering Institute, Petrochemical Research Institute and other entities.

The employee structure by profession as at December 31, 2023 is set out below:

	Number of Employees	Percentage of total number of employees (%)
Administration	109,307	29.09
Technology	61,525	16.37
Technical operation	204,971	54.54
Total	375,803	100.00

The education levels of employees as at December 31, 2023 is set out below:

	Number of Employees	Percentage of total number of employees (%)
Master and above	20,685	5.50
Bachelor	146,737	39.05
Polytechnic college	82,665	22.00
Technical secondary and below	125,716	33.45
Total	375,803	100.00

9. Employee Remuneration Policy

The Company has various equitable and competitive remuneration systems to cater for different positions in place. An annual salary system is adopted for the management, a positional wage system for managements and a positional skill-based wage system for operators and workers. In addition, subsidies are offered to those who possess more sophisticated technical and working skills. Each employee is remunerated according to the level of their job position, individual competence and contribution, and with changes in the relevant factors, such remuneration will also be adjusted in a timely manner.

10. Employee Welfare Plans

Details on employee welfare plans of the Company are set out in Note 35 to the financial statements prepared in accordance with IFRS Accounting Standards in this annual report.

11. Employee Training

The Company has been consistently focused on employee training as an important means of achieving a robust corporate strategy based on talent, achieving high quality development, increasing its core competitiveness and enhancing its core functions. The Company adhered to the application of modern corporate training concepts, and in accordance with the goal of "setting standards, building systems, and creating values", continuously carried out trainings in relation to duty performance and professional abilities at multiple levels, through multiple channels, with multiple methods, and vigorously promoted the "internet + training" to tap the value of human resources, constantly improved the comprehensive quality and professional capabilities of employees, and strived to achieve a positive interaction between employees' growths and Company's development.

12. Core Technical Teams and Key Technical Staff

No material changes occurred during the Reporting Period to the core technical teams and key technical staff of the Company (i.e. those other than Directors, Supervisors and Senior Management).

RELEVANT INFORMATION ON BONDS

1. Information on Bond Issued but Not Yet Overdue of the Company

Bond Name	Abbreviation	Code	Issue Date	Value Date	Due Date	Bond Balance (RMB 100 million)	Rate (%)	Mode of Repayment	Stock Exchange for Listing
2012 Corporate Bond (First Tranche) (15-year term)	12 PetroChina 03	122211.SH	November 22, 2012	November 22, 2012	November 22, 2027	20	5.04	Annual payment of interests, and one lump sum repayment of principal at maturity	Shanghai Stock Exchange
2016 Corporate Bond (First Tranche) (10-year term)	16 PetroChina 02	136165.SH	January 18, 2016	January 19, 2016	January 19, 2026	47	3.50	Annual payment of interests, and one lump sum repayment of principal at maturity	Shanghai Stock Exchange
2016 Corporate Bond (Second Tranche) (10-year term)	16 PetroChina 04	136254.SH	March 1, 2016	March 3, 2016	March 3, 2026	23	3.70	Annual payment of interests, and one lump sum repayment of principal at maturity	Shanghai Stock Exchange
2016 Corporate Bond (Third Tranche) (10-year term)	16 PetroChina 06	136319.SH	March 22, 2016	March 24, 2016	March 24, 2026	20	3.60	Annual payment of interests, and one lump sum repayment of principal at maturity	Shanghai Stock Exchange
2019 Fifth Tranche MTN	19 PetroChina MTN005	101900586.IB	April 22, 2019	April 23, 2019	April 23, 2024	100	3.96	Annual payment of interests, and one lump sum repayment of principal at maturity	National Inter-bank Bond Market
2022 First Green Tranche MTN	22 PetroChina GN001	132280041.IB	April 27, 2022	April 28, 2022	April 28, 2025	5	2.26	Annual payment of interests, and one lump sum repayment of principal at maturity	National Inter-bank Bond Market
2022 Second Green Tranche MTN	22 PetroChina GN002	132280055.IB	June 15, 2022	June 16, 2022	June 16, 2025	20	2.19	Annual payment of interests, and one lump sum repayment of principal at maturity	National Inter-bank Bond Market

Notes:

1. Trading venue: the trading venue for 12 PetroChina 03, 16 PetroChina 02, 16 PetroChina 04 and 16 PetroChina 06 is the Shanghai Stock Exchange, and the trading venue for 19 PetroChina MTN005, 22 PetroChina GN001 and 22 PetroChina GN002 is the national inter-bank bond market.

2. Repayment of principal and payment of interest: for 12 PetroChina 03, 16 PetroChina 02, 16 PetroChina 04, 16 PetroChina 06, 19 PetroChina MTN005, 22 PetroChina GN001 and 22 PetroChina GN002, payment of interests shall be made annually, and one lump sum repayment of principal shall be made at maturity.
3. Investor suitability arrangements: 12 PetroChina 03 are offered and traded publicly to public investors (ordinary investors); 16 PetroChina 02, 16 PetroChina 04 and 16 PetroChina 06 are offered and traded publicly to qualified investors (professional investors); 19 PetroChina MTN005, 22 PetroChina GN001 and 22 PetroChina GN002 are offered and traded publicly to institutional investors in the national inter-bank bond market.
4. Applicable trading mechanisms: matching transaction, click transaction, inquiry transaction, bidding transaction and negotiation transaction at Shanghai Stock Exchange are applicable to 12 PetroChina 03, 16 PetroChina 02, 16 PetroChina 04 and 16 PetroChina 06. Circulation and transfer in the national inter-bank bond market are applicable to 19 PetroChina MTN005, 22 PetroChina GN001 and 22 PetroChina GN002.
5. Interest Payment and Redemption: during the Reporting Period, the principal and interest of 13 PetroChina 02, 20 PetroChina MTN001 and 20 PetroChina MTN002 were duly paid. The interest of 12 PetroChina 03, 16 PetroChina 02, 16 PetroChina 04, 16 PetroChina 06, 19 PetroChina MTN005, 22 PetroChina GN001 and 22 PetroChina GN002 were duly paid. From the beginning of the Reporting Period to the date of this annual report, the principal and interest of 19 PetroChina MTN001, 19 PetroChina MTN002, 19 PetroChina MTN003 and 19 PetroChina MTN004 were duly paid.
6. There are no overdue bonds issued by the Company, and there is no risk of termination of listing and trading of the bonds issued by the Company.
7. Triggering and implementation of special clauses: there is no triggering and implementation of special clauses during the Reporting Period.

2. Agencies Providing Service on the Issuance and the Duration of the Bond

(1) Main Underwriter, Trustee, Duration Management Institution, Law Firm and Credit Rating Agency

Name	Address	Contact	Telephone
CITIC Capital Securities Co., Limited	9/F Taikang Group Building, Building 1, No.16 Jinghui Street, Chaoyang District, Beijing	Li Wenjie	010-56051920
China International Capital Corporation Limited	27/F and 28/F, Tower 2, China World Trade Centre, No. 1 Jianguomenwai Avenue, Chaoyang District, Beijing	Xu Xian	010-65051166
China Galaxy Securities Company Limited	11/F Qinghai Finance Building, Building 1, No.8 Xiying Street, Fengtai District, Beijing	Zhang Fan	010-80927272
Bank of China International Securities Company Limited	7/F, No. 110 Xidan North Street, Xicheng District, Beijing	Chen Zhili	010-66229000
CITIC Securities Company Limited	CITIC Securities Tower, No.48 Liangmaqiao Road, Chaoyang District, Beijing	Sun Xiaobo	010-60834068
China Merchants Securities Company Limited	17/F China Merchants Bank Tower, Building 3, No.1 Yuetan South Street, Xicheng District, Beijing	Zhao Xin	010-60840890
China Development Securities Company Limited	1-9/F, No.29 Fuchengmenwai Avenue, Xicheng District, Beijing	Zhao Liang	010-88300901
China Minsheng Banking Corporation Limited	No.2 Fuxingmennei Street, Xicheng District, Beijing	Han Bozhou	010-86603656
Bank of Jiangsu Company Limited	China Bank of Jiangsu Chaoyang Capital, No.8 Chaoyangmennei Street, Dongcheng District, Beijing	Zhang Shu	010-57929261
Beijing Junhe LLP	20/F China Resources Building, No. 8 Jianguomen North Street, Dongcheng District, Beijing	Lei Tianxiao	010-85191300
China Chengxin International Credit Rating Company Limited	Galaxy SOHO No.5, No.2 South Zhugan Hutong, Chaoyangmennei Street, Dongcheng District, Beijing	Li Xuewei	010-66428877
United Credit Appraisal Company Limited	17/F PICC Building, 2 Jianguomenwai Avenue, Chaoyang District, Beijing	Luo Yi	010-85679696

(2) Accounting firm

Name	Address	Certified Accountant	Contact	Telephone
PricewaterhouseCoopers Zhong Tian LLP	11/F, PricewaterhouseCoopers Centre 2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai	Zhao Juan, Hu Yang	Hu Yang	010-65333602
KPMG Huazhen LLP	8/F, KPMG Tower, Oriental Plaza, 1 East Chang An Avenue, Beijing	Yang Jie, He Shu	Liu Yang	010-85085264

(3) Change of agency during the Reporting Period

During the Reporting Period, there was no change on the agencies providing services for the duration of the business.

3. Use of Proceeds Raised By Issuing Bonds

As at the end of the current Reporting Period, the use of all funds raised via bonds was basically consistent with the purpose, use plan and other matters as undertaken in the offering circular, and except for 22 PetroChina GN002, such funds had been used up. The funds raised from 22 PetroChina GN002 was RMB2 billion, of which RMB1.755 billion had been used up and the remaining amount was RMB0.245 billion.

Collection of funds raised by issuing bonds and payment of principals and interests are made through the payment collection account or special account, and all accounts are under normal operation. Meanwhile, the Company formulated a plan for the use of funds raised via bonds and funds raised by issuing corporate bonds are used in accordance with the internal procedures on fund utilization and applicable agreements. Relevant business departments carried out strict inspections over the use of such funds to effectively ensure that all funds are used for their designated purposes, guarantee the smooth operation of the investment, use and audit of funds raised, ensuring that the funds raised via bonds are used in accordance with the resolution of the shareholders' general meeting and the purpose as disclosed in the offering circular.

Unit: RMB 100 million

Name	Total amount raised	Utilized amount	Unutilized amount	Operation of the specific account for proceeds	Rectification of the irregular use of proceeds	Whether the utilization is in accordance with the purposes, plans and other matters as undertaken in the offering circular
2012 Corporate Bond (First Tranche) (15- year term)	20	20	-	Normal, comply with relevant undertakings	N/A	Yes
2016 Corporate Bond (First Tranche) (10- year term)	47	47	-	Normal, comply with relevant undertakings	N/A	Yes
2016 Corporate Bond (Second Tranche) (10-year term)	23	23	-	Normal, comply with relevant undertakings	N/A	Yes
2016 Corporate Bond (Third Tranche) (10-year term)	20	20	-	Normal, comply with relevant undertakings	N/A	Yes
2019 Fifth Tranche MTN	100	100	-	Normal, comply with relevant undertakings	N/A	Yes
2022 First Green Tranche MTN	5	5	-	Normal, comply with relevant undertakings	N/A	Yes
2022 Second Green Tranche MTN	20	17.55	2.45	Normal, comply with relevant undertakings	N/A	Yes

The aforementioned proceeds raised by issuing bonds were used in the project construction in accordance with prospectus, the progress and operating returns on the projects in construction and completed projects are in line with the Company's expectations.

The use of the proceeds raised by issuing the above bonds remained unchanged during the Reporting Period.

4. Information on Follow-up Credit Rating of Bonds

During the Reporting Period, no adjustment was made by the credit rating agencies to the credit rating of the Company or bonds.

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

During the Reporting Period, the credit enhancement mechanism, debt repayment plan and the safeguard measures for debt repayment were consistent with the provisions and relevant undertakings set out in the offering circular, without any change made thereto.

6. Loss Exceeding 10% of the Net Assets at the End of 2023 under the Consolidated Statements During the Reporting Period

As at the end of the Reporting Period, the Company did not have the aforementioned circumstances.

7. Mortgage, Pledge, Seizure, Freezing, Conditional Realization, Impossible Realization, Impossible Use to Offset Debts and Other Situations and Arrangements under Which Rights Are Restricted Relating to Assets

As at the end of the Reporting Period, there was no material restriction on the Company's assets.

8. Overdue Payment of Interest-bearing Debts (excluding bonds) at the end of the Reporting Period

As at the end of the Reporting Period, the Company had no overdue payment of interest-bearing debts.

9. Violation of the Laws and Regulations, the Articles of Association, the Management Rules of the Information Disclosure and the Promises or Commitments of the Offering Circular Which Would Affect the Equity of the Bond Investors

As at the end of the Reporting Period, the Company did not have the aforementioned circumstances.

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

Item	2023	2022
Earnings before interest, tax, depreciation and amortization (EBITDA) (RMB Million)	486,695	448,886
Net cash flows from investing activities (RMB Million)	(255,789)	(232,971)
Net cash flows from financing activities (RMB Million)	(146,572)	(113,713)
Year-end balance of cash and cash equivalents (RMB Million)	249,001	191,190
Liquidity ratio	0.96	0.98
Quick ratio	0.69	0.71
Asset-liability ratio (%)	40.76	42.55
EBITDA-debt ratio	1.67	1.39
Debt service coverage ratio	19.27	20.01
Cash debt service coverage ratio	40.08	38.23
EBITDA interest coverage ratio	35.86	38.25
Loan repayment ratio (%)	100	100
Interest coverage ratio (%)	100	100

INFORMATION ON CRUDE OIL AND NATURAL GAS RESERVES

The following table sets forth the Company's estimated proved reserves and proved developed reserves as at December 31, 2023, 2022 and 2021 among which approximately 62% of the proved reserve as at December 31, 2023, 58% of the proved reserve as at December 31, 2022 and 57% of the proved reserves as at December 31, 2021 were formulated on the basis of the self-assessment results prepared by the Company, and the remaining reserves as at December 31, 2023, 2022 and 2021 were formulated on the basis of assessment results prepared by DeGolyer and MacNaughton, McDaniel & Associates, Ryder Scott and GLJ, each an independent engineering consultancy company.

	Crude Oil and Condensate (million barrels)	Natural Gas (billion cubic feet)	Combined (million barrels of oil equivalent)
Proved Developed and Undeveloped Reserves			
The Group			
Reserves as of December 31, 2021 (the basis date)	6,063.8	74,915.9	18,549.8
Revisions of previous estimates	511.4	(3,155.9)	(14.4)
Extensions and discoveries	622.9	6,236.8	1,662.3
Improved recovery	124.9	130.9	146.7
Purchased	1.6	0.0	1.6
Sold	0.0	0.0	0.0
Production for the year	(906.2)	(4,675.0)	(1,685.4)
Reserves as of December 31, 2022 (the basis date)	6,418.4	73,452.7	18,660.6
Revisions of previous estimates	(13.9)	(2,234.0)	(386.3)
Extensions and discoveries	633.4	6,371.1	1,695.3
Improved recovery	118.6	137.0	141.4
Purchased	0.0	0.0	0.0
Sold	0.0	0.0	0.0
Production for the year	(937.1)	(4,932.4)	(1,759.2)
Reserves as of December 31, 2023 (the basis date)	6,219.4	72,794.4	18,351.8
Proved Developed Reserves			
As of December 31, 2021 (the basis date)	5,374.8	42,575.6	12,470.7
Including: Domestic	4,799.6	41,343.5	11,690.2
Overseas	575.2	1,232.1	780.5
As of December 31, 2022 (the basis date)	5,574.2	41,508.4	12,492.3
Including: Domestic	5,024.3	40,449.3	11,765.9
Overseas	549.9	1,059.1	726.4
As of December 31, 2023 (the basis date)	5,239.7	41,381.2	12,136.5
Including: Domestic	4,641.6	40,150.1	11,333.2
Overseas	598.1	1,231.1	803.3
Proved Undeveloped Reserves			
As of December 31, 2021 (the basis date)	689.0	32,340.3	6,079.1
Including: Domestic	486.0	32,116.5	5,838.8
Overseas	203.0	223.8	240.3
As of December 31, 2022 (the basis date)	844.2	31,944.3	6,168.3
Including: Domestic	671.6	31,715.3	5,957.5
Overseas	172.6	229.0	210.8
As of December 31, 2023 (the basis date)	979.7	31,413.2	6,215.3
Including: Domestic	833.3	31,233.3	6,038.9
Overseas	146.4	179.9	176.4
Investment calculated by the equity method			
Share of proved developed and undeveloped reserves of affiliates and joint ventures			
December 31, 2021	208.5	511.4	293.7
December 31, 2022	175.6	537.1	265.1
December 31, 2023	155.5	577.3	251.7

Notes: Reserves contained 318.3 and 295.7 million barrels of natural gas liquids in 2022 and 2023, respectively; fractional digits are adjusted to meet the data closure requirements of the annual report.

As at December 31, 2023, the aggregate of proved developed and undeveloped reserves of the Group and its affiliate companies and joint ventures calculated by the equity method is 18.604 billion barrels of oil equivalent (as at December 31, 2022: 18.926 billion barrels of oil equivalent), of which crude oil and condensate are 6.375 billion barrels (as at December 31, 2022: 6.594 billion barrels), natural gas is 73,371.7 billion cubic feet (as at December 31, 2022: 73,989.8 billion cubic feet).

The number of wells drilled or participated in drilling during the specified period the results of the drilling are set out as follow:

Year		Daqing	Changqing	Xinjiang	Other domestic (1)	Overseas aggregate	Total
2021	The net number of new exploration wells (2)	207	604	149	496	23.3	1,479.3
	Crude oil	160	371	86	280	15.6	912.6
	Natural gas	17	43	17	98	1.1	176.1
	Dry well (3)	30	190	46	118	6.6	390.6
	The net number of new development wells (2)	3,387	4,034	736	3,199	266.4	11,622.4
	Crude oil	3,370	2,483	732	2,539	262.2	9,386.2
	Natural gas	6	1,518	4	650	4.2	2,182.2
	Dry well (3)	11	33	-	10	-	54.0
2022	The net number of new exploration wells (2)	167	557	136	491	24.2	1,375.2
	Crude oil	112	318	116	241	18.2	805.2
	Natural gas	16	43	20	124	2	205.0
	Dry well (3)	39	196	-	126	4	365.0
	The net number of new development wells (2)	3,449	4,367	485	3,352	286.7	11,939.7
	Crude oil	3,429	2,641	465	2,795	276.8	9,606.8
	Natural gas	9	1,702	20	554	9	2,294.0
	Dry well (3)	11	24	-	3	0.9	38.9
2023	The net number of new exploration wells (2)	223	488	134	528	17.8	1,390.8
	Crude oil	174	333	116	242	12.8	877.8
	Natural gas	12	32	18	164	2	228.0
	Dry well (3)	37	123	-	122	3	285.0
	The net number of new development wells (2)	1,556	4,462	472	3,295	216.5	10,001.5
	Crude oil	1,545	2,496	458	2,308	209.3	7,016.3
	Natural gas	8	1,948	14	898	7.2	2,875.2
	Dry well (3)	3	18	-	89	-	110.0

Notes:

(1) represents Liaohe, Jilin, Huabei, Dagang, Sichuan, Tarim, Turpan Hami, Qinghai, Jidong, Yumen, Zhejiang and southern oil region, etc.

(2) “net well” means wells which have deducted the interests of other parties.

(3) “dry well” means wells which are not sufficient for commercial production.

Internal Control over the Estimates of Reserves

The Company has set up the Oil and Gas Reserves Management Committee, the chairman of which is the President of the Company.

The Company promoted the qualification certification management of oil and gas reserve evaluation and audit personnel, and has set up a team of reserve valuers and auditors covering the headquarters and companies in various regions which is responsible for reserve valuing and auditing for the Company. Meanwhile, a specialized Mineral Reserve Administration Division is set up under the Oil, Gas and New Energy Branch. The managerial personnel and staff of such division possess many years of professional technical experience and a considerable number of years of experience in conducting reserve estimation U.S. Securities and Exchange Commission ("SEC") Standards in the oil industry, and all of them are qualified as the national certified professionals specializing in handling reserves matters. Reserve Management Committees and multi-disciplinary Reserve Research Institutes have been set up at various regional companies. Technical professional in charge of the reserve evaluation of the Company is Mr. Duan Xiaowen, member of the Mineral Reserve Administration Division of the Oil, Gas and New Energy Branch. Mr. Duan holds a bachelor's degree in petroleum geology and an MBA degree. He has more than 30 years of working experience in the field of the exploration and development of oil and gas and has been engaging in the reserve evaluation and management for a long period of time. Since 2008, he has been involved in the technical supervision of reserves evaluation and, since 2016, has been the key technical professional in charge of monitoring the preparations for conducting reserve evaluation of the Company and of handling the technical and management works regarding evaluation of the oil and gas reserves. Reserve Research Institutes in various regions are responsible for calculating the newly discovered reserves and updating the estimates of the existing reserves. The evaluation results are subject to a two-level review by the regional companies and the Oil, Gas and New Energy Branch, and will be finally determined by the Oil and Gas Reserve Management Committee of the Company.

At the same time, the Company retains a third party independent evaluator who will, in accordance with the SEC Standards prescribed, conduct an independent evaluation or audit of the proved reserves derived from the annual evaluation conducted by the Company. The proved reserves evaluated or audited by the third party will be disclosed in accordance with requirements.

pwc

普华永道

AUDITOR'S REPORT

PwC ZT Shen Zi (2024) No. 10001
(Page 1 of 6)

To the Shareholders of PetroChina Company Limited,

Opinion

What we have audited

We have audited the accompanying financial statements of PetroChina Company Limited (hereinafter "the Company"), which comprise:

- the consolidated and company balance sheets as at 31 December 2023;
- the consolidated and company income statements for the year then ended;
- the consolidated and company cash flow statements for the year then ended;
- the consolidated and company statements of changes in shareholders' equity for the year then ended; and
- notes to the financial statements.

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of the Company as at 31 December 2023, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises ("CASs").

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code.

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AUDITOR'S REPORT (continued)

PwC ZT Shen Zi (2024) No. 10001
(Page 2 of 6)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to "Recoverability of the carrying amount of oil and gas properties".

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of the carrying amount of oil and gas properties Refer to Note 4(30) "Critical accounting estimates and judgements" and Note 18 "Oil and gas properties" to the consolidated financial statements, with the net book value of oil and gas properties amounted to RMB856,256 million at 31 December 2023, and impairment loss of RMB20,330 million was recorded for the year ended 31 December 2023. Uncertainty in future oil prices, future production costs, changes in operating conditions and the economic outlook gave rise to possible indicators that the carrying amount of the oil and gas properties as at 31 December 2023 might be impaired. The Group has adopted value in use as the respective recoverable amounts of oil and gas properties, which involved key estimations or assumptions including: – Future crude oil prices; – Future costs; – Future production volumes; and – Discount rates.	In addressing this matter, we performed the following key audit procedures: • Obtained an understanding of the management's internal control and assessment process of impairment of oil and gas properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • Evaluated and tested the key controls relating to the determination of recoverable amounts of oil and gas properties; • Assessed the appropriateness of the method used to determine recoverable amounts, including the methodology adopted in the discounted cash flow projections, tested mathematical accuracy of the projections, and the completeness, accuracy, and relevance of underlying data used in the projections; • Compared estimates of future crude oil prices adopted by the Group against a range of published crude oil price forecasts; • Compared the future cost profiles against historical costs or relevant budgets of the Group;

AUDITOR'S REPORT (continued)

PwC ZT Shen Zi (2024) No. 10001
(Page 3 of 6)

Key Audit Matters (Cont'd)

Key Audit Matter	How our audit addressed the Key Audit Matter
Because of the significance of the carrying amount of the oil and gas properties as at 31 December 2023, together with the significant estimates and judgements by management in the use of key estimates or assumptions in determining recoverable amounts for oil and gas properties, we had placed our audit emphasis on this matter.	• Compared the future production volumes against the oil and gas reserve estimation report approved by the management. Evaluated the competence, capability and objectivity of the management's experts engaged in estimating the oil and gas reserves. Assessed key estimations or assumptions used in the reserve estimation, by reference to historical data or management plans; • Used professionals with specialized skill and knowledge to assist in the evaluation of the appropriateness of discount rates adopted by the management. Based on our work, we found the key estimations and assumptions and input data adopted by management in determining the recoverable amounts were supported by the evidence we obtained.

Other Information

Management of the Company is responsible for the other information. The other information comprises all of the information included in 2023 annual report of the Company other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

AUDITOR'S REPORT (continued)

PwC ZT Shen Zi (2024) No. 10001
(Page 4 of 6)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the CASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

AUDITOR'S REPORT (continued)

PwC ZT Shen Zi (2024) No. 10001
(Page 5 of 6)

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in these financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

pwc 普华永道

AUDITOR'S REPORT (continued)

PwC ZT Shen Zi (2024) No. 10001
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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers Zhong Tian LLP	Signing CPA	Zhao Juan
Shanghai, the People's Republic of China		(Engagement Partner)
25 March 2024	Signing CPA	Hu Yang

PETROCHINA COMPANY LIMITED
CONSOLIDATED AND COMPANY BALANCE SHEETS
AS OF DECEMBER 31, 2023

(All amounts in RMB millions unless otherwise stated)

ASSETS	Notes	December 31, 2023 The Group	December 31, 2022 The Group	December 31, 2023 The Company	December 31, 2022 The Company
Current assets					
Cash at bank and on hand	7	269,873	225,049	62,807	72,308
Financial assets at fair value through profit or loss		7,404	3,876	-	-
Derivative financial assets	8	16,939	21,133	33	192
Accounts receivable	9	68,761	72,028	8,474	17,969
Receivables financing	10	10,661	4,376	10,031	4,164
Advances to suppliers	11	12,461	13,920	6,266	9,365
Other receivables	12	31,090	45,849	15,235	9,410
Inventories	13	180,533	167,751	110,386	109,354
Other current assets	14	60,798	59,885	45,565	45,204
Total current assets		658,520	613,867	258,797	267,966
Non-current assets					
Investments in other equity instruments	15	839	950	173	333
Long-term equity investments	16	280,972	269,671	510,328	471,795
Fixed assets	17	468,178	463,027	254,065	307,660
Oil and gas properties	18	856,256	832,610	652,256	628,338
Construction in progress	19	197,433	196,876	115,035	123,486
Right-of-use assets	20	125,423	132,735	53,675	58,000
Intangible assets	21	92,744	92,960	66,760	70,193
Goodwill	22	7,442	7,317	77	52
Long-term prepaid expenses	23	14,089	10,388	8,585	7,384
Deferred tax assets	37	18,127	16,614	-	-
Other non-current assets	24	32,687	33,651	61,323	11,701
Total non-current assets		2,094,190	2,056,799	1,722,277	1,678,942
TOTAL ASSETS		2,752,710	2,670,666	1,981,074	1,946,908

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

Chairman	Director and President	Chief Financial Officer
Dai Houliang	Huang Yongzhang	Wang Hua

PETROCHINA COMPANY LIMITED
CONSOLIDATED AND COMPANY BALANCE SHEETS
AS OF DECEMBER 31, 2023 (CONTINUED)

(All amounts in RMB millions unless otherwise stated)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	December 31, 2023 The Group	December 31, 2022 The Group	December 31, 2023 The Company	December 31, 2022 The Company
Current liabilities					
Short-term borrowings	26	38,979	38,375	17,445	17,255
Financial liabilities at fair value through profit or loss		1,727	1,698	-	-
Derivative financial liabilities	8	10,729	11,146	33	-
Notes payable	27	20,731	15,630	20,006	15,213
Accounts payable	28	289,156	289,117	101,615	121,220
Contract liabilities	29	83,928	77,337	62,178	55,861
Employee compensation payable	30	8,522	9,385	6,159	6,817
Taxes payable	31	73,915	53,514	46,717	34,512
Other payables	32	28,547	41,542	119,258	99,302
Current portion of non-current liabilities	33	117,816	70,561	111,672	53,157
Other current liabilities		14,957	15,958	8,962	10,572
Total current liabilities		689,007	624,263	494,045	413,909
Non-current liabilities					
Long-term borrowings	34	126,165	169,630	27,947	90,743
Debentures payable	35	17,033	52,848	13,500	49,380
Lease liabilities	20	113,438	118,200	41,795	44,700
Provisions	36	144,299	142,081	107,128	104,553
Deferred tax liabilities	37	23,144	21,634	325	391
Other non-current liabilities		9,003	7,594	4,726	4,302
Total non-current liabilities		433,082	511,987	195,421	294,069
Total liabilities		1,122,089	1,136,250	689,466	707,978
Shareholders' equity					
Share capital	38	183,021	183,021	183,021	183,021
Capital surplus	39	123,078	123,612	122,678	123,486
Special reserve		6,858	8,490	3,945	4,620
Other comprehensive income	58	(18,724)	(19,062)	1,099	720
Surplus reserves	40	237,802	224,563	226,710	213,471
Undistributed profits	41	914,375	845,242	754,155	713,612
Equity attributable to equity holders of the Company		1,446,410	1,365,866	1,291,608	1,238,930
Non-controlling interests	42	184,211	168,550	-	-
Total shareholders' equity		1,630,621	1,534,416	1,291,608	1,238,930
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,752,710	2,670,666	1,981,074	1,946,908

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

Chairman	Director and President	Chief Financial Officer
Dai Houliang	Huang Yongzhang	Wang Hua

PETROCHINA COMPANY LIMITED
CONSOLIDATED AND COMPANY INCOME STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

(All amounts in RMB millions unless otherwise stated)

Items	Notes	2023 The Group	2022 The Group	2023 The Company	2022 The Company
Operating income	43	3,011,012	3,239,167	1,851,487	1,729,735
Less: Cost of sales	43	(2,302,385)	(2,527,935)	(1,379,524)	(1,278,781)
Taxes and surcharges	44	(295,015)	(276,821)	(224,754)	(208,555)
Selling expenses	45	(70,260)	(68,352)	(48,552)	(47,670)
General and administrative expenses	46	(55,023)	(50,523)	(32,879)	(29,743)
Research and development expenses	47	(21,957)	(20,016)	(16,796)	(15,217)
Finance expenses	48	(18,110)	(19,614)	(13,582)	(13,713)
Including: Interest expenses		(24,063)	(21,554)	(14,912)	(15,097)
Interest income		8,265	4,738	1,960	1,732
Add: Other income	49	21,697	18,177	19,621	16,732
Investment income	50	9,554	(11,140)	33,381	36,619
Including: Income from investment in associates and joint ventures		18,538	15,251	12,877	11,296
Gains from changes in fair value	51	2,008	(2,464)	(25)	54
Credit impairment losses	52	(37)	(1,587)	(346)	(65)
Asset impairment losses	53	(28,956)	(37,233)	(19,979)	(23,330)
Gains on asset disposal	54	496	905	1,721	591
Operating profit		253,024	242,564	169,773	166,657
Add: Non-operating income	55(a)	3,128	3,515	2,067	2,967
Less: Non-operating expenses	55(b)	(18,694)	(32,807)	(15,308)	(23,539)
Profit before taxation		237,458	213,272	156,532	146,085
Less: Taxation	56	(57,167)	(49,929)	(24,138)	(17,067)
Net profit		180,291	163,343	132,394	129,018
Classified by continuity of operations:					
Net profit from continuous operation		180,291	163,343	132,394	129,018
Net profit from discontinued operation		-	-	-	-
Classified by ownership:					
Shareholders of the Company		161,144	148,738	132,394	129,018
Non-controlling interests		19,147	14,605	-	-
Other comprehensive income, net of tax	58	2,014	21,770	488	470
Other comprehensive income (net of tax) attributable to equity holders of the Company		480	15,670	488	470
(1) Item that will not be reclassified to profit or loss					
Changes in fair value of investments in other equity instruments		45	(15)	8	(28)
(2) Items that may be reclassified to profit or loss					
Other comprehensive income recognised under equity method		76	654	327	395
Cash flow hedges		(1,893)	11,273	153	103
Currency translation differences		2,252	3,758	-	-
Other comprehensive income (net of tax) attributable to non-controlling interests		1,534	6,100	-	-
Total comprehensive income		182,305	185,113	132,882	129,488
Attributable to:					
Equity holders of the Company		161,624	164,408	132,882	129,488
Non-controlling interests		20,681	20,705	-	-
Earnings per share					
Basic earnings per share (RMB Yuan)	57	0.88	0.81	0.72	0.70
Diluted earnings per share (RMB Yuan)	57	0.88	0.81	0.72	0.70

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

Chairman	Director and President	Chief Financial Officer
Dai Houliang	Huang Yongzhang	Wang Hua

PETROCHINA COMPANY LIMITED
CONSOLIDATED AND COMPANY CASH FLOW STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

(All amounts in RMB millions unless otherwise stated)

Items	Notes	2023 The Group	2022 The Group	2023 The Company	2022 The Company
Cash flows from operating activities					
Cash received from sales of goods and rendering of services		3,250,400	3,377,857	2,022,444	1,924,932
Cash received relating to other operating activities	60(a)	83,949	261,275	26,029	38,783
Sub-total of cash inflows		3,334,349	3,639,132	2,048,473	1,963,715
Cash paid for goods and services		(2,166,234)	(2,335,018)	(1,302,565)	(1,219,400)
Cash paid to and on behalf of employees		(173,322)	(162,297)	(127,371)	(119,449)
Payments of various taxes		(414,617)	(449,034)	(301,152)	(324,684)
Cash paid relating to other operating activities	60(b)	(123,580)	(299,015)	(40,786)	(43,525)
Sub-total of cash outflows		(2,877,753)	(3,245,364)	(1,771,874)	(1,707,058)
Net cash flows from operating activities	60(f)	456,596	393,768	276,599	256,657
Cash flows from investing activities					
Cash received from disposal of investments	60(c)	76,068	50,937	5,891	2,849
Cash received from returns on investments		18,739	13,741	46,432	35,444
Net cash received from disposal of fixed assets, oil and gas properties, intangible assets and other long-term assets		953	729	596	831
Net cash received from disposal of subsidiaries and other business units		171	4,759	-	1,673
Sub-total of cash inflows		95,931	70,166	52,919	40,797
Cash paid to acquire fixed assets, oil and gas properties, intangible assets and other long-term assets		(282,519)	(243,752)	(197,676)	(171,879)
Cash paid to acquire investments	60(d)	(68,426)	(58,925)	(4,269)	(9,168)
Net cash paid for the acquisition of subsidiaries and other business entities		(775)	(460)	-	-
Sub-total of cash outflows		(351,720)	(303,137)	(201,945)	(181,047)
Net cash flows used for investing activities		(255,789)	(232,971)	(149,026)	(140,250)
Cash flows from financing activities					
Cash received from capital contributions		4,592	529	-	-
Including: Cash received from non-controlling interests' capital contributions to subsidiaries		4,592	529	-	-
Cash received from borrowings		638,826	866,348	66,711	126,582
Sub-total of cash inflows		643,418	866,877	66,711	126,582
Cash repayments of borrowings		(674,641)	(891,329)	(106,747)	(133,390)
Cash payments for interest expenses and distribution of dividends or profits		(106,304)	(76,531)	(89,085)	(65,610)
Including: Subsidiaries' cash payments for distribution of dividends or profits to non-controlling interests		(9,085)	(9,547)	-	-
Cash payments relating to other financing activities	60(e)	(9,045)	(12,730)	(6,608)	(7,136)
Sub-total of cash outflows		(789,990)	(980,590)	(202,440)	(206,136)
Net cash flows used for financing activities		(146,572)	(113,713)	(135,729)	(79,554)
Effect of foreign exchange rate changes on cash and cash equivalents		3,576	7,317	-	-
Net increase/(decrease) in cash and cash equivalents	60(g)	57,811	54,401	(8,156)	36,853
Add: Cash and cash equivalents at the beginning of the period		191,190	136,789	68,808	31,955
Cash and cash equivalents at the end of the period	60(i)	249,001	191,190	60,652	68,808

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

Chairman	Director and President	Chief Financial Officer
Dai Houliang	Huang Yongzhang	Wang Hua

PETROCHINA COMPANY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023

(All amounts in RMB millions unless otherwise stated)

	Shareholders' equity attributable to the Company								
Items	Share capital	Capital surplus	Special reserve	Other comprehensive income	Surplus reserves	Undistributed profits	Sub-total	Non-controlling interests	Total shareholders' equity
Balance at December 31, 2021	183,021	127,375	9,231	(34,737)	211,970	766,955	1,263,815	145,309	1,409,124
Change in accounting policy (Note 4(31))	-	-	-	-	(309)	(2,764)	(3,073)	20	(3,053)
Balance at January 1, 2022	183,021	127,375	9,231	(34,737)	211,661	764,191	1,260,742	145,329	1,406,071
Changes in the year ended December 31, 2022									
Total comprehensive income	-	-	-	15,670	-	148,738	164,408	20,705	185,113
Special reserve - safety fund reserve									
Appropriation	-	-	5,972	-	-	-	5,972	275	6,247
Utilisation	-	-	(6,713)	-	-	-	(6,713)	(225)	(6,938)
Profit distribution									
Appropriation to surplus reserves	-	-	-	-	12,902	(12,902)	-	-	-
Distribution to shareholders	-	-	-	-	-	(54,686)	(54,686)	(9,709)	(64,395)
Other equity movement									
Capital contribution from non-controlling interests	-	3	-	-	-	-	3	11,125	11,128
Acquisition of subsidiaries	-	-	-	-	-	-	-	634	634
Disposal of subsidiaries	-	-	-	-	-	-	-	7	7
Others	-	(3,766)	-	5	-	(99)	(3,860)	409	(3,451)
Balance at December 31, 2022	183,021	123,612	8,490	(19,062)	224,563	845,242	1,365,866	168,550	1,534,416

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

Chairman	Director and President	Chief Financial Officer
Dai Houliang	Huang Yongzhang	Wang Hua

PETROCHINA COMPANY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2023 (CONTINUED)

(All amounts in RMB millions unless otherwise stated)

	Shareholders' equity attributable to the Company								
Items	Share capital	Capital surplus	Special reserve	Other comprehensive income	Surplus reserves	Undistributed profits	Sub-total	Non-controlling interests	Total shareholders' equity
Balance at January 1, 2023	183,021	123,612	8,490	(19,062)	224,563	845,242	1,365,866	168,550	1,534,416
Changes in the year ended December 31, 2023									
Total comprehensive income	-	-	-	480	-	161,144	161,624	20,681	182,305
Special reserve - safety fund reserve									
Appropriation	-	-	7,345	-	-	-	7,345	256	7,601
Utilisation	-	-	(8,977)	-	-	-	(8,977)	(213)	(9,190)
Profit distribution									
Appropriation to surplus reserves	-	-	-	-	13,239	(13,239)	-	-	-
Distribution to shareholders	-	-	-	-	-	(78,699)	(78,699)	(8,974)	(87,673)
Other equity movement									
Equity transactions with non-controlling interests	-	503	-	-	-	-	503	(599)	(96)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	4,592	4,592
Acquisition of subsidiaries	-	-	-	-	-	-	-	62	62
Disposal of subsidiaries	-	-	-	-	-	-	-	(132)	(132)
Others	-	(1,037)	-	(142)	-	(73)	(1,252)	(12)	(1,264)
Balance at December 31, 2023	183,021	123,078	6,858	(18,724)	237,802	914,375	1,446,410	184,211	1,630,621

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

Chairman	Director and President	Chief Financial Officer
Dai Houliang	Huang Yongzhang	Wang Hua

PETROCHINA COMPANY LIMITED
COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2023

(All amounts in RMB millions unless otherwise stated)

Items	Share capital	Capital surplus	Special reserve	Other comprehen-sive income	Surplus reserves	Undistributed profits	Total share-holders' equity
Balance at December 31, 2021	183,021	127,207	4,829	250	200,878	654,956	1,171,141
Change in accounting policy (Note 4(31))	-	-	-	-	(309)	(2,774)	(3,083)
Balance at January 1, 2022	183,021	127,207	4,829	250	200,569	652,182	1,168,058
Changes in the year ended December 31, 2022							
Total comprehensive income	-	-	-	470	-	129,018	129,488
Special reserve - safety fund reserve							
Appropriation	-	-	4,337	-	-	-	4,337
Utilisation	-	-	(4,546)	-	-	-	(4,546)
Profit distribution							
Appropriation to surplus reserves	-	-	-	-	12,902	(12,902)	-
Distribution to shareholders	-	-	-	-	-	(54,686)	(54,686)
Others	-	(3,721)	-	-	-	-	(3,721)
Balance at December 31, 2022	183,021	123,486	4,620	720	213,471	713,612	1,238,930
Balance at January 1, 2023	183,021	123,486	4,620	720	213,471	713,612	1,238,930
Changes in the year ended December31, 2023							
Total comprehensive income	-	-	-	488	-	132,394	132,882
Special reserve - safety fund reserve							
Appropriation	-	-	5,393	-	-	-	5,393
Utilisation	-	-	(6,068)	-	-	-	(6,068)
Profit distribution							
Appropriation to surplus reserves	-	-	-	-	13,239	(13,239)	-
Distribution to shareholders	-	-	-	-	-	(78,699)	(78,699)
Others	-	(808)	-	(109)	-	87	(830)
Balance at December 31, 2023	183,021	122,678	3,945	1,099	226,710	754,155	1,291,608

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

Chairman	Director and President	Chief Financial Officer
Dai Houliang	Huang Yongzhang	Wang Hua

1 COMPANY BACKGROUND

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

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

The financial statements were approved by the Board of Directors on March 25, 2024.

2 BASIS OF PREPARATION

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

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

3 STATEMENT OF COMPLIANCE WITH THE ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The consolidated and the Company's financial statements for the year ended December 31, 2023 truly, accurately and completely present the financial position of the Group and the Company as of December 31, 2023 and their financial performance and their cash flows for the year then ended in compliance with the Accounting Standards for Business Enterprises.

4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Accounting Period

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

(2) Operating Cycle

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

(3) Recording Currency

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

(4) Measurement Properties

Generally are measured at historical cost unless otherwise stated at fair value, net realisable value or present value.

(5) Foreign Currency Translation

(a) Foreign currency transactions

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

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

(b) Translation of financial statements represented in foreign currency

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

(6) Cash and Cash Equivalents

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

(7) Financial Instrument

Financial instruments include cash at bank and on hand, financial assets at fair value through profit or loss, derivative financial instruments, accounts receivables, equity securities other than those classified as long-term equity investments, accounts payables, financial liabilities at fair value through profit or loss, borrowings, debentures payable and share capital, etc.

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

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

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

(b) Classification and subsequent measurement of financial assets

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

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

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

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

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

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

(ii) Subsequent measurement of the financial assets

- Financial assets at FVTPL:

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

- Financial assets measured at amortised cost:

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

• Debt investments at FVOCI:

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

• Equity investments at FVOCI:

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

(c) Classification and subsequent measurement of financial liabilities

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

• Financial liabilities at FVTPL:

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

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

• Financial liabilities at amortised cost:

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

(d) Offsetting

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

• the Group currently has a legally enforceable right to set off the recognised amounts;

• the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(e) Derecognition of financial assets and financial liabilities

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

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

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

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

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished, the difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

(f) Impairment

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

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

(i) Measurement of ECLs

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

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

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

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

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

Except for accounts receivable, contract assets and receivables financing at fair value through other comprehensive income, the Group measures loss allowance at an amount equal to 12-month ECL for the following financial instruments that have low credit risk for which credit risk has not increased significantly since initial recognition, and at an amount equal to lifetime ECL for accounts receivable, contract assets and receivables financing at fair value through other comprehensive income.

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

(ii) Financial instruments that have low credit risk

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

(iii) Significant increases in credit risk

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

(iv) Credit-impaired financial assets

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

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

(v) Presentation of allowance for ECL

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

(vi) Write-off

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

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

(g) Determination of financial instruments' fair value

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

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

(h) Derivative financial instruments and hedge accounting

Derivative financial instruments are recognised initially at fair value. At each balance sheet date, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for hedge accounting.

Hedge accounting is a method which recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item in the same accounting period, to represent the effect of risk management activities.

Hedged items are the items that expose the Group to risks of changes in future fair value or future cash flows and that are designated as being hedged and that must be reliably measurable. The Group's hedged items include a forecast transaction that is settled with an undetermined future market price and exposes the Group to risk of variability in cash flows, etc.

A hedging instrument is a designated derivative whose changes in future fair value or cash flows are expected to offset changes in the fair value or the cash flows of the hedged item. The hedging relationship meets all of the following hedge effectiveness requirements:

(i) There is an economic relationship between the hedged item and the hedging instrument, which share a risk and that gives rise to opposite changes in fair value that tend to offset each other.

(ii) The effect of credit risk does not dominate the value changes that result from that economic relationship.

(iii) The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item. However, that designation shall not reflect an imbalance between the weightings of the hedged item and the hedging instrument.

- Cash flow hedges

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction, and could affect profit or loss. As long as a cash flow hedge meets the qualifying criteria for hedge accounting, the amount of cash flow hedges reserve is the lower of the following two absolute amounts:

- The cumulative gain or loss on the hedging instrument from inception of the hedge;

- The cumulative change in present value of the expected future cash flows on the hedged item from inception of the hedge.

The gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income.

The portion of the gain or loss on the hedging instrument that is determined to be an ineffective hedge is recognised in profit or loss.

The amount that has been accumulated in the cash flow hedge reserve shall be accounted for as follows:

- If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the entity shall remove that amount from the cash flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset or the liability.

- For cash flow hedges, other than those covered by the preceding two policy statements, that amount shall be reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.

- If the amount that has been accumulated in the cash flow hedge reserve is a loss and the Group expects that all or a portion of that loss will not be recovered in one or more future periods, the Group immediately reclassify the amount that is not expected to be recovered into profit or loss.

In case of the following circumstances, the Group discontinues the use of hedge accounting:

- when the hedging relationship no longer meets the risk management objective on the basis of which it qualified for hedge accounting (ie. the entity no longer pursues that risk management objective);
- or when a hedging instrument expires or is sold, terminated, exercised;
- or there is no longer an economic relationship between the hedged item and the hedging instrument or the effect of credit risk starts to dominate the value changes that result from that economic relationship;
- or no longer meets the criteria for hedge accounting.

When the Group discontinues hedge accounting for a cash flow hedge, it shall account for the amount that has been accumulated in the cash flow hedge reserve as follows:

- If the hedged future cash flows are still expected to occur, that amount shall remain in the cash flow hedge reserve and shall be accounted for as cash flow hedges.
- If the hedged future cash flows are no longer expected to occur, that amount shall be immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment. A hedged future cash flow that is no longer highly probable to occur may still be expected to occur, if the hedged future cash flows are still expected to occur, that amount shall remain in the cash flow hedge reserve and shall be accounted for as cash flow hedges.

(8) Inventories

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

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

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

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

The Group adopts perpetual inventory system.

(9) Long-term Equity Investments and Joint Operations

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

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

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

(a) Subsidiaries

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

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

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

(b) Joint ventures and associates

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

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

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

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

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

(c) Impairment of long-term equity investments

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

(All amounts in RMB millions unless otherwise stated)

(d) Joint Operations

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

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

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

(10) Fixed Assets

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

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

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

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

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

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

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

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

(11) Oil and Gas Properties

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

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

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

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

The carrying amount of oil and gas properties is reduced to the recoverable amount when their recoverable amount is lower than their carrying amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the estimated future cash flow expected to be derived from the asset (or asset group, a set of asset groups, the same below) (Note 4(16)).

(12) Construction in Progress

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

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

The Group sells the products or by-products produced before the fixed assets reach the scheduled useable state, or in the research and development process, which be determined as trial operation sales. Related income and cost are present respectively in financial statements according to the daily activities and non-daily activities, which generated from daily activities are shown in “Operating income” and “Cost of sales”, and which generated from non-daily activities are shown in “Gains on asset disposal” and other items.

(13) Intangible Assets and Goodwill

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

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

The franchise is initially recorded at actual cost, and amortised using the straight-line method over estimated useful lives of gas station.

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

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

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

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

(14) Research and Development

The Group's expenditures on research and development mainly include expenditures on materials consumed for the implementation of the research and development activities, research and development department employee benefits, depreciation and amortisation of assets such as equipment and software used in research and development, research and development testing, and research and development technical service fees.

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

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

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

(15) Long-term Prepaid Expenses

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

(16) Impairment of Non-current Assets

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

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

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

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

(17) Borrowing Costs

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

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

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

(18) Employee Compensation

(a) Short-term benefits

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

(b) Post-employment benefits - Defined Contribution Plans

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

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

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

(19) Government Grants

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

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

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

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

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

(20) Provisions

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

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

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

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

(21) Income Tax

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

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

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

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

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

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

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

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

- This entity within the Group is legally allowed to settle its current tax assets and liabilities on a net basis.

(22) Revenue Recognition

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

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

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

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

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

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

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The customer can control the asset created or enhanced during the Group's performance;
- The Group's performance does not create an asset with an alternative use to it and the Group has an enforceable right to payment for performance completed to date.

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

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

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

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

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

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

(a) Sales of goods

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

(b) Rendering of services

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

(c) Loyalty points

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

(d) Recognition of sales income under the trade mode

In the trading of crude oil, natural gas, refined oil and chemical products, the Group procures related products according to the supply and demand relationship and the customer order demand. For such business, the Group is responsible for delivering products and ensuring that the specifications and quality meet the customer's requirements. The Group has the right to determine suppliers and purchase pricing, and there are various alternative qualified suppliers. Meanwhile, the Group has the right to determine the products sold and the selling price, and bears the risk of product price fluctuation. As a result, the Group has obtained control of a product before it is sold to a customer, and has recognised the revenue from the sales of the product accordingly on the basis of the gross carrying amount.

(23) Contract Costs

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

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

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

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

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

- The costs are expected to be recovered.

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

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

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

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

(24) Leases

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

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

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

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

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

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

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

(a) The Group as a lessee

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

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

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

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

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

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

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

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

(b) The Group as a lessor

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

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

(25) Dividend Distribution

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

(26) Business Combination

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

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

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

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

(a) Business combination under common control

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

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

(b) Business combination not under common control

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

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

(27) Basis of Preparation of Consolidated Financial Statements

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

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

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

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

(28) Segment Reporting

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

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

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

(29) Related Party

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

The Company determines related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC.

(30) Critical Accounting Estimates and Judgements

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

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

(a) Estimation of oil and natural gas reserves

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

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

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

(c) Estimation of asset retirement obligations

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

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

(All amounts in RMB millions unless otherwise stated)

(31) Change in significant accounting policy

In 2022, the Ministry of Finance promulgated the "Notice on the Issuance of Interpretation of Accounting Standards for Business Enterprises No.16" (hereinafter referred to as Interpretation No.16). From January 1, 2023 the Group and the Company adopted the provision that accounting treatment of recognition of deferred tax related to assets and liabilities arising from a single transaction does not apply the initial recognition exemption stipulated in Interpretation No.16. The cumulative effect of recognising these adjustments is recognised in retained earnings and other related financial statement items at the beginning of the earliest comparative period. The Group and the Company have retroactively adjusted the single transactions that existed between January1, 2022 and the effective date and the comparable financial statements for the year ended December 31, 2022 have been restated accordingly. Other than the above effects, the amendments have no material impact on the financial statements of the Group and the Company.

Accounting treatment of recognition of deferred tax related to assets and liabilities arising from a single transaction not applying the initial recognition exemption

Content and reason of accounting policy change	Affected financial statement items	Affected amount	
		January 1, 2022	
		The Group	The Company
The Group and the Company accordingly recognise deferred tax liabilities and deferred tax assets for the equivalent amount of taxable and deductible temporary differences arising from lease transactions in which lease liabilities and right-of-use assets are initially recognised at the commencement date of the lease term, and transactions such as oil and gas properties in which asset retirement obligations exist and provisions are recognised and included in the cost of the related assets.	Deferred tax assets	389	-
	Deferred tax liabilities	3,442	3,083
	Undistributed profits	(2,764)	(2,774)
	Surplus reserves	(309)	(309)
	Non-controlling interests	20	—
		December 31, 2022	
		The Group	The Company
	Deferred tax assets	(3,085)	(3,543)
	Deferred tax liabilities	602	391
	Undistributed profits	(3,316)	(3,540)
	Surplus reserves	(394)	(394)
	Non-controlling interests	23	—
		2022	
		The Group	The Company
	Taxation	(634)	(851)

(All amounts in RMB millions unless otherwise stated)

5 TAXATION

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

Types of taxes	Tax rate	Tax basis and method
Value Added Tax (the "VAT")	13%, 9%, 6%	Based on taxable value added amount. Tax payable is calculated using the taxable sales amount multiplied by the applicable tax rate less current period's deductible VAT input.
Resource Tax	6%	Based on the revenue from sales of crude oil and natural gas.
Consumption Tax	Based on quantities	Based on sales quantities of taxable products. RMB1.52 per litre for unleaded gasoline, naphtha, solvent oil and lubricant. RMB1.2 per litre for diesel and fuel oil.
Corporate Income Tax	15% to 82%	Based on taxable income.
Crude Oil Special Gain Levy	20% to 40%	Based on the sales of domestic crude oil at prices higher than a specific level.
Levy for mineral rights concessions	0.3% to 0.8%	Levy for mineral rights concessions includes the transaction price of exploration rights (mining rights) and the proceeds from the granting of the mining rights to be levied on a year-by-year basis. The transaction price of the exploration rights (mining rights) is recognised and levied at the time of the grant. The proceeds from the granting of the mining rights to be levied on a year-by-year basis is calculated based on the annual revenue of mineral products.
City Maintenance and Construction Tax	1%, 5% or 7%	Based on the actual VAT and consumption tax paid.
Educational surcharge	2% or 3%	Based on the actual VAT and consumption tax paid.
Urban and Township Land Use Tax	RMB0.9~30	Based on the actual land area occupied in each provinces, autonomous regions and municipalities.

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

Ministry of Finance and State Taxation Administration jointly issued the “Notice on Reduction of Resource Tax Assessed on Shale Gas” (Cai Shui [2018] No.26) on March 29, 2018. Pursuant to such notice, in order to promote the development and utilisation of shale gas and effectively increase natural gas supply, from April 1, 2018 to March 31, 2021, a reduction of 30% will apply to the resource tax assessed on shale gas (at the prescribed tax rate of 6%). On March 15, 2021, Ministry of Finance and State Taxation Administration jointly issued “Notice on Extending the Implementation Period of Some Preferential Tax Policies” (Notice 2021 No.6 issued by Ministry of Finance and State Taxation Administration) to announce the implementation period of that preferential tax policies would be extended to December 31, 2023. On September 20, 2023, the Ministry of Finance and the State Taxation Administration issued the “Announcement on Extension of the Preferential Resource Tax Reduction Policy for Shale Gas” (Notice No.46 [2023] issued by the Ministry of Finance and the State Taxation Administration), under which the shale gas resource tax (at the prescribed rate of 6%) would continue to be reduced by 30% until December 31, 2027.

Pursuant to the Notice from Ministry of Finance on the “Increase of the Threshold of the Crude Oil Special Gain Levy” (Cai Shui [2014] No.115), the threshold of the crude oil special gain levy shall be USD65 per barrel, which has 5 levels and is calculated and charged according to the progressive and valorem rates on the excess amounts from January 1, 2015.

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

According to the Circular of the Ministry of Finance, Ministry of Natural Resources and State Taxation Administration on the Issuance of the Measures for the Collection of Levy for Mineral Rights Concessions (Cai Zong [2023] No.10), levy for mineral rights concessions = the transaction price of the exploration rights (mining rights) + the proceeds from the granting of the mining rights to be levied on a year-by-year basis. The transaction price of exploration rights (mining rights) is determined mainly on the basis of the area of the mining rights, taking into account such factors as mineralization conditions, the degree of exploration, changes in the market and competitive situation for mining rights. The transaction price of the exploration rights (mining rights) is levied at the time of the transfer. The proceeds from the granting of the mining rights to be levied on a year-by-year basis = annual revenue from the sale of mineral commodities × the rate of levy for mineral rights concessions, the rate of levy for mineral rights concessions for oil, natural gas, shale gas and natural gas hydrates in land area is 0.8%. The rate of levy for mineral rights concessions in sea area is 0.6%, and the rate of levy for mineral rights concessions for coalbed methane is 0.3%.

(All amounts in RMB millions unless otherwise stated)

6 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

(1) Principal subsidiaries

Company name	Acquisition method	Country of incorporation	Registered capital	Principal activities	Type of legal entity	Legal representative	Closing effective investment cost	Attributable equity interest % Direct holding	Attributable equity interest % Indirect holding	Attributable voting rights %	Consolidated or not
Daqing Oilfield Company Limited	Established	PRC	47,500	Exploration, production and sales of crude oil and natural gas	Limited liability company	Zhu Guowen	66,720	100.00	-	100.00	Yes
CNPC Exploration and Development Company Limited (i)	Business combination under common control	PRC	16,100	Exploration, production and sales of crude oil and natural gas outside the PRC	Limited liability company	Chen Jintao	23,778	50.00	-	57.14	Yes
PetroChina Hong Kong Limited	Established	HK	HK Dollar ("HKD") 7,592 million	Investment holding. The principal activities of its subsidiaries, associates and joint ventures are the exploration, production and sales of crude oil in and outside the PRC as well as natural gas sales and transmission in the PRC	—	N/A	25,590	100.00	-	100.00	Yes
PetroChina International Investment Company Limited	Established	PRC	31,314	Investment holding. The principal activities of its subsidiaries, associates and joint ventures are the exploration, development and production of crude oil, natural gas, oilsands and coalbed methane outside the PRC	Limited liability company	Chen Jintao	35,041	100.00	-	100.00	Yes
PetroChina International Co., Ltd.	Established	PRC	18,096	Engaged in trading of crude oil, natural gas and petrochemical products, storage, investment in refining, chemical engineering, storage facilities, service station, and transportation facilities and related business in and outside the PRC	Limited liability company	Wu Junli	18,953	100.00	-	100.00	Yes
PetroChina Sichuan Petrochemical Company Limited	Established	PRC	10,000	Engaged in the production and sale of oil refining, petrochemical and chemical products, chemical technology development, technology transfer and technical services	Limited liability company	Wang Qiang	21,600	90.00	-	90.00	Yes
KunLun Energy Company Limited (ii)	Business combination under common control	Bermuda	HK Dollar ("HKD") 160 million	Investment holding. The principal activities of its principal subsidiaries, associates and joint ventures are the sales of natural gas, sales of liquefied petroleum gas and liquefied natural gas processing and storage and transportation business in the PRC and the exploration and production of crude oil and natural gas in the PRC, the Republic of Kazakhstan, the Sultanate of Oman, the Republic of Peru, the Kingdom of Thailand and the Republic of Azerbaijan	—	Fu Bin	HK Dollar ("HKD") 87 million	-	54.38	54.38	Yes

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

(ii) KunLun Energy Company Limited is a company listed on The Stock Exchange of Hong Kong Limited.

(All amounts in RMB millions unless otherwise stated)

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

	Assets and liabilities	
Company name	December 31, 2023	December 31,2022
PetroKazakhstan Inc.	1 USD =7.0827 RMB	1 USD =6.9646 RMB
PetroChina Hong Kong Limited	1 HKD =0.9062 RMB	1 HKD =0.8933 RMB
Singapore Petroleum Company Limited	1 USD =7.0827 RMB	1 USD =6.9646 RMB

Owner's equity items, except for "undistributed profit", are using the spot exchange rate at the time of incurrence. Revenue, expense and cash flow items are using the spot rate or an approximate spot exchange rate on the date of the transaction.

7 CASH AT BANK AND ON HAND

	December 31, 2023	December 31, 2022
Cash on hand	17	12
Cash at bank	265,864	221,483
Other cash balances	3,992	3,554
	269,873	225,049

The Group's cash at bank and on hand included the following foreign currencies as of December 31, 2023:

	Foreign currency	Exchange rate	RMB equivalent
USD	19,669	7.0827	139,310
HKD	7,052	0.9062	6,391
KZT	43,281	0.0156	674
Others			804
			147,179

The Group's cash at bank and on hand included the following foreign currencies as of December 31, 2022:

	Foreign currency	Exchange rate	RMB equivalent
USD	13,249	6.9646	92,274
HKD	7,032	0.8933	6,281
KZT	24,304	0.0151	367
Others			787
			99,709

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

The carrying amount of the Group's cash at bank deposited at related finance company was RMB46,154 as of December 31, 2023 (December 31, 2022: RMB41,192).

(All amounts in RMB millions unless otherwise stated)

The Group's cash at bank and on hand included margin account deposits with the carrying amount of RMB2,140 as impawn USD borrowings as of December 31, 2023 (December 31, 2022: RMB2,586).

8 DERIVATIVE FINANCIAL ASSETS AND DERIVATIVE FINANCIAL LIABILITIES

Derivative financial assets and derivative financial liabilities of the Group are mainly commodity futures, commodity swaps and commodity forwards contracts. See Note 62.

9 ACCOUNTS RECEIVABLE

	The Group		The Company	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Accounts receivable	71,448	74,917	8,991	18,404
Less: Provision for bad debts	(2,687)	(2,889)	(517)	(435)
	68,761	72,028	8,474	17,969

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

	The Group					
	December 31, 2023			December 31, 2022		
	Amount	Percentage of total balance %	Provision for bad debts	Amount	Percentage of total balance %	Provision for bad debts
Within 1 year	68,009	95	(921)	72,319	96	(1,012)
1 to 2 years	1,639	2	(148)	544	1	(278)
2 to 3 years	375	1	(227)	844	1	(542)
Over 3 years	1,425	2	(1,391)	1,210	2	(1,057)
	71,448	100	(2,687)	74,917	100	(2,889)

	The Company					
	December 31, 2023			December 31, 2022		
	Amount	Percentage of total balance %	Provision for bad debts	Amount	Percentage of total balance %	Provision for bad debts
Within 1 year	7,345	81	(72)	17,936	98	(38)
1 to 2 years	1,222	14	(55)	4	-	-
2 to 3 years	1	-	-	203	1	(171)
Over 3 years	423	5	(390)	261	1	(226)
	8,991	100	(517)	18,404	100	(435)

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

(All amounts in RMB millions unless otherwise stated)

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

The provision for bad debts of accounts receivable is analysed by category as follows:

	December 31, 2023				December 31, 2022			
	Gross carrying amount		Provision for bad debts		Gross carrying amount		Provision for bad debts	
	Amount	Percentage of total balance %	Amount	Provision ratio %	Amount	Percentage of total balance %	Amount	Provision ratio %
Provision for bad debts on an individual basis (i)	2,341	3	(1,122)	47.9	1,001	1	(998)	99.7
Provision for bad debts on a collective basis (ii)	69,107	97	(1,565)	2.3	73,916	99	(1,891)	2.6
	71,448	100	(2,687)		74,917	100	(2,889)	

(i) Accounts receivable for which the related provision for bad debts is provided on an individual basis are analysed as follows:

As part of such accounts receivable have a long ageing, the Group estimates the recoverable amount based on the business operation, financial information and other available information of the debtor, and recognises the ECL as the difference between the accounts receivable and the amount that may be recovered under the contract.

(ii) Provision for bad debts made on a collective basis for accounts receivable is analysed as follows:

	December 31, 2023			December 31, 2022		
	Gross carrying amount	Provision for bad debts		Gross carrying amount	Provision for bad debts	
		Lifetime ECL rates	Amount		Lifetime ECL rates	Amount
Current (not past due)	64,498	0.6%	371	68,951	1.1%	803
Within one year past due	2,520	2.8%	70	3,568	1.1%	38
One-two years past due	934	13.7%	128	476	55.3%	263
Two-three years past due	369	61.2%	226	350	70.3%	246
Over three years past due	786	98.0%	770	571	94.7%	541
	69,107		1,565	73,916		1,891

(All amounts in RMB millions unless otherwise stated)

As of December 31, 2023, the top five debtors of accounts receivable of the Group amounted to RMB27,509, representing 39% of total accounts receivable, and the corresponding balance of provision for bad and doubtful debts was RMB645 (As of December 31, 2022, the top five debtors of accounts receivable of the Group amounted to RMB20,574, representing 27% of total accounts receivable, and the corresponding balance of provision for bad and doubtful debts was RMB529).

During the year ended December 31, 2023 and the year ended December 31, 2022, the Group had no significant write-off of accounts receivable.

10 RECEIVABLES FINANCING

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

The Group's business model of financial assets at fair value through other comprehensive income is achieved both by collecting contractual cash flows and selling of these assets. In 2023, the bank acceptance notes endorsed or discounted by the Group and all the risks and rewards of ownership of the bank acceptance notes were substantially transferred to other parties, the carrying amounts of such bank acceptance notes derecognised amounted to RMB3,605 and RMB16,533 (2022: RMB5,067 and RMB25,198) respectively, with the losses on discount of RMB172 recognised in profit or loss (2022: RMB253).

As of December 31, 2023 and December 31, 2022, all receivables financing of the Group are due within one year.

11 ADVANCES TO SUPPLIERS

	December 31, 2023	December 31, 2022
Advances to suppliers	12,816	14,261
Less: Provision for impairment	(355)	(341)
	12,461	13,920

As of December 31, 2023 and December 31, 2022, advances to suppliers of the Group were mainly aged within one year.

As of December 31, 2023, the top five debtors of advances to suppliers of the Group amounted to RMB5,533, representing 43% of total advances to suppliers (As of December 31, 2022, the top five debtors of advances to suppliers of the Group amounted to RMB8,979, representing 63% of total advances to suppliers).

12 OTHER RECEIVABLES

	The Group		The Company	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Interest receivable	-	910	-	-
Dividends receivable	49	312	22	41
Other receivables (a)	31,041	44,627	15,213	9,369
Total	31,090	45,849	15,235	9,410

(All amounts in RMB millions unless otherwise stated)

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

	The Group					
	December 31, 2023			December 31, 2022		
	Amount	Percentage of total balance %	Provision for bad debts	Amount	Percentage of total balance %	Provision for bad debts
Within 1 year	26,835	78	(86)	39,376	83	(126)
1 to 2 years	1,261	4	(87)	1,913	4	(152)
2 to 3 years	1,200	4	(155)	823	2	(33)
Over 3 years	4,741	14	(2,668)	5,298	11	(2,472)
	34,037	100	(2,996)	47,410	100	(2,783)

	The Company					
	December 31, 2023			December 31, 2022		
	Amount	Percentage of total balance %	Provision for bad debts	Amount	Percentage of total balance %	Provision for bad debts
Within 1 year	12,958	77	(111)	7,004	66	(25)
1 to 2 years	617	4	(19)	1,882	17	(903)
2 to 3 years	1,726	10	(914)	364	3	(48)
Over 3 years	1,590	9	(634)	1,545	14	(450)
	16,891	100	(1,678)	10,795	100	(1,426)

The provision for bad debts of other receivables is analysed by category as follows:

	December 31, 2023				December 31, 2022			
	Gross carrying amount		Provision for bad debts		Gross carrying amount		Provision for bad debts	
	Amount	Percentage of total balance %	Amount	Provision ratio %	Amount	Percentage of total balance %	Amount	Provision ratio %
Provision for bad debts on an individual basis	3,094	9	(2,974)	96.1	2,821	6	(2,754)	97.6
Provision for bad debts on a collective basis	30,943	91	(22)	0.1	44,589	94	(29)	0.1
	34,037	100	(2,996)		47,410	100	(2,783)	

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

As of December 31, 2023, the top five debtors of other receivables of the Group amounted to RMB11,220, representing 33% of total other receivables, and the provision for bad and doubtful debts amounted to RMB2 (As of December 31, 2022, the top five debtors of other receivables of the Group amounted to RMB19,170, representing 40% of total other receivables, and there was no provision for bad and doubtful debts).

(All amounts in RMB millions unless otherwise stated)

As of December 31, 2023 and December 31, 2022, the Group's other receivables are mainly in the first stage.

During the year ended December 31, 2023 and the year ended December 31, 2022, the Group had no significant write-off of other receivables.

13 INVENTORIES

	December 31, 2023	December 31, 2022
Cost		
Crude oil and other raw materials	62,784	56,756
Work in progress	21,386	14,448
Finished goods	102,041	104,722
Spare parts and consumables	119	109
	186,330	176,035
Less: Write down in inventories	(5,797)	(8,284)
Net book value	180,533	167,751

14 OTHER CURRENT ASSETS

The balance of other current assets mainly consists of value-added tax recoverable and prepaid income tax.

15 INVESTMENT IN OTHER EQUITY INSTRUMENTS

	December 31, 2023	December 31, 2022
Houpu Clean Energy Group Co., Ltd.	290	251
China Pacific. Insurance (Group) Co., Ltd.	-	120
Other items	549	579
	839	950

16 LONG-TERM EQUITY INVESTMENTS

	The Group			
	December 31, 2022	Additions	Reductions	December 31, 2023
Associates and joint ventures (a)	275,106	21,593	(10,036)	286,663
Less: Provision for impairment (b)	(5,435)	(347)	91	(5,691)
	269,671			280,972

	The Company			
	December 31, 2022	Additions	Reductions	December 31, 2023
Subsidiaries (c)	262,900	32,575	(541)	294,934
Associates and joint ventures	209,286	14,614	(8,125)	215,775
Less: Provision for impairment	(391)	-	10	(381)
	471,795			510,328

(All amounts in RMB millions unless otherwise stated)

As of December 31, 2023, the above-mentioned investments were not subject to restriction on conversion into cash or remittance of investment income.

(a) Principal associates and joint ventures of the Group

Company name	Country of incorporation	Principal activities	Registered capital	Interest held% Direct	Interest held% Indirect	Voting rights %	Accounting method	Strategic decisions relating to the Group's activities
China Oil & Gas Pipeline Network Corporation ("PipeChina")	PRC	Pipeline transport, storage service, import of equipment, import and export of techniques, science and technology research, research and application of informatization, technology consulting, technology service, technology transfer, promotion of technology	500,000	29.90	-	29.90	Equity method	Yes
China Petroleum Finance Co., Ltd. ("CP Finance")	PRC	Deposits, loans, settlement, lending, bills acceptance discounting, guarantee and other banking business	16,395	32.00	-	32.00	Equity method	No
CNPC Captive Insurance Co., Ltd.	PRC	Property loss insurance, liability insurance, credit insurance and deposit insurance; as well as the application of the above insurance reinsurance and insurance capital business	6,000	49.00	-	49.00	Equity method	No
China Marine Bunker (PetroChina) Co., Ltd.	PRC	Oil import and export trade and transportation, sale and storage	1,000	-	50.00	50.00	Equity method	No
Mangistau Investment B.V.	Netherlands	Engaged in investment activities, the principal activities of its main subsidiaries are exploration, development and sales of oil and gas	USD 131 million	-	50.00	50.00	Equity method	No
Trans-Asia Gas Pipeline Co., Ltd.	PRC	Main contractor, investment holding, investment management, investment consulting, enterprise management advisory, technology development, promotion and technology consulting	5,000	-	50.00	50.00	Equity method	No

(All amounts in RMB millions unless otherwise stated)

Investments in principal associates and joint ventures are listed below:

	Investment cost	December 31, 2022	Investment income recognised under equity method	Other comprehen-sive income	Cash dividend declared	Others	December 31, 2023
PipeChina	149,500	157,045	8,618	-	(4,925)	(293)	160,445
CP Finance	10,223	26,662	2,120	319	(842)	-	28,259
CNPC Captive Insurance Co., Ltd.	2,450	3,545	225	-	(93)	-	3,677
China Marine Bunker (PetroChina) Co., Ltd.	1,298	978	81	4	(23)	57	1,097
Mangistau Investment B.V.	21	4,216	408	117	-	-	4,741
Trans-Asia Gas Pipeline Co., Ltd.	2,500	23,590	2,202	237	(680)	-	25,349

Interest in associates

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

	PipeChina		CP Finance		CNPC Captive Insurance Co., Ltd.	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Percentage of ownership interest (%)	29.90	29.90	32.00	32.00	49.00	49.00
Current assets	118,631	104,889	437,359	401,971	10,346	8,859
Non-current assets	821,864	816,301	90,746	126,363	576	2,349
Current liabilities	130,331	132,266	436,116	442,283	271	470
Non-current liabilities	225,296	199,675	4,771	3,823	3,147	3,504
Net assets	584,868	589,249	87,218	82,228	7,504	7,234
Net assets attributable to owners of the Company	536,607	525,235	87,218	82,228	7,504	7,234
Group's share of net assets	160,445	157,045	27,910	26,313	3,677	3,545
Goodwill	-	-	349	349	-	-
Carrying amount of interest in associates	160,445	157,045	28,259	26,662	3,677	3,545

(All amounts in RMB millions unless otherwise stated)

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

	PipeChina		CP Finance		CNPC Captive Insurance Co., Ltd.	
	2023	2022	2023	2022	2023	2022
Operating income	120,943	112,832	17,834	13,302	1,289	931
Net profit	34,054	31,908	6,625	6,312	459	449
Other comprehensive income	-	-	996	1,174	-	-
Total comprehensive income	34,054	31,908	7,621	7,486	459	449
Total comprehensive income attributable to owners of the Company	28,823	26,212	7,621	7,486	459	449
Group's share of total comprehensive income	8,618	7,837	2,439	2,396	225	220
Dividends received by the Group	4,925	4,312	842	767	93	85

Interest in joint ventures

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

	China Marine Bunker (PetroChina) Co., Ltd.		Mangistau Investment B.V.		Trans-Asia Gas Pipeline Co., Ltd.	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Percentage of ownership interest (%)	50.00	50.00	50.00	50.00	50.00	50.00
Non-current assets	1,755	1,803	10,062	10,392	52,272	48,715
Current assets	10,460	10,551	2,879	1,196	622	644
Including: cash and cash equivalents	2,983	1,661	1,592	431	611	634
Non-current liabilities	178	196	2,164	2,333	2,106	2,105
Current liabilities	9,507	9,778	1,295	823	90	74
Net assets	2,530	2,380	9,482	8,432	50,698	47,180
Net assets attributable to owners of the Company	2,194	2,070	9,482	8,432	50,698	47,180
Group's share of net assets	1,097	1,035	4,741	4,216	25,349	23,590
Carrying amount of interest in joint ventures	1,097	978	4,741	4,216	25,349	23,590

(All amounts in RMB millions unless otherwise stated)

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

	China Marine Bunker (PetroChina) Co., Ltd.		Mangistau Investment B.V.		Trans-Asia Gas Pipeline Co., Ltd.	
	2023	2022	2023	2022	2023	2022
Operating income	63,485	80,086	13,684	13,279	21	16
Finance expenses	(261)	(198)	(229)	(153)	16	(81)
Including: Interest income	128	48	17	16	29	36
Interest expense	(381)	(219)	(223)	(137)	(47)	(47)
Taxation	(76)	(72)	(742)	(558)	(94)	(27)
Net profit	201	126	816	1,486	4,404	4,112
Other comprehensive income	11	37	234	392	474	919
Total comprehensive income	212	163	1,050	1,878	4,878	5,031
Total comprehensive income attributable to owners of the Company	170	118	1,050	1,878	4,878	5,031
Group's share of total comprehensive income	85	59	525	939	2,439	2,516
Dividends received by the Group	23	-	-	1,344	680	335

(b) Provision for impairment

	December 31, 2022	Additions	Reductions	December 31, 2023
Associates and joint ventures				
Petrourica S.A.	(3,345)	(56)	-	(3,401)
PetroChina Shouqi Sales Company Limited	(60)	-	-	(60)
PetroChina Beiqi Sales (Beijing) Company Limited	(49)	-	-	(49)
Others	(1,981)	(291)	91	(2,181)
	(5,435)	(347)	91	(5,691)

(c) Subsidiaries

Investment in subsidiaries:

	Investment cost	December 31, 2022	Additions	Reductions	December 31, 2023
Daqing Oilfield Company Limited	66,720	66,720	-	-	66,720
PetroChina International Investment Company Limited	35,041	35,041	-	-	35,041
PetroChina Hong Kong Limited	25,590	25,590	-	-	25,590
CNPC Exploration and Development Company Limited	23,778	23,778	-	-	23,778
PetroChina Sichuan Petrochemical Company Limited	21,600	21,600	-	-	21,600
PetroChina International Company Limited	18,953	18,953	-	-	18,953
Others		71,218	32,575	(541)	103,252
Total		262,900	32,575	(541)	294,934

(All amounts in RMB millions unless otherwise stated)

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

Summarised balance sheet is as follows:

	CNPC Exploration and Development Company Limited		PetroChina Sichuan Petrochemical Company Limited	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Percentage of ownership interest (%)	50.00	50.00	90.00	90.00
Current assets	49,758	20,186	13,827	4,391
Non-current assets	168,939	190,630	14,747	22,131
Current liabilities	17,665	15,463	3,736	1,700
Non-current liabilities	12,545	20,904	240	313
Net assets	188,487	174,449	24,598	24,509

Summarised statement of comprehensive income is as follows:

	CNPC Exploration and Development Company Limited		PetroChina Sichuan Petrochemical Company Limited	
	2023	2022	2023	2022
Operating income	52,061	55,499	50,066	58,131
Net profit	16,253	12,390	218	33
Total comprehensive income	18,942	23,813	218	33
Profit attributable to non-controlling interests	8,731	6,956	22	3
Dividends paid to non-controlling interests	2,916	4,383	-	62

Summarised statement of cash flow is as follows:

	CNPC Exploration and Development Company Limited		PetroChina Sichuan Petrochemical Company Limited	
	2023	2022	2023	2022
Net cash flows from/(used for) operating activities	10,996	16,850	3,482	(771)

(All amounts in RMB millions unless otherwise stated)

17 FIXED ASSETS

	December 31, 2022	Additions	Reductions	December 31, 2023
Cost				
Buildings	275,004	9,959	(2,460)	282,503
Equipment and Machinery	849,136	48,123	(5,800)	891,459
Motor Vehicles	21,004	621	(1,133)	20,492
Others	49,132	2,043	(1,495)	49,680
Total	1,194,276	60,746	(10,888)	1,244,134
Accumulated depreciation				
Buildings	(125,730)	(11,657)	1,761	(135,626)
Equipment and Machinery	(497,093)	(37,519)	4,611	(530,001)
Motor Vehicles	(16,434)	(879)	1,052	(16,261)
Others	(26,503)	(2,058)	1,290	(27,271)
Total	(665,760)	(52,113)	8,714	(709,159)
Fixed assets, net				
Buildings	149,274			146,877
Equipment and Machinery	352,043			361,458
Motor Vehicles	4,570			4,231
Others	22,629			22,409
Total	528,516			534,975
Provision for impairment				
Buildings	(6,478)	(277)	30	(6,725)
Equipment and Machinery	(49,741)	(999)	331	(50,409)
Motor Vehicles	(100)	(33)	6	(127)
Others	(9,170)	(405)	39	(9,536)
Total	(65,489)	(1,714)	406	(66,797)
Net book value				
Buildings	142,796			140,152
Equipment and Machinery	302,302			311,049
Motor Vehicles	4,470			4,104
Others	13,459			12,873
Total	463,027			468,178

Depreciation charged to profit or loss provided on fixed assets for the year ended December 31, 2023 was RMB49,456 (2022: RMB45,719). Cost transferred from construction in progress to fixed assets was RMB56,171 (2022: RMB98,274).

As of December 31, 2023, the Group's fixed assets under operating leases were mainly equipment and machinery, the net book value of which amounted to RMB1,683 (2022: RMB1,704).

As of December 31, 2023, fixed assets with a book value of RMB836 (December 31, 2022: RMB861) were used as collateral for long-term borrowings of RMB890 (2022: RMB1,074) (Note 34).

(All amounts in RMB millions unless otherwise stated)

18 OIL AND GAS PROPERTIES

	December 31, 2022	Additions	Reductions	December 31, 2023
Cost				
Mineral interests	72,719	2,476	-	75,195
Wells and related facilities	2,580,885	232,880	(48,079)	2,765,686
Total	2,653,604	235,356	(48,079)	2,840,881
Accumulated depletion				
Mineral interests	(25,360)	(1,910)	-	(27,270)
Wells and related facilities	(1,692,265)	(176,415)	35,795	(1,832,885)
Total	(1,717,625)	(178,325)	35,795	(1,860,155)
Oil and gas properties, net				
Mineral interests	47,359			47,925
Wells and related facilities	888,620			932,801
Total	935,979			980,726
Provision for impairment				
Mineral interests	(33,540)	(3,231)	-	(36,771)
Wells and related facilities	(69,829)	(18,977)	1,107	(87,699)
Total	(103,369)	(22,208)	1,107	(124,470)
Net book value				
Mineral interests	13,819			11,154
Wells and related facilities	818,791			845,102
Total	832,610			856,256

Depletion charged to profit or loss provided on oil and gas properties for the year ended December 31, 2023 was RMB155,756 (2022: RMB149,617). Cost transferred from construction in progress to oil and gas properties was RMB205,739 (2022: RMB171,634).

The Group's oil, gas and new energy segment determines whether there are any indicators of impairment for the oil and gas fields or blocks according to the guidelines issued by the Group on the identification of impairment signs of oil and gas assets, and performs the impairment tests on those oil and gas fields or blocks with indications of impairment, and reports the results to the Group's internal professional team (including exploration and finance expert) for further overall assessment and evaluation. The results of the impairment tests will be approved by the Group's management. The Group recorded impairment losses amounting to RMB20,330 related to oil and gas properties under the oil, gas and new energy segment for the year ended December 31, 2023 (2022: RMB14,750) due to decline in oil and gas reserves in certain oil and gas fields or blocks or change in business condition. The carrying amount of those impaired oil and gas properties was written down to their respective recoverable amounts, which were primarily determined using the discounted cash flow model. The Group's forecast of crude oil price is based on the prediction of the crude oil market and referring to the crude oil forecast prices published by a series of institutions; the forecast of future oil and gas production is based on the relevant future production in the oil and gas reserves assessment report evaluated by the oil and gas reserves assessment experts and approved by the management; the discount rates are based on the industry's weighted average cost of capital and adjusted for specific risks in different countries or regions. In 2023, the after-tax discount rates adopted by most oil and gas fields or blocks of the Group ranged from 6.7% to 14.1% (2022: 7.2% to 16.0%) per annum.

(All amounts in RMB millions unless otherwise stated)

As of December 31, 2023, the asset retirement obligations capitalised in the cost of oil and gas properties amounted to RMB131,124 (December 31, 2022: RMB127,213). Related depletion charge for the year ended December 31, 2023 was RMB4,935 (December 31, 2022: RMB6,364).

19 CONSTRUCTION IN PROGRESS

Project Name	Budget	December 31, 2022	Additions	Transferred to fixed assets or oil and gas properties	Other Reductions	December 31, 2023	Proportion of construction compared to budget	Capitalised interest expense	Including: capitalised interest expense for current year	Source of fund
Refining and chemical transformation and upgrading project of Jilin Petrochemical Company	33,926	586	5,494	-	-	6,080	18.0%	13	13	Self & loan
Guangxi Petrochemical Company's integration of refining and petrochemical transformation and upgrading project	30,459	96	1,441	(2)	-	1,535	9.7%	-	-	Self
Restart and supporting new energy project of Qinghai Oilfield Golmud Gas Turbine Power Station	5,662	-	2,500	-	-	2,500	39.7%	-	-	Loan
Others		204,173	263,124	(261,908)	(9,437)	195,952		1,773	465	
		204,855	272,559	(261,910)	(9,437)	206,067		1,786	478	
Less:										
Provision for impairment		(7,979)	(721)	-	66	(8,634)				
		196,876				197,433				

For the year ended December 31, 2023, the capitalised interest expense amounted to RMB478 (2022: RMB1,317). The average annual interest rates used to determine the capitalised amount for the year ended December 31, 2023 were 3.49% (2022: 4.14%).

(All amounts in RMB millions unless otherwise stated)

20 LEASES

The leases where the Group is a lessee

Right-of-use Assets

	December 31, 2022	Additions	Reductions	December 31, 2023
Cost				
Land	102,643	865	(390)	103,118
Buildings	58,633	3,749	(4,197)	58,185
Equipment and Machinery	6,595	1,490	(668)	7,417
Others	1,191	118	(202)	1,107
Total	169,062	6,222	(5,457)	169,827
Accumulated depreciation				
Land	(13,897)	(3,696)	155	(17,438)
Buildings	(18,644)	(6,677)	3,034	(22,287)
Equipment and Machinery	(2,957)	(1,537)	582	(3,912)
Others	(753)	(88)	150	(691)
Total	(36,251)	(11,998)	3,921	(44,328)
Provision for impairment				
Buildings	(76)	-	-	(76)
Total	(76)	-	-	(76)
Net book value				
Land	88,746			85,680
Buildings	39,913			35,822
Equipment and Machinery	3,638			3,505
Others	438			416
Total	132,735			125,423

The Group's right-of-use assets mainly include leased land, buildings, equipment and machinery. The leases underlying assets classified as buildings are mainly the leased gas filling stations, oil storages and office buildings. The leases underlying assets classified as equipment and machinery are mainly production equipment and other movable equipment.

Depreciation charged to profit or loss provided on right-of-use assets for the year ended December 31, 2023 was RMB11,998 (December 31, 2022: RMB11,874).

(All amounts in RMB millions unless otherwise stated)

Lease Liabilities

	December 31, 2023	December 31, 2022
Lease liabilities	121,211	125,760
Less: Lease liabilities due within one year (Note 33)	(7,773)	(7,560)
	113,438	118,200

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

	December 31, 2023	December 31, 2022
Within 1 year	12,355	13,244
1 to 2 years	11,720	11,301
2 to 5 years	29,252	30,995
Over 5 years	140,715	148,974
	194,042	204,514

21 INTANGIBLE ASSETS

	December 31, 2022	Additions	Reductions	December 31, 2023
Cost				
Land use rights	99,433	4,359	(443)	103,349
Franchise	24,003	257	(185)	24,075
Patents	6,853	25	(489)	6,389
Others	20,424	1,084	(876)	20,632
Total	150,713	5,725	(1,993)	154,445
Accumulated amortisation				
Land use rights	(28,608)	(3,196)	117	(31,687)
Franchise	(9,981)	(689)	63	(10,607)
Patents	(4,251)	(234)	368	(4,117)
Others	(13,839)	(1,209)	823	(14,225)
Total	(56,679)	(5,328)	1,371	(60,636)
Intangible assets, net				
Land use rights	70,825			71,662
Franchise	14,022			13,468
Patents	2,602			2,272
Others	6,585			6,407
Total	94,034			93,809
Provision for impairment	(1,074)	-	9	(1,065)
Net book value	92,960			92,744

(All amounts in RMB millions unless otherwise stated)

Amortisation charged to profit or loss provided on intangible assets for the year ended December 31, 2023 was RMB5,135 (December 31, 2022: RMB4,941).

22 GOODWILL

	December 31, 2023	December 31, 2022
Cost		
Petrolneos Trading Limited	4,790	4,710
Singapore Petroleum Company	3,119	3,067
Others	861	846
Total	8,770	8,623
Provision for impairment	(1,328)	(1,306)
Net book value	7,442	7,317

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

The impairment of goodwill shall be tested in combination with its related asset groups. The recoverable amount of all cash-generating units has been determined based on the higher of fair value less costs to sell and value in use. These calculations use post-tax cash flow projections based on financial budgets prepared by the management. The post-tax discount rates reflect specific risks relating to the cash-generating unit.

For impairment test of the goodwill, the post-tax discount rates ranged from 8.90% to 11.75% (2022: 9.0% to 18.6%) were used by the management, and there was no impairment loss recoginsed for the year ended December 31, 2023 (2022: RMB1,227). Movements in provision for impairment of goodwill was the effect of exchange rate changes in 2023.

23 LONG-TERM PREPAID EXPENSES

	December 31, 2022	Additions	Reductions	December 31, 2023
Catalyst	4,786	7,488	(3,727)	8,547
Lease asset improvement expenses	2,498	682	(648)	2,532
Others	3,104	1,036	(1,130)	3,010
Total	10,388	9,206	(5,505)	14,089

(All amounts in RMB millions unless otherwise stated)

24 OTHER NON-CURRENT ASSETS

Other non-current assets consist primarily of long-term accounts receivables, time deposits over one year, prepayments for construction project and equipment.

25 PROVISION FOR ASSETS

	December 31, 2022	Additions	Reversal	Write-off and others	December 31, 2023
Provision for bad debts	5,672	463	(419)	(33)	5,683
Including:					
Provision for bad debts of accounts receivable	2,889	187	(389)	-	2,687
Provision for bad debts of other receivables	2,783	276	(30)	(33)	2,996
Provision for impairment of advances to suppliers	341	8	-	6	355
Provision for declines in the value of inventories	8,284	6,470	(59)	(8,898)	5,797
Provision for impairment of long-term equity investments	5,435	259	-	(3)	5,691
Provision for impairment of fixed assets	65,489	1,227	-	81	66,797
Provision for impairment of oil and gas properties	103,369	20,330	-	771	124,470
Provision for impairment of construction in progress	7,979	721	-	(66)	8,634
Provision for impairment of intangible assets	1,074	-	-	(9)	1,065
Provision for impairment of goodwill	1,306	-	-	22	1,328
Provision for impairment of right-of-use assets	76	-	-	-	76
Provision for impairment of other non-current assets	224	2	(9)	(51)	166
Total	199,249	29,480	(487)	(8,180)	220,062

(All amounts in RMB millions unless otherwise stated)

26 SHORT-TERM BORROWINGS

	December 31, 2023	December 31, 2022
Guarantee - USD	900	1,393
Mortgage - RMB	553	-
Unsecured - RMB	17,510	7,393
Unsecured - USD	16,252	26,522
Unsecured - JPY	3,153	3,018
Unsecured - Others	611	49
	38,979	38,375

As of December 31, 2023, the above guaranteed USD borrowings were mainly guaranteed by minority shareholders of relevant non-wholly-owned subsidiaries. And the mortgage borrowings were secured by intangible assets with a carrying amount of RMB297.

The weighted average interest rate for short-term borrowings as of December 31, 2023 was 3.94% per annum (December 31, 2022: 3.64%).

27 NOTES PAYABLE

As of December 31, 2023, notes payable mainly represented commercial acceptance (As of December 31, 2022, mainly represented commercial acceptance). All notes payable are matured within one year.

28 ACCOUNTS PAYABLE

The aging of accounts payable is analysed as follows:

	The Group			
	December 31, 2023		December 31, 2022	
	Amount	Percentage of total balance %	Amount	Percentage of total balance %
Within 1 year	257,264	89	258,054	89
1 to 2 years	14,185	5	12,143	4
2 to 3 years	4,599	2	5,039	2
Over 3 years	13,108	4	13,881	5
	289,156	100	289,117	100

As of December 31, 2023, accounts payable aged over one year amounted to RMB31,892 (December 31, 2022: RMB31,063), and mainly comprised of unsettled payables to suppliers.

(All amounts in RMB millions unless otherwise stated)

29 CONTRACT LIABILITIES

Contract liabilities mainly represented advances from customers related to the sales of refined oil and natural gas. As of December 31, 2023, the contract liabilities aged over one year amounted to RMB3,732 (December 31, 2022: RMB4,064). The majority of related obligations were expected to be performed with corresponding revenue recognised within one year.

30 EMPLOYEE COMPENSATION PAYABLE

(1) Employee compensation payable listed as below

	December 31, 2022	Additions	Reductions	December 31, 2023
Short-term employee benefits	9,348	151,987	(152,842)	8,493
Post-employment benefits-defined contribution plans	34	23,215	(23,222)	27
Termination benefits	3	152	(153)	2
	9,385	175,354	(176,217)	8,522

The employee compensation payable includes the salary of employees and marketised temporary and seasonal workers, various insurance, housing fund, training expenses and other surcharges.

(2) Short-term employee benefits

	December 31, 2022	Additions	Reductions	December 31, 2023
Wages, salaries and allowances	3,192	116,259	(116,375)	3,076
Staff welfare	-	10,490	(10,490)	-
Social security contributions	561	10,861	(10,930)	492
Including:				
Medical insurance	544	10,008	(10,077)	475
Work-related injury insurance	14	798	(798)	14
Maternity insurance	3	55	(55)	3
Housing provident funds	3	10,942	(10,942)	3
Labour union funds and employee education funds	5,539	3,377	(4,046)	4,870
Others	53	58	(59)	52
	9,348	151,987	(152,842)	8,493

(All amounts in RMB millions unless otherwise stated)

(3) Post-employment benefits-defined contribution plans

	December 31, 2022	Additions	Reductions	December 31, 2023
Basic pension insurance	27	14,895	(14,901)	21
Unemployment insurance	2	529	(529)	2
Annuity	5	7,791	(7,792)	4
	34	23,215	(23,222)	27

As of December 31, 2023, employee benefits payable did not contain any balance in arrears.

31 TAXES PAYABLE

	December 31, 2023	December 31, 2022
Levy for mineral rights concessions payable	23,626	-
Income tax payable	11,152	16,471
Consumption tax payable	15,335	8,436
Value added tax payable	5,189	9,504
Crude oil special gain levy payable	5,557	7,039
Others	13,056	12,064
	73,915	53,514

32 OTHER PAYABLES

As of December 31, 2023, other payables mainly comprised construction fee, deposit, earnest money, caution money and insurance payables. Other payables aged over one year amounted to RMB7,042 (December 31, 2022: RMB7,298).

33 CURRENT PORTION OF NON-CURRENT LIABILITIES

	December 31, 2023	December 31, 2022
Long-term borrowings due within one year	72,532	37,264
Debentures payable due within one year	37,269	25,000
Long-term payables due within one year	242	737
Lease liabilities due within one year	7,773	7,560
	117,816	70,561

(All amounts in RMB millions unless otherwise stated)

34 LONG-TERM BORROWINGS

	December 31, 2023	December 31, 2022
Guarantee - RMB	3,334	3,690
Guarantee - USD	98	103
Pledge - RMB	2,590	2,329
Pledge - USD	708	3,134
Mortgage - RMB	890	1,074
Unsecured - RMB	115,365	130,031
Unsecured - USD	71,830	62,883
Unsecured - Others	3,882	3,650
	198,697	206,894
Less: Long-term borrowings due within one year (Note 33)	(72,532)	(37,264)
	126,165	169,630

As of December 31, 2023, the above-mentioned guaranteed borrowings were mainly guaranteed by CNPC and its subsidiaries. The RMB pledge borrowings were mainly pledged by natural gas charging rights. The US dollar pledge borrowings were pledged by the bank deposit of RMB2,140 (December 31, 2022: RMB3,286). And the secured liabilities were secured by fixed assets with a book value of RMB836; construction in progress with a book value of RMB162 and intangible assets with a book value of RMB24 (December 31, 2022: fixed assets with a book value of RMB861; construction in progress with a book value of RMB410 and intangible assets with a book value of RMB65).

As at the balance sheet date, the undiscounted contractual cash flows of the Group's long-term borrowings, analysed by their maturity dates, are as below:

	December 31, 2023	December 31, 2022
Within one year	83,379	43,604
Between one and two years	87,400	77,609
Between two and five years	25,700	84,309
After five years	22,961	16,500
	219,440	222,022

The weighted average interest rate for long-term borrowings as of December 31, 2023 was 3.52% (December 31, 2022: 3.38%).

The fair value of long-term borrowings (including long-term borrowings due within one year) amounted to RMB196,941 (December 31, 2022: RMB197,891). The fair value is based on discounted cash flows using applicable discount rates based upon the prevailing market rates as at balance sheet date of the Group's availability of financial instruments (terms and characteristics similar to the above-mentioned borrowings).

(All amounts in RMB millions unless otherwise stated)

35 DEBENTURES PAYABLE

Debentures' Name	Issue date	Term of Debentures	Annual interest rate %	December 31, 2022	Principal Additions	Changes in interest payable	Principal Reductions	December 31, 2023
2012 PetroChina Company Limited Corporate Debentures first tranche - 15 years	November 22, 2012	15 - year	5.04	2,000	-	10	-	2,010
2013 PetroChina Company Limited Corporate Debentures first tranche - 10 years	March 15, 2013	10 - year	4.88	4,000	-	-	(4,000)	-
Kunlun Energy Company Limited priority notes - 10 years	May 13, 2015	10 - year	3.75	3,468	65	18	-	3,551
2016 PetroChina Company Limited Corporate Debentures first tranche - 10 years	January 18, 2016	10 - year	3.50	4,700	-	156	-	4,856
2016 PetroChina Company Limited Corporate Debentures second tranche - 10 years	March 1, 2016	10 - year	3.70	2,300	-	71	-	2,371
2016 PetroChina Company Limited Corporate Debentures third tranche - 10 years	March 22, 2016	10 - year	3.60	2,000	-	56	-	2,056
2019 PetroChina Company Limited first tranche medium -term notes - 5 years	January 22, 2019	5 - year	2.70	3,130	-	79	-	3,209
2019 PetroChina Company Limited second tranche medium-term notes - 5 years	January 22, 2019	5 - year	2.70	2,750	-	70	-	2,820
2019 PetroChina Company Limited third tranche medium-term notes - 5 years	February 21, 2019	5 - year	3.66	10,000	-	314	-	10,314
2019 PetroChina Company Limited fourth tranche medium-term notes - 5 years	February 21, 2019	5 - year	3.66	10,000	-	314	-	10,314
2019 PetroChina Company Limited fifth tranche medium -term notes - 5 years	April 22, 2019	5 - year	3.96	10,000	-	274	-	10,274
2020 PetroChina Company Limited first tranche medium -term notes - 3 years	April 8, 2020	3 - year	2.42	10,000	-	-	(10,000)	-
2020 PetroChina Company Limited second tranche medium-term notes - 3 years	April 8, 2020	3 - year	2.42	10,000	-	-	(10,000)	-
2020 PetroChina Kunlun Gas Company Limited first tranche medium-term notes - 3 years	April 23,2020	3 - year	2.43	1,000	-	-	(1,000)	-
2022 PetroChina Company Limited first tranche medium -term green notes - 3 years	April 27, 2022	3 - year	2.26	500	-	8	-	508
2022 PetroChina Company Limited second tranche medium-term green notes - 3 years	June 15, 2022	3 - year	2.19	2,000	-	19	-	2,019
				77,848	65	1,389	(25,000)	54,302
Less: Debentures Payable due within one year (Note 33)				(25,000)				(37,269)
				52,848				17,033

(All amounts in RMB millions unless otherwise stated)

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

As of December 31, 2023, the above-mentioned debentures which were guaranteed by CNPC amounted to RMB2,000 (December 31, 2022: RMB6,000).

The fair value of the debentures amounted to RMB53,410 (December 31, 2022: RMB88,879). The fair value is based on discounted cash flows using an applicable discount rate based upon the prevailing market rates as at the balance sheet date of the Group's availability of financial instruments (terms and characteristics similar to the above-mentioned debentures payable).

36 PROVISIONS

	December 31, 2022	Additions	Reductions	December 31, 2023
Asset retirement obligations	142,081	8,006	(5,788)	144,299

Asset retirement obligations are related to oil and gas properties.

37 DEFERRED TAX ASSETS AND LIABILITIES

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

(a) Deferred tax assets

	December 31, 2023		December 31, 2022	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Impairment, depreciation and depletion of assets	5,228	25,052	7,409	34,200
Lease liabilities	28,687	119,456	29,846	122,725
Provisions - Asset retirement obligations	34,653	144,299	33,681	142,081
Wages and welfare	1,302	5,795	1,424	6,159
Carry forward of losses	2,581	11,607	1,560	7,326
Others	17,042	77,274	16,062	67,771
	89,493	383,483	89,982	380,262

As of December 31, 2023, certain subsidiaries of the Company did not recognise deferred tax asset of deductible tax losses carried forward of RMB38,518 (December 31, 2022: RMB112,702), of which RMB13,247 (December 31, 2022: RMB5,229) was incurred for the year ended December 31, 2023, because it was not probable that the related tax benefit will be realised. These deductible tax losses carried forward of RMB590, RMB3,691, RMB1,197, RMB1,041, RMB2,995 and RMB29,004 will expire in 2024, 2025, 2026, 2027, 2028 and thereafter, respectively.

(All amounts in RMB millions unless otherwise stated)

(b) Deferred tax liabilities

	December 31, 2023		December 31, 2022	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Depreciation and depletion of assets	31,734	111,445	34,913	134,053
Right-of-use assets	26,505	110,997	27,751	114,743
Oil and gas properties - Asset retirement obligations	5,529	23,888	4,544	18,513
Others	30,742	144,379	27,794	128,312
	94,510	390,709	95,002	395,621

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

	December 31, 2023	December 31, 2022
Deferred tax assets	18,127	16,614
Deferred tax liabilities	23,144	21,634

38 SHARE CAPITAL

	December 31, 2023	December 31, 2022
H shares	21,099	21,099
A shares	161,922	161,922
	183,021	183,021

The assets and liabilities injected by CNPC in 1999 had been valued by China Enterprise Appraisal Co., Ltd.. The net assets injected by CNPC had been exchanged for 160 billion state-owned shares of the Company with a par value of RMB1.00 yuan per share. The excess of the value of the net assets injected over the par value of the state-owned shares had been recorded as capital surplus.

Pursuant to the approval of CSRC, on April 7, 2000, the Company issued 17,582,418,000 foreign capital stock with a par value of RMB1.00 yuan per share, in which 1,758,242,000 shares were converted from the prior state-owned shares of the Company owned by CNPC.

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

The Company issued an additional 3,196,801,818 new H shares with a par value of RMB1.00 yuan per share on September 1, 2005. CNPC also converted 319,680,182 state-owned shares it held into H shares and sold them concurrently with PetroChina's issuance of new H shares.

The Company issued 4,000,000,000 A shares with a par value of RMB1.00 yuan per share on October 31, 2007. The A shares were listed on the Shanghai Stock Exchange on November 5, 2007.

(All amounts in RMB millions unless 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.

The Company's ADSs were delisted from the NYSE in September 2022.

39 CAPITAL SURPLUS

	December 31, 2022	Additions	Reductions	December 31, 2023
Capital premium	84,328	503	-	84,831
Other capital surplus				
Capital surplus under the old CAS	40,955	-	-	40,955
Others	(1,671)	-	(1,037)	(2,708)
	123,612	503	(1,037)	123,078

40 SURPLUS RESERVES

	December 31, 2022	Change in accounting policy (Note 4(31))	January 1, 2023	Additions	Reductions	December 31, 2023
Statutory Surplus Reserves	224,917	(394)	224,523	13,239	-	237,762
Discretionary Surplus Reserves	40	-	40	-	-	40
	224,957	(394)	224,563	13,239	-	237,802

As disclosed in Note 4(31), in accordance with the provision of recognition of deferred tax related to assets and liabilities arising from a single transaction not applying the initial recognition exemption stipulated in Interpretation No.16, the Group adopted the retrospective adjustment method for accounting treatment, and the amounts of surplus reserves as of January 1, 2022 and December 31, 2022 have been restated.

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

The Discretionary Surplus Reserves is approved by a resolution of shareholders' general meeting after Board of Directors' proposal. The Company may convert its Discretionary Surplus Reserves to make good previous years' losses or to increase the capital of the Company upon approval. The Company has not extracted Discretionary Surplus Reserves for the year ended December 31, 2023 (2022: None).

(All amounts in RMB millions unless otherwise stated)

41 UNDISTRIBUTED PROFITS

	For the year ended December 31, 2023	For the year ended December 31, 2022
Undistributed profits at the beginning of the period (before adjustment)	848,558	766,955
Change in accounting policy (Note 4(31))	(3,316)	(2,764)
Undistributed profits at the beginning of the period (adjusted)	845,242	764,191
Add: Net profit attributable to equity holders of the Company	161,144	148,738
Less: Appropriation to the Statutory Surplus Reserves	(13,239)	(12,902)
Dividends payable to ordinary shares	(78,699)	(54,686)
Others	(73)	(99)
Undistributed profits at the end of the period	914,375	845,242

As disclosed in Note 4(31), in accordance with the provision of recognition of deferred tax related to assets and liabilities arising from a single transaction not applying the initial recognition exemption stipulated in Interpretation No.16, the Group adopted the retrospective adjustment method for accounting treatment, and the amounts of undistributed profits as of January 1, 2022 and December 31, 2022 have been restated.

Final dividends attributable to owners of the Company in respect of 2022 of RMB0.22 yuan (inclusive of applicable tax) per share, amounting to a total of RMB40,265 were approved by the shareholders in the Annual General Meeting on June 8, 2023 and were paid on June 28, 2023 (A shares) and July 28, 2023 (H shares).

Interim dividends attributable to owners of the Company in respect of 2023 of RMB0.21 yuan (inclusive of applicable tax) per share, amounting to a total of RMB38,434 were authorised by the shareholders in the Annual General Meeting on June 8, 2023, approved by the resolution of Board of Directors on August 30, 2023, and were paid on September 20, 2023 (A shares) and October 30, 2023 (H shares).

In accordance with the resolution of the 6th Meeting of the 9th Session of Board of Directors, the Board of Directors proposed to distribute final dividends attributable to owners of the Company in respect of 2023 of RMB0.23 yuan (inclusive of applicable tax) per share amounting to a total of RMB42,095 according to the issued 183,021 million shares. The above proposal is yet to be approved by the shareholders in the Annual General Meeting and is not recognised as a liability as of December 31, 2023.

(All amounts in RMB millions unless otherwise stated)

42 NON-CONTROLLING INTERESTS

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

	Percentage of shares held by non-controlling interests %	Profit or loss attributable to non-controlling interests	Dividends declared to non-controlling interests	Balance of non-controlling interests
CNPC Exploration and Development Company Limited	50.00	8,731	2,916	96,006
Kunlun Energy Company Limited	45.62	6,165	3,195	51,280
PetroChina Sichuan Petrochemical Company Limited	10.00	22	-	2,460
Others				34,465
				184,211

43 OPERATING INCOME AND COST OF SALES

	The Group			
	2023		2022	
	Income	Cost	Income	Cost
Principal operations (b)	2,938,138	2,224,925	3,174,708	2,454,535
Other operations (c)	72,874	77,460	64,459	73,400
Total	3,011,012	2,302,385	3,239,167	2,527,935
Including: Revenue from contracts with customers (a)	3,009,322		3,237,870	
Other revenue	1,690		1,297	

	The Company			
	2023		2022	
	Income	Cost	Income	Cost
Principal operations (b)	1,787,727	1,320,585	1,675,838	1,222,061
Other operations (c)	63,760	58,939	53,897	56,720
Total	1,851,487	1,379,524	1,729,735	1,278,781
Including: Revenue from contracts with customers (a)	1,850,309		1,728,610	
Other revenue	1,178		1,125	

(All amounts in RMB millions unless otherwise stated)

(a) Revenue from contracts with customers

2023 Type of contract	Oil, Gas and New energy	Refining, Chemicals and New materials	Marketing	Natural Gas Sales	Head Office and Other	Total
Type of goods and services						
Crude oil	613,779	-	742,113	-	-	1,355,892
Natural gas	153,562	-	394,608	526,269	-	1,074,439
Refined products	-	980,396	1,299,647	-	-	2,280,043
Chemical products	-	233,523	55,942	-	-	289,465
Pipeline transportation business	-	-	-	1,119	-	1,119
Non-oil sales in gas stations	-	-	32,265	-	-	32,265
Others	124,690	7,063	1,415	33,690	7,014	173,872
Intersegment elimination	(747,603)	(884,978)	(534,421)	(27,249)	(3,522)	(2,197,773)
Total	144,428	336,004	1,991,569	533,829	3,492	3,009,322
Geographical Region						
China's mainland	71,409	336,004	1,054,084	533,829	3,492	1,998,818
Others	73,019	-	937,485	-	-	1,010,504
Total	144,428	336,004	1,991,569	533,829	3,492	3,009,322

2022 Type of contract	Oil, Gas and New energy	Refining, Chemicals and New materials	Marketing	Natural Gas Sales	Head Office and Other	Total
Type of goods and services						
Crude oil	667,205	-	813,328	-	-	1,480,533
Natural gas	151,241	-	553,551	482,590	-	1,187,382
Refined products	-	938,829	1,312,009	-	-	2,250,838
Chemical products	-	219,089	60,872	-	-	279,961
Pipeline transportation business	-	-	-	829	-	829
Non-oil sales in gas stations	-	-	30,590	-	-	30,590
Others	110,550	6,515	776	35,730	5,452	159,023
Intersegment elimination	(777,846)	(827,572)	(520,502)	(22,156)	(3,210)	(2,151,286)
Total	151,150	336,861	2,250,624	496,993	2,242	3,237,870
Geographical Region						
China's mainland	86,645	336,861	964,872	496,993	2,242	1,887,613
Others	64,505	-	1,285,752	-	-	1,350,257
Total	151,150	336,861	2,250,624	496,993	2,242	3,237,870

(All amounts in RMB millions unless otherwise stated)

	The Company	
Type of contract	**2023**	**2022**
Type of goods and services		
Crude oil	488,070	549,157
Natural gas	630,680	575,578
Refined products	1,752,649	1,617,033
Chemical products	215,910	207,956
Non-oil sales in gas stations	28,138	24,525
Others	93,261	71,258
Intersegment elimination	(1,358,399)	(1,316,897)
Total	1,850,309	1,728,610

Revenue from contracts with customers is mainly recognised at a point in time.

(b) Income and cost of sales from principal operations

	The Group			
	2023		2022	
	Income	Cost	Income	Cost
Oil, Gas and New energy	870,850	556,332	909,141	580,188
Refining, Chemicals and New materials	1,213,919	939,270	1,157,918	896,515
Marketing	2,492,392	2,404,817	2,742,369	2,640,615
Natural Gas Sales	554,593	514,759	513,331	499,567
Head Office and Other	1,258	833	539	693
Intersegment elimination	(2,194,874)	(2,191,086)	(2,148,590)	(2,163,043)
Total	2,938,138	2,224,925	3,174,708	2,454,535

	The Company			
	2023		2022	
	Income	Cost	Income	Cost
Oil, Gas and New energy	686,876	495,731	729,171	515,798
Refining, Chemicals and New materials	1,029,615	807,652	973,159	754,961
Marketing	946,566	907,507	857,315	824,359
Natural Gas Sales	481,877	462,143	432,552	435,470
Head Office and Other	1,193	778	539	668
Intersegment elimination	(1,358,400)	(1,353,226)	(1,316,898)	(1,309,195)
Total	1,787,727	1,320,585	1,675,838	1,222,061

(All amounts in RMB millions unless otherwise stated)

(c) Income and cost of sales from other operations

	The Group			
	2023		2022	
	Income	Cost	Income	Cost
Sales of materials	9,572	8,962	8,378	7,587
Non-oil sales in gas stations	32,265	29,642	30,590	25,806
Others	31,037	38,856	25,491	40,007
Total	72,874	77,460	64,459	73,400

	The Company			
	2023		2022	
	Income	Cost	Income	Cost
Sales of materials	8,709	7,387	7,877	7,041
Non-oil sales in gas stations	28,138	25,827	24,525	22,581
Others	26,913	25,725	21,495	27,098
Total	63,760	58,939	53,897	56,720

44 TAXES AND SURCHARGES

	2023	2022
Consumption tax	183,360	159,132
Resource tax	29,674	32,991
Levy for mineral rights concessions	23,685	-
City maintenance and construction tax	17,823	17,003
Crude oil special gain levy	17,108	43,768
Educational surcharge	13,167	12,436
Urban and township land use tax	3,716	3,702
Others	6,482	7,789
	295,015	276,821

45 SELLING EXPENSES

	2023	2022
Employee compensation costs	25,248	24,028
Depreciation, depletion and amortisation	15,156	15,261
Transportation expenses	11,121	11,175
Lease, packing, warehouse storage expenses	3,689	3,002
Others	15,046	14,886
	70,260	68,352

(All amounts in RMB millions unless otherwise stated)

46 GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
Employee compensation costs	33,420	31,637
Depreciation, depletion and amortisation	6,592	6,257
Safety fund	7,399	6,130
Technology service expense	1,711	1,380
Other taxes	765	795
Others	5,136	4,324
	55,023	50,523

47 RESEARCH AND DEVELOPMENT EXPENSES

	2023	2022
Employee compensation costs	10,423	9,862
Depreciation, depletion and amortisation	1,461	1,460
Fuel and material consumption	1,310	1,059
Others	8,763	7,635
	21,957	20,016

48 FINANCE EXPENSES

	2023	2022
Interest expenses	24,541	22,871
Include: Interest expenditure on lease liabilities	5,239	5,447
Less: Capitalised interest	(478)	(1,317)
Less: Interest income	(8,265)	(4,738)
Exchange losses	20,906	25,590
Less: Exchange gains	(20,162)	(23,772)
Others	1,568	980
	18,110	19,614

49 OTHER INCOME

	2023	2022
Refund of import value-added tax, relating to the import of natural gas	14,337	14,006
Refund of value-added tax, relating to the change from business tax to value-added tax	206	106
Others	7,154	4,065
	21,697	18,177

(All amounts in RMB millions unless otherwise stated)

50 INVESTMENT INCOME

	The Group	
	2023	2022
Share of net profit of associates and joint ventures	18,538	15,251
Gains/(Losses) on disposal of subsidiaries	102	(185)
Investment loss from disposal of derivative financial instruments	(11,019)	(28,931)
Gains from ineffective portion of cash flow hedges	1,226	2,217
Gains on investments in other equity instruments	18	15
Other investment income	689	493
	9,554	(11,140)

	The Company	
	2023	2022
Dividends declared by subsidiaries	20,041	25,545
Share of net profit of associates and joint ventures	12,877	11,296
Gains/(Losses) on disposal of subsidiaries	53	(203)
Gains on investments in other equity instruments	7	12
Other investment income/(loss)	403	(31)
	33,381	36,619

51 GAINS ON CHANGES IN FAIR VALUE

	2023	2022
Net fair value gains/(losses) on financial assets and financial liabilities at fair value through profit or loss	2,218	(2,745)
Unrealised (losses)/gains from ineffective portion of cash flow hedges, net	(210)	281
	2,008	(2,464)

52 CREDIT IMPAIRMENT LOSSES/(REVERSAL)

	2023	2022
Accounts receivable	(202)	1,474
Other receivables	246	85
Others	(7)	28
	37	1,587

(All amounts in RMB millions unless otherwise stated)

53 ASSET IMPAIRMENT LOSSES

	2023	2022
Impairment losses for declines in the value of inventories	6,411	8,567
Impairment losses for fixed assets and oil and gas properties	21,557	20,565
Impairment losses for construction in progress	721	1,830
Impairment losses for long-term equity investments	259	4,653
Impairment losses for goodwill	-	1,227
Others	8	391
	28,956	37,233

54 GAINS FROM ASSET DISPOSALS

	2023	2022	Amount recognised in non-recurring profit or loss for 2023
Gains from disposal of fixed assets and oil and gas properties	189	242	189
Losses from disposal of construction in progress	(1)	(3)	(1)
Gains from disposal of intangible assets	125	158	125
Gains from disposal of other long-term assets	183	508	183
	496	905	496

55 NON-OPERATING INCOME AND EXPENSES

(a) Non-operating income

	2023	2022	Amount recognised in non-recurring profit or loss for 2023
Government grants	887	1,203	887
Other	2,241	2,312	2,241
	3,128	3,515	3,128

(All amounts in RMB millions unless otherwise stated)

(b) Non-operating expenses

	2023	2022	Amount recognised in non-recurring profit or loss for 2023
Fines	200	264	200
Donation	545	628	545
Extraordinary loss	767	2,452	767
Damage or scrapping of non-current assets	11,821	21,152	11,821
Other	5,361	8,311	5,361
	18,694	32,807	18,694

56 TAXATION

	2023	2022
Income taxes	57,613	63,328
Deferred taxes	(446)	(13,399)
	57,167	49,929

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:

	2023	2022
Profit before taxation	237,458	213,272
Tax calculated at a tax rate of 25%	59,365	53,318
Tax return true-up	(238)	(910)
Effect of income taxes from international operations different from taxes at the PRC statutory tax rate	4,560	7,857
Effect of preferential tax rate	(10,022)	(14,197)
Tax effect of income not subject to tax	(8,501)	(7,346)
Tax effect of expenses not deductible for tax purposes	8,720	9,875
Tax effect of temporary differences and losses not recognised as deferred tax assets	3,283	1,332
Taxation	57,167	49,929

57 EARNINGS PER SHARE

Basic and diluted earnings per share for the year ended December 31, 2023 and December 31, 2022 have been computed by dividing profit attributable to owners of the Company by the 183,021 million shares issued and outstanding during the period.

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

(All amounts in RMB millions unless otherwise stated)

58 OTHER COMPREHENSIVE INCOME

Other comprehensive income attributable to equity holders of the Company	December 31, 2022	Amounts recognised in income statements	Amounts accumulated in other comprehensive income reclassified to retained earnings	December 31, 2023
Items that will not be reclassified to profit or loss				
Including: Changes in fair value of investments in other equity instruments	370	45	(142)	273
Items that may be reclassified to profit or loss				
Including: Other comprehensive income recognised under equity method	1,112	76	—	1,188
Cash flow hedges	11,273	(1,893)	—	9,380
Currency translation differences	(31,774)	2,252	—	(29,522)
Others	(43)	-	—	(43)
Total	(19,062)	480	(142)	(18,724)

59 SUPPLEMENT TO INCOME STATEMENT

Expenses are analysed by nature:

	2023	2022
Operating income	3,011,012	3,239,167
Less: Changes in inventories of finished goods and work in progress	(6,169)	(9,219)
Raw materials and consumables used	(1,966,771)	(2,203,861)
Employee benefits expenses	(172,745)	(163,073)
Depreciation, depletion and amortisation expenses	(225,174)	(214,060)
Investment loss from disposal of derivative financial instruments	(11,019)	(28,931)
Gains from ineffective portion of cash flow hedges	1,226	2,217
Gains/(Losses) from changes in fair value	2,008	(2,464)
Credit impairment losses	(37)	(1,587)
Asset impairment losses	(28,956)	(37,233)
Lease expenses	(2,140)	(2,083)
Finance expenses	(18,110)	(19,614)
Other expenses	(330,101)	(316,695)
Operating profit	253,024	242,564

60 NOTES TO CONSOLIDATED AND COMPANY CASH FLOWS

(a) Cash received relating to other operating activities

Cash received relating to other operating activities mainly comprises caution money received from derivatives. For the year ended December 31, 2023, caution money received from derivatives amounted to RMB54,456 (December 31, 2022: RMB222,955).

(b) Cash paid relating to other operating activities

Cash paid relating to other operating activities mainly comprises caution money paid for derivatives and transportation expenses. For the year ended December 31, 2023, caution money paid for derivatives and transportation expenses amounted to RMB55,632 and RMB11,985 (December 31, 2022: RMB242,037 and RMB12,045) respectively.

(c) Cash received from disposal of investments

Cash received from disposal of investments mainly comprises cash received from time deposits with maturities over 3 months. For the year ended December 31, 2023, cash received from time deposits with maturities over 3 months amounted to RMB72,007 (December 31, 2022: RMB50,514).

(d) Cash paid to acquire investments

Cash paid to acquire investments mainly comprises cash paid for time deposits with maturities over 3 months. For the year ended December 31, 2023, cash paid for time deposits with maturities over 3 months amounted to RMB57,747 (December 31, 2022: RMB53,578).

(e) Cash payments relating to other financing activities

Cash paid relating to other financing activities mainly comprises cash repayments of lease liabilities. For the year ended December 31, 2023, cash repayments of lease liabilities amounted to RMB8,949 (December 31, 2022: RMB12,730).

(All amounts in RMB millions unless otherwise stated)

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

	The Group		The Company	
	2023	2022	2023	2022
Net profit	180,291	163,343	132,394	129,018
Add: Asset impairment losses	28,956	37,233	19,979	23,330
Credit impairment losses	37	1,587	346	65
Depreciation and depletion of fixed asset and oil and gas properties	205,212	195,336	132,053	129,615
Depreciation of right-of-use assets	11,998	11,874	6,049	6,109
Amortisation of intangible assets	5,135	4,941	4,120	4,065
Amortisation of long-term prepaid expenses	2,829	1,909	2,139	1,977
Gains on disposal of fixed assets, oil and gas properties, intangible assets and other long-term assets	(496)	(905)	(1,721)	(591)
Damage or scrapping of fixed assets and oil and gas properties	11,821	21,152	9,637	16,439
Capitalised exploratory costs charged to expense	9,437	14,118	6,361	10,474
Safety fund reserve	(1,589)	(691)	(736)	(209)
Finance expenses	18,110	19,614	13,582	13,713
Investment income	(9,554)	11,140	(33,381)	(36,619)
(Gains)/Losses from changes in fair value	(2,008)	2,464	25	(54)
Changes in deferred taxation	(446)	(13,399)	(31)	(10,596)
Increase in inventories	(19,193)	(32,470)	(3,378)	(19,068)
(Increase)/Decrease in operating receivables	(14,659)	(20,127)	7,664	(17,023)
Increase/(Decrease) in operating payables	30,715	(23,351)	(18,503)	6,012
Net cash flows from operating activities	456,596	393,768	276,599	256,657

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

	The Group		The Company	
	2023	2022	2023	2022
Cash and cash equivalents at the end of the period	249,001	191,190	60,652	68,808
Less: Cash and cash equivalents at the beginning of the period	(191,190)	(136,789)	(68,808)	(31,955)
Increase/(Decrease) in cash and cash equivalents	57,811	54,401	(8,156)	36,853

(All amounts in RMB millions unless otherwise stated)

(h) Increase/(Decrease) in liabilities from financing activities

	Bank borrowings (including bank borrowings due within one year)	Debentures payable (including debentures due within one year)	Lease liabilities (including lease liabilities due within one year)	Dividends payable	Total
December 31, 2022	246,433	79,788	125,760	581	452,562
Cash inflows from financing activities	638,826	-	-	-	638,826
Cash outflows from financing activities	(660,268)	(27,654)	(14,188)	(87,784)	(789,894)
Interest accrued in the current year	11,479	2,101	5,239	-	18,819
Dividends accrued in the current year	-	-	-	87,673	87,673
Others	1,206	67	4,400	-	5,673
December 31, 2023	237,676	54,302	121,211	470	413,659

(i) Cash and Cash Equivalents

	The Group		The Company	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Cash and cash equivalents				
—Cash on hand	17	12	-	-
—Demand deposits	205,559	150,925	58,652	68,808
—Time deposits with maturities within three months	43,425	40,253	2,000	-
Cash and cash equivalents at the end of the period	249,001	191,190	60,652	68,808

61 SEGMENT REPORTING

The Group is principally engaged in a broad range of petroleum related products, services and activities. The Group's operating segments comprise: Oil, Gas and New energy, Refining, Chemicals and New materials, Marketing, Natural Gas Sales and Head Office and Other. 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 price. Additionally, the Group presents geographical information based on entities located in regions with a similar risk profile.

The Oil, Gas and New energy segment is engaged in the exploration, development, production, transportation, marketing of crude oil and natural gas and new energy business.

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

The Marketing segment is engaged in the marketing of refined products and non-oil products, and the trading business.

(All amounts in RMB millions unless otherwise stated)

The Natural Gas Sales segment is engaged in the transportation and sale of natural gas.

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

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

(1) Operating segments

(a) Segment information as of and for the year ended December 31, 2023 is as follows:

	Oil, Gas and New energy	Refining, Chemicals and New materials	Marketing	Natural Gas Sales	Head Office and Other	Total
Revenue	892,335	1,221,161	2,527,059	561,191	7,039	5,208,785
Less: Intersegment revenue	(747,603)	(884,978)	(534,421)	(27,249)	(3,522)	(2,197,773)
Revenue from external customers	144,732	336,183	1,992,638	533,942	3,517	3,011,012
Segment expenses (i)	(534,083)	(473,902)	(1,586,319)	(105,616)	(21,015)	(2,720,935)
Segment profit/(loss)	182,911	40,054	38,503	45,527	(16,918)	290,077
Unallocated income and expenses						(37,053)
Operating profit						253,024
Depreciation, depletion and amortisation	172,279	28,185	17,841	5,071	1,798	225,174
Asset impairment losses	22,006	1,067	3,441	2,442	-	28,956
Credit losses/(reversal)	317	2	(283)	-	1	37
Capital expenditures	248,378	16,383	4,673	4,050	1,854	275,338
December 31, 2023						
Segment assets	1,540,632	520,296	631,629	373,941	1,637,368	4,703,866
Other assets						29,744
Elimination of intersegment balances (ii)						(1,980,900)
Total assets						2,752,710
Segment liabilities	591,540	260,787	375,033	148,957	571,825	1,948,142
Other liabilities						97,059
Elimination of intersegment balances (ii)						(923,112)
Total liabilities						1,122,089

(All amounts in RMB millions unless otherwise stated)

(b) Segment information as of and for the year ended December 31, 2022 is as follows:

	Oil, Gas and New energy	Refining, Chemicals and New materials	Marketing	Natural Gas Sales	Head Office and Other	Total
Revenue	929,279	1,164,596	2,771,894	519,211	5,473	5,390,453
Less: Intersegment revenue	(777,846)	(827,572)	(520,502)	(22,156)	(3,210)	(2,151,286)
Revenue from external customers	151,433	337,024	2,251,392	497,055	2,263	3,239,167
Segment expenses (i)	(547,618)	(384,428)	(1,862,635)	(111,443)	(19,346)	(2,925,470)
Segment profit/(loss)	210,054	48,115	53,308	18,812	(16,592)	313,697
Unallocated income and expenses						(71,133)
Operating profit						242,564
Depreciation, depletion and amortisation	165,899	23,871	17,782	4,618	1,890	214,060
Asset impairment losses	21,310	5,410	5,643	4,870	-	37,233
Credit losses/(reversal)	498	(11)	602	497	1	1,587
Capital expenditures	221,592	41,771	5,069	4,936	939	274,307
December 31, 2022						
Segment assets	1,503,805	484,704	614,300	341,546	1,679,722	4,624,077
Other assets						28,721
Elimination of intersegment balances (ii)						(1,982,132)
Total assets						2,670,666
Segment liabilities	581,261	243,417	404,991	135,361	590,604	1,955,634
Other liabilities						75,148
Elimination of intersegment balances (ii)						(894,532)
Total liabilities						1,136,250

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

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

(All amounts in RMB millions unless otherwise stated)

(2) Geographical information

Revenue from external customers	2023	2022
China's mainland	2,000,505	1,888,906
Others	1,010,507	1,350,261
	3,011,012	3,239,167

Non-current assets (i)	December 31, 2023	December 31, 2022
China's mainland	1,885,187	1,853,721
Others	184,104	178,343
	2,069,291	2,032,064

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

62 FINANCIAL RISK MANAGEMENT

1. Financial risk

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

(1) Market risk

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

(a) Foreign exchange risk

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

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

(b) Interest rate risk

The Group has no significant interest rate risk on interest-bearing assets. The Group's exposure to interest rate risk arises from its borrowings (including debentures payable). The Group's borrowings at floating rates expose the Group to cash flow interest rate risk and its borrowings at fixed rates expose the Group to fair value interest rate risk. However, the exposure to interest rate risk is not material to the Group. A detailed analysis of the Group's borrowings and debentures payable, together with their respective interest rates and maturity dates, is included in Note 34 and 35.

(c) Price risk

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

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

As at December 31, 2023, the Group had certain commodity contracts of crude oil, refined oil products and chemical products designated as hedges. As at December 31, 2023, the fair value of such derivative hedging financial instruments is derivative financial assets of 16,816 (December 31, 2022: 20,988) and derivative financial liabilities of 10,374 (December 31, 2022: 10,941).

As at 31 December 2023, it is estimated that a general increase/decrease of USD10 per barrel in basic price of derivative financial instruments, with all other variables held constant, would impact the fair value of derivative financial instruments, which would decrease/increase the Group's profit for the year by approximately 3,135 (December 31, 2022: decrease/increase 331), and resulting in an increase/decrease of approximately 685 in other comprehensive income of the Group (December 31, 2022: decrease/increase 1,074). This sensitivity analysis has been determined assuming that the change in prices had occurred at the balance sheet date and the change was applied to the Group's derivative financial instruments at that date with exposure to commodity price risk.

(2) Credit risk

Credit risk arises from cash at bank and on hand, credit exposure to customers with outstanding receivable balances, other receivables and long-term receivables.

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

The Group performs ongoing assessment of the credit quality of its customers, and sets appropriate credit limits taking into account the financial position and past history of defaults of customers. The aging analysis of accounts receivable and related provision for bad debts are presented in Note 9.

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

In addition, financial guarantees and loan commitments may expose to risks due to counterparty defaults. The Group has established strict application and approval requirements for financial guarantees and loan commitments, taking into account internal and external credit ratings and other information, and continuously monitors credit risk exposure, changes in counterparty credit ratings and other relevant information, to ensure the overall credit risk is limited to a controllable extent.

The Group has no significant concentration of credit risk during the reporting period.

(3) Liquidity risk

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

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

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

Analysis of the Group's long-term borrowings, debentures payable and lease liabilities based on the remaining period at the balance sheet date to the contractual maturity dates are presented in Note 34, 35 and 20.

2. Capital management

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

The Group monitors capital on the basis of the gearing ratio which is calculated as interest-bearing borrowings/(interest-bearing borrowings + total equity), interest-bearing borrowings include long-term and short-term borrowings and debentures payable. The gearing ratio as at December 31, 2023 was 15.19% (December 31, 2022: 17.39%).

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 as at December 31, 2023 and December 31, 2022 are disclosed in the respective accounting policies.

Financial assets and financial liabilities that measured at amortised cost include: cash at bank and on hand, accounts receivable, other receivables, long-term receivables, short-term borrowings, accounts payable, notes payable, long-term borrowings, debentures payable, etc. The fair values of fixed rate long-term borrowings and debentures payable are likely to be different from their respective carrying amounts. Analysis of the fair values and carrying amounts of long-term borrowings and debentures payable are presented in Note 34 and Note 35, respectively. Except for these, the carrying amounts of other financial assets and financial liabilities that are not measured at fair value approximate their fair values.

(All amounts in RMB millions unless otherwise stated)

The Group's investments in financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss, derivative financial instruments, receivables financing and other equity instruments are measured at fair value on the balance sheet date. The fair value of financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss are mainly categorised into Level 1 of the fair value hierarchy, which are based on the unadjusted quoted prices in active markets for identical assets or liabilities as inputs used in the valuation techniques. The fair values of derivative financial instruments are mainly categorised into Level 1 and Level 2 of the fair value hierarchy, which are based on the unadjusted quoted prices in active markets for identical assets or liabilities as inputs used in the valuation techniques, or the inputs other than quoted prices included within Level 1 that are observable either directly or indirectly. Receivables financing are mainly categorised into Level 3 of the fair value hierarchy, which are based on that Receivables financing are mainly short-term bills of acceptance issued by banks, their fair values approximate the face values of the bills. The investments in other equity instruments are measured at fair value at the end of the reporting period. The investments in other equity instruments are mainly categorised into Level 1 of the fair value hierarchy, which are based on the unadjusted quoted prices in active markets for identical assets or liabilities as inputs used in the valuation techniques.

As of December 31, 2023, financial assets continuing to be measured at fair value are listed in three levels as follows:

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss -				
Financial assets at fair value through profit or loss	6,788	616	-	7,404
Derivative financial assets -				
Derivative financial assets	2,900	14,039	-	16,939
Receivables financing -				
Receivables financing	-	-	10,661	10,661
Investments in other equity instruments -				
Other equity instruments	501	-	338	839
Total	10,189	14,655	10,999	35,843

As of December 31, 2023, financial liabilities continuing to be measured at fair value are listed in three levels as follows:

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Financial Liabilities at fair value through profit or loss -				
Financial Liabilities at fair value through profit or loss	-	1,727	-	1,727
Derivative financial liabilities -				
Derivative financial liabilities	1,025	9,704	-	10,729
Total	1,025	11,431	-	12,456

(All amounts in RMB millions unless otherwise stated)

As of December 31, 2022, financial assets continuing to be measured at fair value are listed in three levels as follows:

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss -				
Financial assets at fair value through profit or loss	3,876	-	-	3,876
Derivative financial assets -				
Derivative financial assets	14,508	6,625	-	21,133
Receivables financing -				
Receivables financing	-	-	4,376	4,376
Investments in other equity instruments -				
Other equity instruments	623	-	327	950
Total	19,007	6,625	4,703	30,335

As of December 31, 2022, financial liabilities continuing to be measured at fair value are listed in three levels as follows:

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Financial Liabilities at fair value through profit or loss -				
Financial liabilities at fair value through profit or loss	1,698	-	-	1,698
Derivative financial liabilities -				
Derivative financial liabilities	983	10,163	-	11,146
Total	2,681	10,163	-	12,844

The Group uses discounted cash flow model with inputted interest rate and commodity index, which were influenced by historical fluctuation and the probability of market fluctuation, to evaluate the fair value of the bills receivable classified as Level 3 financial assets.

(All amounts in RMB millions unless otherwise stated)

63 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) Parent company

(a) General information of parent company

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

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

(b) Registered capital and changes in registered capital of the parent company

	December 31, 2022	Additions	Reductions	December 31, 2023
China National Petroleum Corporation	486,900	-	-	486,900

(c) Equity interest and voting rights of the parent company

	December 31, 2023		December 31, 2022	
	Equity interest %	Voting rights %	Equity interest %	Voting rights %
China National Petroleum Corporation	82.62	82.62	80.54	80.54

(2) Subsidiaries

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

(3) Nature of related parties that are not controlled by the Company

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

(4) Summary of significant related party transactions

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

The Company and CNPC entered into a Comprehensive Products and Services Agreement on August 27, 2020 for a period of three years effective from January 1, 2021. 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 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, then the actual cost incurred or the agreed contractual prices are used. On August 30, 2023, the Company and CNPC entered into a new Comprehensive Products and Services Agreement (the "New Comprehensive Agreement") on the basis of the Comprehensive Agreement signed in 2020. The New Comprehensive Agreement is valid for 3 years and took effect from January 1, 2024.

On August 25, 2011, based on the Land Use Rights Leasing Contract signed for a period of 50 years from 2000, the Company and CNPC entered into a supplemental agreement to the Land Use Rights Leasing Contract which took effect on January 1, 2012. The expiry date of the supplemental agreement is the same as the Land Use Rights Leasing Contract, which is in 2050. The Company and CNPC may adjust area and rental payable for the leased land parcels every three years taking into consideration of production and operations of the Company and the prevailing market price. On August 27, 2020, the Company and CNPC each issued a confirmation letter of the Land Use Rights Leasing Contract, which adjusted the rental payable and the area for the leased land parcels with effect from January 1, 2021. The Company agreed to rent from CNPC and its subsidiaries parcels of land with an aggregate area of approximately 1,142 million square metres with annual rental payable (exclusive of tax and charges) approximately RMB5,673 based on the area of leased land parcels and the current market conditions. On August 30, 2023, the Company and CNPC each issued a confirmation letter to the Land Use Rights Leasing Contract, which adjusted the rental payable and the area for the leased land parcels with effect from January 1, 2024. The Company agreed to rent from CNPC and its fellow subsidiaries parcels of land with an aggregate area of approximately 1,134 million square metres with annual rental payable (exclusive of tax and government charges) approximately RMB5,724 based on the area of leased land parcels and the current market conditions. Apart from the annual rental payable and are for the leased parcels, the other terms in the Land Use Rights Leasing Contract and supplemental agreement remained unchanged.

On August 24, 2017, the Company entered into a Buildings Leasing Contract with CNPC, which took effect on January 1, 2018 for a period of 20 years. On August 27, 2020, the Company and CNPC each issued a confirmation letter of the 2017 Buildings Leasing Contract, which adjusted the annual rental payable and the area for the leased which took effect on January 1, 2021. Buildings covering an aggregate area of 1,287.5 thousand square meters were leased at annual rental payable approximately RMB713 in accordance with the confirmed rental area and the current property market conditions. Both parties can make appropriate adjustments to the area of the leased building and rent about every three years, taking into consideration of production and operations of the Company and the prevailing market price. But the adjusted rent shall not exceed the comparable fair price in the market. On August 30, 2023, the Company and CNPC issued a confirmation letter to the Buildings Leasing Contract, which adjusted the annual rental payable and the area for the leased which took effect on January 1, 2024. Buildings covering an aggregate area of 1,613.1 thousand square meters were leased at annual rental payable approximately RMB893 in accordance with the confirmed rental area and the current property market conditions. Apart from the annual rental payable and area of the leased building, the other terms in the Building Leasing Contract remained unchanged.

(All amounts in RMB millions unless otherwise stated)

	Notes	2023	2022
Sales of goods and services rendered to CNPC and its subsidiaries	(1)	41,293	81,112
Purchases of goods and services from CNPC and its subsidiaries:			
Fees paid for construction and technical services	(2)	179,891	170,916
Fees for production services	(3)	182,734	174,492
Social services charges	(4)	1,634	1,668
Ancillary services charges	(5)	1,810	1,491
Material supply services	(6)	32,358	30,005
Interest income	(7)	1,290	705
Interest expense	(8)	3,236	2,959
Other financial service expense	(9)	1,570	1,476
Rental and other expenses paid to CNPC and its subsidiaries	(10)	6,598	6,996
Purchases of assets from CNPC and its fellow subsidiaries	(11)	1,577	1,196

Notes:

(1) Primarily crude oil, natural gas, refined products, chemical products and the supply of water, electricity, gas, heat, measurement, quality inspection, and other relevant or similar products or services.

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

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

(4) Social services comprise mainly security system, education, hospitals, and preschool.

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

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

(7) The bank deposits in CNPC and its fellow subsidiaries as of December 31, 2023 were RMB54,142 (December 31, 2022: RMB47,656).

(8) The loans from CNPC and its fellow subsidiaries including long-term borrowings from related-party borrowings, long-term borrowings due within one year and short-term borrowings as of December 31, 2023 were RMB148,514 (December 31, 2022: RMB133,453).

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

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

(11) Purchases of assets comprise mainly the purchases of manufacturing equipment, office equipment and transportation equipment.

(All amounts in RMB millions unless otherwise stated)

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

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

	2023	2022
(a) Sales of goods		
- Crude oil	20,476	25,194
- Refined products	88,012	40,117
- Chemical products	121	624
- Natural gas	17,676	15,838
(b) Sales of services	763	252
(c) Purchases of goods	38,731	34,008
(d) Purchases of services	62,705	76,773

(5) Commissioned loans

The Company with its subsidiaries, CNPC and its subsidiaries with the Group, commissioned CP Finance and other financial institutions to provide loans to each other, charging interest in accordance with the prevailing interest rates. Loans between the Company and its subsidiaries have been eliminated in the consolidated financial statements. As of December 31, 2023, the eliminated commissioned loans include the loans provided by the Company to its subsidiaries amounted to RMB150 (December 31, 2022: RMB150) and the loans provided to the Company by its subsidiaries amounted to RMB29,615 (December 31, 2022: RMB29,744).

(6) Guarantees

CNPC and its subsidiaries provided guarantees of part of loans and debentures for the Group, see Note 34 and Note 35.

(7) Receivables and payables with related parties

(a) Receivables from related parties

	December 31, 2023	December 31, 2022
CNPC and its subsidiaries		
Accounts receivable	3,758	2,250
Receivables financing	-	1,000
Advances to suppliers	5,352	6,513
Other receivables	3,139	4,063
Other non-current assets	6,992	6,439
Associates and joint ventures		
Accounts receivable	873	1,565
Advances to suppliers	52	105
Other receivables	4,078	2,056
Other current assets	9,389	8,300
Other non-current assets	9,276	10,319

As of December 31, 2023, the provisions for bad debts of the receivables from related parties amounted to RMB565 (December 31, 2022: RMB475).

As of December 31, 2023, the receivables from related parties represented 27% (December 31, 2022: 25%) of total receivables.

(b) Payables to related parties

	December 31, 2023	December 31, 2022
CNPC and its subsidiaries		
Notes payable	257	639
Accounts payable	38,626	49,671
Other payables	4,606	3,803
Contract liabilities	1,492	493
Lease liabilities (including lease liabilities due within one year)	96,003	98,143
Associates and joint ventures		
Notes payable	-	26
Accounts payable	4,721	3,114
Other payables	176	206
Contract liabilities	16	27

As of December 31, 2023, the payables to related parties represented 26% (December 31, 2022: 28%) of total payables.

(8) Key management personnel compensation

	2023 RMB'000	2022 RMB'000
Key management personnel compensation	22,535	18,567

64 Contingent Liabilities

(1) Bank and other guarantees

As of December 31, 2023 and December 31, 2022, the Group did not guarantee related parties or third parties any significant borrowings or others.

(2) Environmental liabilities

The PRC has enacted comprehensive environmental laws and regulations that affect the operation of the oil and gas industry. Management believes that there are no probable liabilities under existing legislation, except for the amounts which have already been reflected in the consolidated financial statements, which may have a material adverse effect on the financial position of the Group.

(All amounts in RMB millions unless otherwise stated)

As of December 31, 2023, the amounts of asset retirement obligations which have already been reflected in the consolidated financial statements relating to environmental liabilities were RMB144,299 (December 31, 2022: RMB142,081) (Note 36).

(3) Legal contingencies

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

(4) Group insurance

The Group has insurance coverage for 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 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.

65 COMMITMENTS

(1) Capital commitments

As of December 31, 2023, the Group's capital commitments contracted but not provided for, were RMB6,050 (December 31, 2022: RMB882).

These capital commitments are transactions mainly with CNPC and its fellow subsidiaries.

(2) Exploration and production licenses

The Company is obligated to make annual payments with respect to its exploration and production licenses to the Ministry of Natural Resources. Payments incurred were RMB516 for the year ended December 31, 2023 (2022: RMB482).

According to the current policy, estimated annual payments for the next five years are as follows:

	December 31, 2023	December 31, 2022
Within one year	500	500
Between one and two years	500	500
Between two and three years	500	500
Between three and four years	500	500
Between four and five years	170	500

(All amounts in RMB millions unless otherwise stated)

FINANCIAL STATEMENTS SUPPLEMENTARY INFORMATION

1 NON-RECURRING PROFIT/LOSS ITEMS

	2023
Losses on disposal of non-current assets	(11,325)
Government grants recognised in the income statement	2,496
Gains/Losses arising from financial assets and financial liabilities not relating to the ordinary course of activities	(290)
Reversal of provisions for bad debts against receivables	116
Gains from the difference between the investment costs of acquisition of subsidiaries, and share in the net fair value of the identifiable assets of the investee	211
One-off effect on current profit or loss due to laws and regulation adjustment regarding taxation or accounting	(19,238)
Other non-operating income and expenses	(4,632)
Other items of profit or loss conforming to the definition of non-recurring profit/loss items	567
	(32,095)
Tax impact	6,194
Impact of non-controlling interests	(85)
Total	(25,986)

2023 basis for preparation of statement of non-recurring profit/loss items

In 2023, the China Securities Regulatory Commission promulgated the Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public - Non-recurring Profit or Loss (Revised in 2023) (hereinafter "2023 Explanatory Announcement No.1") which became effective on the date of issuance. The Group prepared 2023 statement of non-recurring profit/loss items based on the 2023 Explanatory Announcement No.1.

According to the 2023 Explanatory Announcement No.1, non-recurring profit/loss items refer to those arise from transactions and events that are not directly relevant to ordinary activities, or that are relevant to ordinary activities, but are extraordinary and not expected to happen frequently that would have an influence on the financial statements users' making economic decisions based on the financial performance and profitability of an enterprise.

The implementation of 2023 Explanatory Announcement No.1 had no material impact on 2022 non-recurring profit/loss items.

(All amounts in RMB millions unless otherwise stated)

	2022
Losses on disposal of non-current assets	(20,247)
Government grants recognised in the income statement	1,203
Gains/Losses arising from financial assets and financial liabilities not relating to the ordinary course of activities	717
Reversal of provisions for bad debts against receivables	158
Other non-operating income and expenses	(9,343)
Other items of profit or loss conforming to the definition of non-recurring profit/loss items	(209)
	(27,721)
Tax impact	6,018
Impact of non-controlling interests	181
Total	(21,522)

The Group prepared 2022 statement of non-recurring profit/loss items based on the 2008 Explanatory Announcement No.1.

2 SIGNIFICANT DIFFERENCES BETWEEN IFRS Accounting Standards AND CAS

The consolidated net profit for the year under IFRS Accounting Standards and CAS were RMB180,293 and RMB180,291, respectively, with a difference of RMB2; the consolidated shareholders' equity for the year under IFRS Accounting Standards and CAS were RMB1,630,373 and RMB1,630,621, respectively, with a difference of RMB248. These differences under the different accounting standards were primarily due to the revaluation for assets other than fixed assets and oil and gas properties revalued in 1999.

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

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF PETROCHINA COMPANY LIMITED
(incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of PetroChina Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 216 to 285, comprise:

- the consolidated statement of financial position as at December 31, 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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羅兵咸永道

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE SHAREHOLDERS OF PETROCHINA COMPANY LIMITED (CONTINUED)
(incorporated in the People's Republic of China with limited liability)

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to "Recoverability of the carrying amount of oil and gas properties".

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE SHAREHOLDERS OF PETROCHINA COMPANY LIMITED (CONTINUED)
(incorporated in the People's Republic of China with limited liability)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of the carrying amount of oil and gas properties Refer to Note 5 "Critical accounting estimates and judgements" and the oil and gas properties as included in Note 16 "Property, plant and equipment" to the consolidated financial statements, with the net book value of oil and gas properties amounted to RMB856,256 million at December 31, 2023, and impairment loss of RMB20,330 million was recorded for the year ended December 31, 2023. Uncertainty in future oil prices, future production costs, changes in operating conditions and the economic outlook gave rise to possible indicators that the carrying amount of the oil and gas properties as at December 31, 2023 might be impaired. The Group has adopted value in use as the respective recoverable amounts of oil and gas properties, which involved key estimations or assumptions including: – Future crude oil prices; – Future costs; – Future production volumes; and – Discount rates. Because of the significance of the carrying amount of the oil and gas properties as at December 31, 2023, together with the significant estimates and judgements by management in the use of key estimates or assumptions in determining recoverable amounts for oil and gas properties, we had placed our audit emphasis on this matter.	In addressing this matter, we performed the following key audit procedures: • Obtained an understanding of the management's internal control and assessment process of impairment of oil and gas properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • Evaluated and tested the key controls relating to the determination of recoverable amounts of oil and gas properties; • Assessed the appropriateness of the method used to determine recoverable amounts, including the methodology adopted in the discounted cash flow projections, tested mathematical accuracy of the projections, and the completeness, accuracy, and relevance of underlying data used in the projections; • Compared estimates of future crude oil prices adopted by the Group against a range of published crude oil price forecasts; • Compared the future cost profiles against historical costs or relevant budgets of the Group; • Compared the future production volume against the oil and gas reserve estimation report approved by the management. Evaluated the competence, capability and objectivity of the management's experts engaged in estimating the oil and gas reserves. Assessed key estimations or assumptions used in the reserve estimation, by reference to historical data or management plans; • Used professionals with specialized skill and knowledge to assist in the evaluation of the appropriateness of discount rates adopted by the management. Based on our work, we found the key estimations and assumptions and input data adopted by management in determining the recoverable amounts were supported by the evidence we obtained.

pwc 羅兵咸永道

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE SHAREHOLDERS OF PETROCHINA COMPANY LIMITED (CONTINUED)
(incorporated in the People's Republic of China with limited liability)

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE SHAREHOLDERS OF PETROCHINA COMPANY LIMITED (CONTINUED)
(incorporated in the People's Republic of China with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE SHAREHOLDERS OF PETROCHINA COMPANY LIMITED (CONTINUED)
(incorporated in the People's Republic of China with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE SHAREHOLDERS OF PETROCHINA COMPANY LIMITED (CONTINUED)
(incorporated in the People's Republic of China with limited liability)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is HON CHONG HENG.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, March 25, 2024

PETROCHINA COMPANY LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2023

(All amounts in RMB millions unless otherwise stated)

	Notes	2023 RMB	2022 RMB
REVENUE	6	3,011,012	3,239,167
OPERATING EXPENSES			
Purchases, services and other		(1,972,940)	(2,213,080)
Employee compensation costs	8	(172,745)	(163,073)
Exploration expenses, including exploratory dry holes		(20,764)	(27,074)
Depreciation, depletion and amortisation		(247,452)	(238,036)
Selling, general and administrative expenses		(64,074)	(59,529)
Taxes other than income taxes	9	(296,226)	(278,055)
Other expenses, net		(1,345)	(43,660)
TOTAL OPERATING EXPENSES		(2,775,546)	(3,022,507)
PROFIT FROM OPERATIONS		235,466	216,660
FINANCE COSTS			
Exchange gain		20,162	23,772
Exchange loss		(20,906)	(25,590)
Interest income		8,265	4,738
Interest expense	10	(24,063)	(21,554)
TOTAL NET FINANCE COSTS		(16,542)	(18,634)
SHARE OF PROFIT OF ASSOCIATES AND JOINT VENTURES		18,538	15,251
PROFIT BEFORE INCOME TAX EXPENSE	7	237,462	213,277
INCOME TAX EXPENSE	12	(57,169)	(49,929)
PROFIT FOR THE YEAR		180,293	163,348
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
Fair value changes in equity investment measured at fair value through other comprehensive income		64	(116)
Currency translation differences		1,515	6,201
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedges		(1,893)	11,273
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method		76	654
Currency translation differences		2,252	3,758
OTHER COMPREHENSIVE INCOME, NET OF TAX		2,014	21,770
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		182,307	185,118
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company	13	161,146	148,743
Non-controlling interests		19,147	14,605
		180,293	163,348
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		161,626	164,413
Non-controlling interests		20,681	20,705
		182,307	185,118
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (RMB)	14	0.88	0.81

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

PETROCHINA COMPANY LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As of December 31, 2023

(All amounts in RMB millions unless otherwise stated)

	Notes	December 31, 2023 RMB	December 31, 2022 RMB
NON-CURRENT ASSETS			
Property, plant and equipment	16	1,521,867	1,492,513
Investments in associates and joint ventures	17	280,870	269,569
Equity investments measured at fair value through other comprehensive income	18	832	943
Right-of-use assets	20	196,594	203,065
Intangible and other non-current assets	21	71,708	69,813
Deferred tax assets	33	18,127	16,614
Time deposits with maturities over one year		3,930	4,016
TOTAL NON-CURRENT ASSETS		2,093,928	2,056,533
CURRENT ASSETS			
Inventories	22	180,533	167,751
Accounts receivable	23	68,761	72,028
Derivative financial instruments	24	16,939	21,133
Prepayments and other current assets	25	106,805	119,654
Financial assets at fair value through other comprehensive income	26	10,661	4,376
Financial assets at fair value through profit or loss		7,404	3,876
Time deposits with maturities over three months but within one year		18,416	33,859
Cash and cash equivalents	27	249,001	191,190
TOTAL CURRENT ASSETS		658,520	613,867
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	28	362,155	372,369
Contract liabilities	29	83,928	77,337
Income taxes payable		11,152	16,471
Other taxes payable		62,763	37,043
Short-term borrowings	30	148,780	100,639
Derivative financial instruments	24	10,729	11,146
Lease liabilities	20	7,773	7,560
Financial liabilities at fair value through profit or loss		1,727	1,698
TOTAL CURRENT LIABILITIES		689,007	624,263
NET CURRENT LIABILITIES		(30,487)	(10,396)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,063,441	2,046,137
EQUITY			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY:			
Share capital	31	183,021	183,021
Retained earnings		919,404	850,269
Reserves	32	343,738	332,327
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		1,446,163	1,365,617
NON-CONTROLLING INTERESTS		184,210	168,549
TOTAL EQUITY		1,630,373	1,534,166
NON-CURRENT LIABILITIES			
Long-term borrowings	30	143,198	222,478
Asset retirement obligations	34	144,299	142,081
Lease liabilities	20	113,438	118,200
Deferred tax liabilities	33	23,130	21,618
Other long-term obligations		9,003	7,594
TOTAL NON-CURRENT LIABILITIES		433,068	511,971
TOTAL EQUITY AND NON-CURRENT LIABILITIES		2,063,441	2,046,137

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

Chairman	Director and President	Chief Financial Officer
Dai Houliang	Huang Yongzhang	Wang Hua

PETROCHINA COMPANY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023

(All amounts in RMB millions unless otherwise stated)

	2023 RMB	2022 RMB
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	180,293	163,348
Adjustments for:		
Income tax expense	57,169	49,929
Depreciation, depletion and amortisation	247,452	238,036
Capitalised exploratory costs charged to expense	9,437	14,118
Safety fund reserve	(1,589)	(691)
Share of profit of associates and joint ventures	(18,538)	(15,251)
Accrual of provision for impairment of receivables, net	45	1,625
Write down in inventories, net	6,411	8,567
Impairment of other non-current assets	259	4,653
Loss on disposal and scrap of property, plant and equipment	11,591	20,726
Gain on disposal and scrap of other non-current assets	(266)	(479)
(Gain)/loss on disposal of subsidiaries	(102)	185
(Gain)/loss from changes in fair value	(2,008)	2,464
Dividend income	(18)	(15)
Interest income	(8,265)	(4,738)
Interest expense	24,063	21,554
Changes in working capital:		
Accounts receivable, prepayments and other current assets	(14,659)	(20,127)
Inventories	(19,193)	(32,470)
Accounts payable and accrued liabilities	40,366	7,504
Contract liabilities	6,591	(1,144)
CASH FLOWS GENERATED FROM OPERATIONS	519,039	457,794
Income taxes paid	(62,443)	(64,026)
NET CASH FLOWS FROM OPERATING ACTIVITIES	456,596	393,768

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

PETROCHINA COMPANY LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the Year Ended December 31, 2023

(All amounts in RMB millions unless otherwise stated)

	2023 RMB	2022 RMB
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(280,474)	(243,349)
Acquisition of investments in associates and joint ventures	(1,704)	(1,396)
Acquisition of intangible assets and other non-current assets	(4,400)	(1,524)
Acquisition of subsidiaries	(775)	(460)
Acquisition of financial assets at fair value through profit or loss	(6,620)	(2,830)
Proceeds from disposal of property, plant and equipment	(418)	(364)
Proceeds from disposal of other non-current assets	5,603	2,830
Proceeds from Pipeline restructuring	-	3,445
Interest received	9,073	3,001
Dividends received	9,666	10,740
Decrease/(increase) in time deposits with maturities over three months	14,260	(3,064)
NET CASH FLOWS USED FOR INVESTING ACTIVITIES	(255,789)	(232,971)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(652,101)	(800,692)
Repayments of long-term borrowings	(22,540)	(90,637)
Repayments of lease liabilities	(8,949)	(12,730)
Interest paid	(18,520)	(12,298)
Dividends paid to non-controlling interests	(9,085)	(9,547)
Dividends paid to owners of the Company	(78,699)	(54,686)
Cash paid to acquire non-controlling interests	(96)	-
Increase in short-term borrowings	590,547	784,049
Increase in long-term borrowings	48,279	82,299
Cash contribution from non-controlling interests	4,592	529
NET CASH FLOWS USED FOR FINANCING ACTIVITIES	(146,572)	(113,713)
TRANSLATION OF FOREIGN CURRENCY	3,576	7,317
Increase in cash and cash equivalents	57,811	54,401
Cash and cash equivalents at beginning of the year	191,190	136,789
Cash and cash equivalents at end of the year	249,001	191,190

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

PETROCHINA COMPANY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2023

(All amounts in RMB millions unless otherwise stated)

	Attributable to owners of the Company				Non-controlling Interests	Total Equity
	Share Capital	Retained Earnings	Reserves	Subtotal		
	RMB	RMB	RMB	RMB	RMB	RMB
Balance at December 31, 2021	183,021	771,980	308,560	1,263,561	145,308	1,408,869
Change in accounting policy (Note 2)	-	(2,764)	(309)	(3,073)	20	(3,053)
Balance at January 1, 2022	183,021	769,216	308,251	1,260,488	145,328	1,405,816
Profit for the year ended December 31, 2022	-	148,743	-	148,743	14,605	163,348
Other comprehensive income for the year ended December 31, 2022	-	-	15,670	15,670	6,100	21,770
Special reserve-safety fund reserve	-	-	(741)	(741)	50	(691)
Transfer to reserves	-	(12,902)	12,902	-	-	-
Dividends	-	(54,686)	-	(54,686)	(9,709)	(64,395)
Capital contribution from non-controlling interests	-	-	3	3	11,125	11,128
Acquisition of subsidiaries	-	-	-	-	634	634
Disposal of subsidiaries	-	-	-	-	7	7
Other	-	(102)	(3,758)	(3,860)	409	(3,451)
Balance at December 31, 2022	183,021	850,269	332,327	1,365,617	168,549	1,534,166
Balance at January 1, 2023	183,021	850,269	332,327	1,365,617	168,549	1,534,166
Profit for the year ended December 31, 2023	-	161,146	-	161,146	19,147	180,293
Other comprehensive income for the year ended December 31, 2023	-	-	480	480	1,534	2,014
Special reserve-safety fund reserve	-	-	(1,632)	(1,632)	43	(1,589)
Transfer to reserves	-	(13,239)	13,239	-	-	-
Dividends	-	(78,699)	-	(78,699)	(8,974)	(87,673)
Transaction with non-controlling interests in subsidiaries	-	-	503	503	(599)	(96)
Capital contribution from non-controlling interests	-	-	-	-	4,592	4,592
Acquisition of subsidiaries	-	-	-	-	62	62
Disposal of subsidiaries	-	-	-	-	(132)	(132)
Other	-	(73)	(1,179)	(1,252)	(12)	(1,264)
Balance at December 31, 2023	183,021	919,404	343,738	1,446,163	184,210	1,630,373

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

1 ORGANISATION AND PRINCIPAL ACTIVITIES

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

The Group is principally engaged in (i) the exploration, development, production, transportation and marketing of crude oil and natural gas, and new energy business; (ii) the refining of crude oil and petroleum products, production and marketing of primary petrochemical products, derivative petrochemical products and other chemical products, and new materials business; (iii) the marketing of refined products and non-oil products, and trading business; and (iv) the transportation and the sale of natural gas business (Note 40).

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. IFRS Accounting Standards comprise the following authoritative literature:

- IFRS Accounting Standards;
- IAS Standards;
- Interpretations developed by the IFRS Interpretations Committee (IFRIC Interpretations) or its predecessor body, the Standing Interpretations Committee (SIC Interpretations).

The preparation of financial statements in conformity with IFRS Accounting Standards 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.

A number of new or amended standards became applicable for the current reporting period (Note 2(a)). The consolidated financial statements and the statement of financial position of the Company have been prepared under the historical cost convention except as disclosed in the accounting policies below.

(a) New and amended standards and interpretations adopted by the Group

The IASB has issued the following amendments to IFRS Accounting Standards that are first effective for the current accounting period of the Group:

- Amendments to IFRS 17 "Insurance Contracts "
- Amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "International Tax Reform – Pillar Two Model Rules" (Note 12)
- Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, the Group should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- Right-of-use assets and lease liabilities; and
- Decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in the retained earnings (or other component of equities, as appropriate) at the beginning of the earliest comparative period.

(All amounts in RMB millions unless otherwise stated)

The impact of applying the amendments on the consolidated statement of financial statements are summarised as follows:

	Amount of adjustment	
	January 1, 2022	December 31, 2022
Deferred tax assets	389	(3,085)
Deferred tax liabilities	3,442	602
Retained earnings	(2,764)	(3,316)
Reserves	(309)	(394)
Non-controlling interests	20	23

	Amount of adjustment
	2022
Income Tax Expense	(634)

Other than the above effects, none of these amendments have had a material effect on how the Group's results and financial position for the current or prior periods which have been prepared or presented in this financial statements.

(b) New and amended standards and interpretations not yet adopted by the Group

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the December 31, 2023 reporting period and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

3.1 Material accounting policies

(a) Property, plant and equipment

Property, plant and equipment, including oil and gas properties (Note 3.1(b)), are initially recorded in the consolidated statement of financial position at cost if 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 intended use. Subsequent to their initial recognition, property, plant and equipment are carried at cost less accumulated depreciation, depletion and amortisation (including any impairment).

Depreciation, to write off the cost of each asset, other than oil and gas properties (Note 3.1(b)), to their residual values over their estimated useful lives is calculated using the straight-line method.

(All amounts in RMB millions unless otherwise stated)

The Group uses the following estimated useful lives, estimated residual value ratios and annual depreciation rates for depreciation purposes:

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

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 (Note 3.1(b)), are reviewed for possible impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of a cash-generating unit exceeds the higher of its fair value less costs to sell and its value in use. 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 profit or loss.

Interest and other costs on borrowings to finance the construction of property, plant and equipment, including oil and gas properties (Note 3.1(b)), are capitalised 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 capitalised as part of property, plant and equipment and depreciated over their useful lives.

(b) Oil and gas properties

The successful efforts method of accounting is used for oil and gas exploration and production activities. Under this method, all costs for development wells, support equipment and facilities, and proved mineral interests in oil and gas properties are capitalised. Geological and geophysical costs are expensed when incurred. Costs of exploratory wells are capitalised 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 3.1(a)). 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 capitalised 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 capitalised in oil and gas properties.

The Ministry of Natural 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 amortised 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.

(c) Financial instruments

Derivative financial instruments and hedge accounting

Derivative financial instruments are recognised initially at fair value. At each date of the statement of financial position, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for hedge accounting.

Hedge accounting is a method which recognises the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item in the same accounting period, to represent the effect of risk management activities.

Hedged items are the items that expose the Group to risks of changes in future fair value or future cash flows and that are designated as being hedged and that must be reliably measurable. The Group's hedged items include a forecast transaction that is settled with an undetermined future market price and exposes the Group to risk of variability in cash flows, etc. A hedging instrument is a designated derivative whose changes in fair value or cash flows are expected to offset changes in fair value or cash flows of the hedged item.

The hedging relationship meets all of the following hedge effectiveness requirements:

(i) There is an economic relationship between the hedged item and the hedging instrument, which shares a risk and that gives rise to opposite changes in fair value that tend to offset each other.

(ii) The effect of credit risk does not dominate the value changes that result from that economic relationship.

(iii) The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item. However, that designation does not reflect an imbalance between the weightings of the hedged item and the hedging instrument.

Cash flow hedges

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction, and could affect profit or loss. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. As long as a cash flow hedge meets the qualifying criteria for hedge accounting, the separate component of equity associated with the hedged item (cash flow hedge reserve) is adjusted to the lower of the following (in absolute amounts):

(i) The cumulative gain or loss on the hedging instrument from inception of the hedge; and

(ii) The cumulative change in fair value (present value) of the hedged item (i.e. the present value of the cumulative change in the hedged expected future cash flows) from inception of the hedge.

The gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income.

The portion of the gain or loss on the hedging instrument that is determined to be an ineffective hedge is recognised in profit or loss.

The amount that has been accumulated in the cash flow hedge reserve shall be accounted for as follows:

(i) If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the entity removes that amount from the cash flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset or the liability;

(ii) For cash flow hedges, other than those covered by the preceding policy statements, that amount is reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss;

(iii) If the amount that has been accumulated in the cash flow hedge reserve is a loss and the Group expects that all or a portion of that loss will not be recovered in one or more future periods, the Group immediately reclassifies the amount that is not expected to be recovered into profit or loss.

An entity shall discontinue hedge accounting prospectively only when the hedging relationship (or a part of a hedging relationship) ceases to meet the qualifying criteria such as situations as follows:

(i) When the hedging relationship no longer meets the risk management objective on the basis of which it qualified for hedge accounting (i.e. the entity no longer pursues that risk management objective);

(ii) When a hedging instrument expires or is sold, terminated, exercised;

(iii) There is no longer an economic relationship between the hedged item and the hedging instrument or the effect of credit risk starts to dominate the value changes that result from that economic relationship

(iv) When the hedging relationship no longer meets other criteria for hedge accounting.

When an entity discontinues hedge accounting for a cash flow hedge, it shall account for the amount that has been accumulated in the cash flow hedge reserve as follows:

(i) If the hedged future cash flows are still expected to occur, that amount shall remain in the cash flow hedge reserve and is accounted for as cash flow hedges.

(ii) If the hedged future cash flows are no longer expected to occur, that amount shall be immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment. A hedged future cash flow that is no longer highly probable to occur may still be expected to occur.

(d) Investments in joint operations

A joint operation is a joint arrangement whereby the Group and other joint operators that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

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

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

(e) Provisions

Provisions are recognised 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 recognised in full on the installation of oil and gas properties. The amount recognised 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. Due to technological progress, legal requirements or changes in the market environment, changes in the provisions caused by changes in the amount of expenditure, estimated time of retirement obligations, discount rate, etc., may occur in fulfilling the retirement obligation. For an increase in provisions, the cost of oil and gas properties will be increased accordingly; for a decrease in provisions, the cost of oil and gas properties will be deducted within the limit of the carrying amount of assets related to decommissioning expenses. If a decrease in the provision exceeds the carrying amount of the oil and gas properties recognised corresponding to the provision, the excess shall be recognised immediately in profit or loss.

Provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(f) Retirement benefit plans

The Group contributes to various employee retirement benefit plans organised 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.

(g) Revenue recognition

Income is classified by the Group as revenue when it arises from the the sale of crude oil, natural gas, refined products, chemical products, non-oil products, etc., and the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component more than 12 months, interest income is accrued or interest expense is accrued separately under the effective interest method. The Group does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

(h) Taxation

(i) Deferred tax

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 realised or deferred tax liability is settled, and reflects uncertainty related to income taxes, if any.

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 and deductible temporary differences are recognised to the extent that it is probable that future taxable income will be available against which they can be used.

(ii) Taxes other than income tax

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 consumption tax, resource tax, crude oil special gain levy, levy for mineral rights concessions, urban construction tax and education surcharges(Note 9).

3.2 Other potentially material 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 Group accounts for business combinations (except for business combination under common control) using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. 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 assumed in a business combination are measured initially at their fair values at the acquisition date. Contingent liabilities assumed in a business combination are recognised in the acquisition accounting if they are present obligations and their fair value can be measured reliably. On an acquisition-by-acquisition basis, the Group recognises 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 recognised directly in the consolidated 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 unrealised gains on transactions between group companies are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

For purpose of the presentation of the Company's statement of financial position, investments in subsidiaries are accounted for at cost less impairment.

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 recognised at cost.

Under this method of accounting, the Group's share of the post-acquisition profits or losses of associates is recognised in profit or loss and its share of post-acquisition movements in other comprehensive income is recognised 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 recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment 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 fair value of 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. The gain or loss resulting from a downstream transaction involving assets that constitute a business, as defined in IFRS 3, between the Group and its associate or joint venture is recognised in full in the consolidated financial statement.

A listing of the Group's principal associates is shown in Note 17.

(c) Investments in joint ventures

Joint 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 3.2(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 recognised 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 recognised 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. The amounts previously recognised 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 recognised 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 40), 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 recognised in 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 recognised in other comprehensive income.

(f) Intangible assets and goodwill

Expenditures on acquired patents, trademarks, technical know-how and licenses are capitalised at historical cost and amortised 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 and adjusted for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised whenever the carrying amount of an intangible asset exceeds its recoverable amount and is recognised in 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 and represents the excess of the consideration transferred over the net fair value of 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. An impairment loss is recognised if the carrying amount of the cash-generating unit containing goodwill exceeds its recoverable amount. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(g) Financial instruments

(i) Recognition and initial measurement

Accounts receivable and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a accounts receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at Fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. An accounts receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or FVTPL.

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

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

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

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

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

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

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

For the purposes of this assessment whether contractual cash flows are solely payments of principal and interest, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Detailed accounting policies for subsequent measurement of financial assets are set out below:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(h) Impairment for financial assets

The Group recognises loss allowances for expected credit losses ("ECLs") on:

• financial assets measured at amortised cost;

• debt investments measured at FVOCI; and

• contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort.

Loss allowances for accounts receivable are always measured at an amount equal to lifetime ECLs. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses on trade and other receivables are presented under 'Selling, general and administrative expenses', similar to the presentation under IAS 39.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(i) Leases

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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

The Group present right-of-use assets and lease liabilities separately in the statement of financial position.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Payments made to the Ministry of Natural Resources to secure land use rights (excluding mineral properties) are treated as leases.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset. There are no significant finance lease for the Group.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of lease income.

(j) Inventories

Inventories include oil products, chemical products and crude oil and other raw materials and supplies which are stated at the lower of cost and net realisable value. Cost is primarily determined by the weighted average cost method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads, but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and directly attributable marketing and distribution costs.

(k) Contract costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (Note 3.2(j)), property, plant and equipment (Note 3.1(a)), oil and gas properties (Note 3.1(b)) or intangible assets (Note 3.2(f)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered, unless the expected amortisation period is one year or less from the date of initial recognition of the asset, in which case the costs are expensed when incurred. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised.

(l) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in Note 3.2(h) and are reclassified to receivables when the right to the consideration has become unconditional (Note 3.2(m)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (Note 3.2(m)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (Note 3.2(r)).

(m) Accounts receivable

Accounts receivable are recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due (Note 3.2(l)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (Note 3.2(h)).

(n) 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.

(o) Accounts payable

Accounts payable are recognised initially at fair value and subsequently measured at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest method.

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 recognised 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.

(q) Share capital

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12 “Income Taxes”.

(r) Interest income and interest expense

Interest income or expense is recognised using the effective interest method.

The "effective interest rate" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(s) Taxation

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

(t) Research and development

Research expenditure incurred is recognised as an expense. Costs incurred on development projects are recognised as intangible assets to the extent that such expenditure is expected to generate future economic benefits.

(u) Related parties

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.

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, natural gas, imported equipment and other materials and to meet foreign currency financial liabilities. The Group is exposed to currency risks arising from fluctuations in various foreign currency exchange rates against the RMB. The RMB is not a freely convertible currency and is regulated by the PRC government. Limitations on foreign exchange transactions imposed by the PRC government could cause future exchange rates to vary significantly from current or historical exchange rates.

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

(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 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 30.

(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 uses derivative financial instruments, including commodity futures, commodity swaps and commodity forwards, to hedge some price risks efficiently.

As at 31 December 2023, the Group had certain commodity contracts of crude oil, refined oil products and chemical products designated as hedges. As at 31 December 2023, the fair value of such derivative hedging financial instruments is derivative financial assets of RMB16,816 (2022: RMB20,988) and derivative financial liabilities of RMB10,374 (2022: RMB10,941).

As at 31 December 2023, it is estimated that a general increase/decrease of USD10 per barrel in basic price of derivative financial instruments, with all other variables held constant, would impact the fair value of derivative financial instruments, which would decrease/increase the Group's profit for the year by approximately RMB3,135 (2022: decrease/increase RMB331), and would increase/decrease the Group's other reserves for the year by approximately RMB685 (2022: decrease/increase RMB1,074). This sensitivity analysis has been determined assuming that the change in prices had occurred at the balance sheet date and the change was applied to the Group's derivative financial instruments at that date with exposure to commodity price risk.

(b) Credit risk

Credit risk arises from cash and cash equivalents, time deposits with banks, accounts receivable, prepayments and other current assets, financial assets at fair value through other comprehensive income and intangible and other non-current assets.

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 aging analysis of accounts receivable (net of impairment of accounts receivable) is presented in Note 23.

The carrying amounts of cash and cash equivalents, time deposits placed with banks, accounts receivable, prepayments and other current assets, financial assets at fair value through other comprehensive income and long-term receivables 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 borrowings and lease liabilities based on the remaining period at the date of the statement of financial position to the contractual maturity dates is presented in Note 30 and Note 20.

4.2 Capital management

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

The Group monitors capital on the basis of the gearing ratio which is calculated as interest-bearing borrowings / (interest-bearing borrowings + total equity), interest-bearing borrowings include short-term and long-term borrowings. The gearing ratio at December 31, 2023 is 15.2% (2022: 17.4%).

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, 2023 and 2022 are disclosed in the respective accounting policies.

Financial assets and financial liabilities that measured at amortised cost include: cash and cash equivalents, time deposits with maturities over three months but within one year, accounts receivable, other receivables, long-term receivables, short-term borrowings, trade payables, notes payable, long-term borrowings, etc. 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 is presented in Note 30. Except for this, the carrying amounts of other financial assets and financial liabilities that are not measured at fair value approximate their fair value.

The Group's investments in FVTPL, derivative financial instruments and FVOCI are measured at fair value on the balance sheet date. The fair value of FVTPL and derivative financial instruments are mainly categorised into Level 1 and Level 2 of the fair value hierarchy, which are based on the unadjusted quoted prices in active markets for identical assets or liabilities as inputs used in the valuation techniques, or the inputs other than quoted prices included within Level 1 that are observable either directly or indirectly. Bills receivable in FVOCI are mainly categorised into Level 3 of the fair value hierarchy, which are based on that bills receivable are mainly short-term bills of acceptance issued by banks, and their fair values approximate the face values of the bills. The equity investments in FVOCI that are not held for trading are measured at fair value at the end of the reporting period. The fair value of such equity investments are mainly categorised into Level 1 of the fair value hierarchy, which are based on the unadjusted quoted prices in active markets for identical assets or liabilities as inputs used in the valuation techniques.

(All amounts in RMB millions unless otherwise stated)

As of December 31, 2023, financial assets and financial liabilities continuing to be measured at fair value are listed as follows in three levels:

	Level 1	Level 2	Level 3	Total
	RMB	RMB	RMB	RMB
Financial assets				
Financial assets at fair value through profit or loss:				
– Financial assets at fair value through profit or loss	6,788	616	-	7,404
Derivative financial instruments:				
– Derivative financial assets	2,900	14,039	-	16,939
Financial assets at fair value through other comprehensive income:				
– Bills receivable	-	-	10,661	10,661
– Other Investments	501	-	331	832
	10,189	14,655	10,992	35,836
Financial liabilities				
Financial liabilities at fair value through profit or loss				
– Financial liabilities at fair value through profit or loss	-	1,727	-	1,727
Derivative financial instruments:				
– Derivative financial liabilities	1,025	9,704	-	10,729
	1,025	11,431	-	12,456

As of December 31, 2022, financial assets and financial liabilities continuing to be measured at fair value are listed as follows in three levels:

	Level 1	Level 2	Level 3	Total
	RMB	RMB	RMB	RMB
Financial assets				
Financial assets at fair value through profit or loss:				
– Financial assets at fair value through profit or loss	3,876	-	-	3,876
Derivative financial instruments:				
– Derivative financial assets	14,508	6,625	-	21,133
Financial assets at fair value through other comprehensive income:				
– Bills receivable	-	-	4,376	4,376
– Other Investments	623	-	320	943
	19,007	6,625	4,696	30,328
Financial liabilities				
Financial liabilities at fair value through profit or loss				
– Financial liabilities at fair value through profit or loss	1,698	-	-	1,698
Derivative financial instruments:				
– Derivative financial liabilities	983	10,163	-	11,146
	2,681	10,163	-	12,844

The Group uses discounted cash flow model with inputted interest rate and commodity index, which were influenced by historical fluctuation and the probability of market fluctuation, to evaluate the fair value of the bills receivable classified as Level 3 financial assets.

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 gas reserves

Estimates of oil and natural gas reserves are key elements in the Group's investment decision-making process. They are also important elements in testing impairment of property, plant and equipment (Note 5(b)). Changes in proved oil and gas reserves, particularly proved developed reserves, will affect unit-of-production depreciation, depletion and amortisation recorded in the consolidated financial statements for property, plant and equipment relating to oil and gas production activities. An increase/reduction in proved developed reserves will decrease/increase depreciation, depletion and amortisation charges. Proved oil and gas reserves estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms, evolution of technology or development plans, etc.

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

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

(c) Estimation of asset retirement obligations

Provision is recognised for the future decommissioning and restoration of oil and gas properties. The amount of the provision recognised is the present values of the estimated future expenditures. The estimation of the future expenditures is based on current local conditions and requirements, including legal requirements, technology, price levels, etc. In addition to these factors, the present values of these estimated future expenditures are also impacted by the management plan for the decommissioning of oil and gas properties, the estimation of the economic lives of oil and gas properties and estimates of discount rates. The estimations and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future period. Changes in any of these estimates will impact the operating results and the financial position of the Group over the remaining economic lives of the oil and gas properties.

(All amounts in RMB millions unless otherwise stated)

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

6 REVENUE

Revenue represents revenues from the sale of crude oil, natural gas, refined products, chemical products, non-oil products, etc., and from the transportation of crude oil and natural gas. Revenue from contracts with customers is mainly recognised at a point in time. The revenue information for the year ended December 31, 2023 and 2022 are as follows:

2023 Type of revenue	Oil, Gas and New Energy	Refining, Chemicals and New Materials	Marketing	Natural Gas Sales	Head Office and Other	Total
Type of goods and services						
Crude oil	613,779	-	742,113	-	-	1,355,892
Natural gas	153,562	-	394,608	526,269	-	1,074,439
Refined products	-	980,396	1,299,647	-	-	2,280,043
Chemical products	-	233,523	55,942	-	-	289,465
Pipeline transportation business	-	-	-	1,119	-	1,119
Non-oil sales in gas stations	-	-	32,265	-	-	32,265
Others	124,690	7,063	1,415	33,690	7,014	173,872
Intersegment elimination	(747,603)	(884,978)	(534,421)	(27,249)	(3,522)	(2,197,773)
Revenue from contracts with customers	144,428	336,004	1,991,569	533,829	3,492	3,009,322
Other revenue	304	179	1,069	113	25	1,690
Total	144,732	336,183	1,992,638	533,942	3,517	3,011,012
Geographical Region						
China's mainland	71,409	336,004	1,054,084	533,829	3,492	1,998,818
Others	73,019	-	937,485	-	-	1,010,504
Revenue from contracts with customers	144,428	336,004	1,991,569	533,829	3,492	3,009,322
Other revenue	304	179	1,069	113	25	1,690
Total	144,732	336,183	1,992,638	533,942	3,517	3,011,012

(All amounts in RMB millions unless otherwise stated)

2022 Type of revenue	Oil, Gas and New Energy	Refining, Chemicals and New Materials	Marketing	Natural Gas Sales	Head Office and Other	Total
Type of goods and services						
Crude oil	667,205	-	813,328	-	-	1,480,533
Natural gas	151,241	-	553,551	482,590	-	1,187,382
Refined products	-	938,829	1,312,009	-	-	2,250,838
Chemical products	-	219,089	60,872	-	-	279,961
Pipeline transportation business	-	-	-	829	-	829
Non-oil sales in gas stations	-	-	30,590	-	-	30,590
Others	110,550	6,515	776	35,730	5,452	159,023
Intersegment elimination	(777,846)	(827,572)	(520,502)	(22,156)	(3,210)	(2,151,286)
Revenue from contracts with customers	151,150	336,861	2,250,624	496,993	2,242	3,237,870
Other revenue	283	163	768	62	21	1,297
Total	151,433	337,024	2,251,392	497,055	2,263	3,239,167
Geographical Region						
China's mainland	86,645	336,861	964,872	496,993	2,242	1,887,613
Others	64,505	-	1,285,752	-	-	1,350,257
Revenue from contracts with customers	151,150	336,861	2,250,624	496,993	2,242	3,237,870
Other revenue	283	163	768	62	21	1,297
Total	151,433	337,024	2,251,392	497,055	2,263	3,239,167

(All amounts in RMB millions unless otherwise stated)

7 PROFIT BEFORE INCOME TAX EXPENSE

	2023 RMB	2022 RMB
Items credited and charged in arriving at the profit before income tax expense include:		
Credited		
Dividend income from equity investments measured at fair value through other comprehensive income	18	15
Reversal of provision for impairment of receivables	428	160
Reversal of write down in inventories	59	42
Gain/(loss) on disposal of investment in subsidiaries	102	(185)
Gain from ineffective portion of cash flow hedges(i)	1,226	2,217
Charged		
Amortisation of intangible and other assets	4,920	5,574
Depreciation and impairment losses:		
Property, plant and equipment	227,490	217,731
Right-of-use assets	15,042	14,731
Auditors' remuneration(ii)	46	47
Cost of inventories recognised as expense	2,279,690	2,500,861
Provision for impairment of receivables	473	1,784
Loss on disposal and scrap of property, plant and equipment(i)	11,591	20,726
Variable lease payments, low-value and short-term lease payment not included in the measurement of lease liabilities	2,140	2,083
Research and development expenses	21,957	20,016
Write down in inventories	6,470	8,609
Investment loss from disposal of derivative financial instruments(i)	11,019	28,931
Impairment of other non-current assets	259	4,653

(i) Other expenses, net primarily includes gain from ineffective portion of cash flow hedges, loss on disposal and scrap of property, plant and equipment, investment loss from disposal of derivative financial instruments, government grants, and refund of import value-added tax relating to the import of natural gas.

(ii) The auditors' remuneration above represents the annual audit fees paid by the Company. This remuneration does not include fees paid by subsidiaries to the Company's current auditor and its network firms which primarily included audit fees of RMB31 million, non-audit assurance services fees of RMB2 million, tax fees of RMB1 million, and other service fees of RMB1 million, respectively. (2022: RMB35 million, RMB0 million, RMB1 million, RMB3 million)

8 EMPLOYEE COMPENSATION COSTS

	2023 RMB	2022 RMB
Wages, salaries and allowances	114,965	107,808
Social security costs	57,780	55,265
	172,745	163,073

(All amounts in RMB millions unless otherwise stated)

Social security costs mainly represent contributions to plans for staff welfare organised by the PRC municipal and provincial governments and others, including contributions to the retirement benefit plans (Note 35).

9 TAXES OTHER THAN INCOME TAXES

	2023 RMB	2022 RMB
Consumption tax	183,360	159,132
Resource tax	29,674	32,991
Levy for mineral rights concessions(i)	23,685	-
City maintenance and construction tax	17,823	17,003
Educational surcharge	13,167	12,436
Crude oil special gain levy	17,108	43,768
Urban and township land use tax	3,716	3,702
Others	7,693	9,023
	296,226	278,055

(i) According to the Circular of the Ministry of Finance, Ministry of Natural Resources and State Taxation Administration on the Issuance of the Measures for the Collection of Levy for Mineral Rights Concessions (Cai Zong [2023] No.10), levy for mineral rights concessions = the transaction price of the exploration rights (mining rights) + the proceeds from the granting of the mining rights to be levied on a year-by-year basis. The transaction price of exploration rights (mining rights) is determined mainly on the basis of the area of the mining rights, taking into account such factors as mineralization conditions, the degree of exploration, changes in the market and competitive situation for mining rights. The transaction price of the exploration rights (mining rights) is levied at the time of the transfer. The proceeds from the granting of the mining rights to be levied on a year-by-year basis = annual revenue from the sale of mineral commodities × the rate of levy for mineral rights concessions, the rate of levy for mineral rights concessions for oil, natural gas, shale gas and natural gas hydrates in land area is 0.8%. The rate of levy for mineral rights concessions in sea area is 0.6%, and the rate of levy for mineral rights concessions for coalbed methane is 0.3%.

10 INTEREST EXPENSE

	2023 RMB	2022 RMB
Interest on		
Bank loans	4,104	4,160
Other loans	9,476	7,583
Lease liabilities	5,239	5,447
Accretion expense (Note 34)	5,722	5,681
	24,541	22,871
Less: Amounts capitalised	(478)	(1,317)
	24,063	21,554

Amounts capitalised are borrowing costs that are attributable to the construction of qualifying assets. The average interest rate used to capitalise such general borrowing cost was 3.49% per annum for the year ended December 31, 2023 (2022: 4.14% per annum).

11 EMOLUMENTS OF DIRECTORS AND SUPERVISORS

Details of the emoluments of directors and supervisors for the years ended December 31, 2023 and 2022 are as follows:

	2023				2022
Name	Fee for directors and supervisors	Salaries, allowances and other benefits	Contribution to retirement benefit scheme	Total	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman:					
Mr. Dai Houliang	-	-	-	-	-
Vice chairman:					
Mr. Hou Qijun	-	-	-	-	-
Executive directors:					
Mr. Huang Yongzhang	-	925	199	1,124	1,114
Mr. Ren Lixin	-	895	196	1,091	1,226
Mr. Zhang Daowei(i)	-	47	17	64	-
Mr. Jiao Fangzheng(ii)	-	230	96	326	761
	-	2,097	508	2,605	3,101
Non-executive directors:					
Mr. Duan Liangwei	-	-	-	-	-
Mr. Xie Jun(iii)	-	-	-	-	-
Mr. Liu Yuezhen(ii)	-	-	-	-	-
Mr. Cai Jinyong	597	-	-	597	593
Mr. Jiang, Simon X.	608	-	-	608	603
Mr. Zhang Laibin(iv)	-	-	-	-	-
Ms. Hung Lo Shan Lusan(iv)	-	-	-	-	-
Mr. Ho Kevin King Lun(iv)	-	-	-	-	-
Ms. Elsie Leung Oi-sie(iv)	523	-	-	523	529
Mr. Tokuchi Tatsuhito(iv)	523	-	-	523	539
Mr. Simon Peter Henry(v)	-	-	-	-	510
	2,251	-	-	2,251	2,774
Supervisors:					
Mr. Cai Anhui(iii)	-	-	-	-	-
Mr. Lv Bo(iii)	-	-	-	-	-
Mr. Xie Haibing(iii)	-	-	-	-	-
Ms. Zhao Ying(iii)	-	-	-	-	-
Mr. Cai Yong(iii)	-	-	-	-	-
Mr. Jiang Shangjun(vi)	-	-	-	-	-
Ms. Liao Guoqin(vi)	-	817	89	906	-
Mr. Fu Bin(viii)	-	1,193	196	1,389	506
Mr. Li Zhanming(vi)	-	925	77	1,002	-
Mr. Jin Yanjiang(vii)	-	1,143	101	1,244	747
Mr. Lan Jianbin(vii)	-	271	86	357	731
Mr. He Jiangchuan(vii)	-	323	85	408	930
Mr. Zhang Fengshan(iii)	-	-	-	-	-
Mr. Jiang Lifu(iii)	-	-	-	-	-
Mr. Lu Yaozhong(iii)	-	-	-	-	-
Mr. Wang Liang(viii)	-	-	-	-	-
Mr. Fu Suotang(vii)	-	-	-	-	143
Mr. Li Jiamin(vii)	-	-	-	-	251
Mr. Liu Xianhua(vii)	-	-	-	-	230
	-	4,672	634	5,306	3,538
	2,251	6,769	1,142	10,162	9,413

(i) Mr. Zhang Daowei was appointed as the Company's executive director from November 10, 2023.

(ii) Mr. Jiao Fangzheng was transferred from a non-executive director to an executive director and Mr. Liu Yuezhen ceased being the Company's non-executive director from April 29, 2022; Mr. Jiao Fangzheng ceased being the Company's executive director from June 8, 2023.

(iii) Mr. Xie Jun was elected as director, Mr. Lv Bo ceased being the chairman and supervisor of the Supervisory Committee of the Company, and Mr. Zhang Fengshan, Mr. Jiang Lifu and Mr. Lu Yaozhong ceased being the supervisors of the Company; Mr. Cai Anhui was elected as a supervisor and the chairman of the Supervisory Committee of the Company, and Mr. Xie Haibing, Ms. Zhao Ying and Mr. Cai Yong were elected as supervisors of the Company from June 9, 2022. Mr. Cai Anhui ceased being the Company's supervisor and the chairman of the Supervisory Committee from November 17, 2023.

(iv) Mr. Zhang Laibin, Ms. Hung Lo Shan Lusan, and Mr. Ho Kevin King Lun were elected as the Company's non-executive directors and Ms. Elsie Leung Oi-sie and Mr. Tokuchi Tatsuhito ceased being the Company's independent non-executive directors from June 8, 2023.

(v) Mr. Simon Peter Henry ceased being a non-executive director of the Company from June 15, 2022.

(vi) Mr. Jiang Shangjun, Ms. Liao Guoqin, and Mr. Li Zhanming were appointed as the Company's supervisors from June 8, 2023.

(vii) Mr. Fu Suotang, Mr. Li Jiamin and Mr. Liu Xianhua ceased being the supervisors of the Company and Mr. Lan Jianbin, Mr. He Jiangchuan and Mr. Jin Yanjiang were elected as Company's supervisors from May 19, 2022; Mr. Lan Jianbin and Mr. He Jiangchuan ceased being Company's supervisors from June 8, 2023.

(viii) Mr. Wang Liang ceased being the Company's supervisor and Mr. Fu Bin was elected as the supervisor of the Company from September 29, 2022.

(ix) The emoluments above are all pre-tax amounts paid by calendar year, and the emoluments of the executive directors and supervisors includes salaries and benefits such as basic pension insurance, basic medical insurance, housing provident fund, etc.

(x) The above emoluments for 2023 do not include the tenure incentive of RMB1.27 million for 2020-2022 payable by the Company to some supervisors and senior management personnel in accordance with the relavant regulations of tenure system and contract.

None of the directors and supervisors has waived their remuneration during the years ended December 31, 2023 and 2022.

The five highest paid individuals in the Company for the year ended December 31, 2023 are the five senior management whose allowances and other benefits were RMB1.459, RMB1.401, RMB1.395, RMB1.394 and RMB1.377, respectively, and whose contribution to retirement benefit scheme were RMB0.196, RMB0.196, RMB0.176, RMB0.196 and RMB0.196, respectively.

The five highest paid individuals in the Company for the year ended December 31, 2022 are the five senior management whose allowances and other benefits were RMB1.439, RMB1.359, RMB1.323, RMB1.265 and RMB1.044, respectively, and whose contribution to retirement benefit scheme were RMB0.182, RMB0.182, RMB0.182, RMB0.182 and RMB0.182, respectively.

During the years ended December 31, 2023 and 2022, 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.

(All amounts in RMB millions unless otherwise stated)

12 INCOME TAX EXPENSE

	2023	2022
	RMB	RMB
Current taxes	57,613	63,328
Deferred taxes (Note 33)	(444)	(13,399)
	57,169	49,929

In accordance with the relevant PRC income tax rules and regulations, the PRC corporate income tax rate applicable to the Group is principally 25%. In accordance with the Circular jointly issued by the Ministry of Finance ("MOF"), the General Administration of Customs of the PRC and the State Administration of Taxation ("SAT") on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategy (Cai Shui [2011] No.58) on July 27, 2011, and the Notice jointly issued by the MOF, the SAT, the NDRC on Continuing the Income Tax Policy for Western Development (Notice No.23 of 2020 of the MOF, the SAT, the NDRC) on April 23, 2020, the corporate income tax for the enterprises engaging in the encouraged industries in the Western China Region is charged at a preferential corporate income tax rate of 15% from January 1, 2011 to December 31, 2030. Certain branches and subsidiaries of the Company in the Western China Region obtained the approval for the use of the preferential corporate income tax rate of 15%.

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:

	2023	2022
	RMB	RMB
Profit before income tax expense	237,462	213,277
Tax calculated at a tax rate of 25%	59,366	53,319
Tax return true-up	(238)	(910)
Effect of income taxes from international operations different from taxes at the PRC statutory tax rate	4,560	7,857
Effect of preferential tax rate	(10,021)	(14,197)
Tax effect of income not subject to tax	(8,501)	(7,347)
Tax effect of expenses not deductible for tax purposes	8,720	9,875
Tax effect of temporary differences and losses not recognised as deferred tax assets	3,283	1,332
Income tax expense	57,169	49,929

(All amounts in RMB millions unless otherwise stated)

OECD Pillar Two model rules

The Group is with the scope of the OECD Pillar Two model rules. Under the legislation, the Group is liable to pay a top-up tax for the difference between their GloBE effective tax rate per jurisdiction and the 15% minimum rate. Pillar Two legislation for the subsidiaries of the Group, which are incorporated in certain jurisdictions, was enacted and will come into effect from January 1, 2024. Since the Pillar Two legislation was not effective at December 31, 2023, the Group has no related current tax exposure. And the Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

For the year ended December 31, 2023, the average effective tax rate for the subsidiaries of the Group operating in the certain jurisdictions which will come into effect the "Pillar Two" is:

	2023
	RMB
Profit before income tax expense	9,961
Income tax expense	405
Average effective tax rate	4.07%

The Group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect. This assessment indicates that, in certain jurisdictions, the average effective tax rate based on accounting profit is 4.07% for the annual reporting period to 31, December 2023. However, although the average effective tax rate is below 15%, the Group might not be exposed to paying Pillar Two income taxes in relation to certain jurisdictions. This is due to the impact of specific adjustments envisaged in the Pillar Two legislation which give rise to different effective tax rates compared to those calculated in accordance with paragraph 86 of IAS 12.

Due to the complexities in applying the legislation and calculating GloBE income, the quantitative impact of the enacted or substantively enacted legislation is not yet reasonably estimable. The entity is currently engaged with tax specialists to assist them with applying the legislation.

(All amounts in RMB millions unless otherwise stated)

13 PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company in the consolidated financial statements of the Group is RMB161,146 for the year ended December 31, 2023 (2022: RMB148,743).

14 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the years ended December 31, 2023 and 2022 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

	2023 RMB	2022 RMB
Interim dividends attributable to owners of the Company for 2023 (a)	38,434	-
Proposed final dividends attributable to owners of the Company for 2023 (b)	42,095	-
Interim dividends attributable to owners of the Company for 2022 (c)	-	37,076
Final dividends attributable to owners of the Company for 2022 (d)	-	40,265
	80,529	77,341

(a) Interim dividends attributable to owners of the Company in respect of 2023 of RMB0.21 yuan (inclusive of applicable tax) per share, amounting to a total of RMB38,434, were paid on September 20, 2023 (A shares) and October 30, 2023 (H shares).

(b) At the 6th meeting of the 9th session of the Board, the Board of Directors proposed final dividends attributable to owners of the Company in respect of 2023 of RMB0.23 yuan (inclusive of applicable tax) per share amounting to a total of RMB42,095. 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 during the year ending December 31, 2024 when approved at the forthcoming 2023 Annual General Meeting.

(c) Interim dividends attributable to owners of the Company in respect of 2022 of RMB0.20258 yuan (inclusive of applicable tax) per share, amounting to a total of RMB37,076, were paid on September 20, 2022 (A shares) and October 28, 2022 (H shares).

(d) Final dividends attributable to owners of the Company in respect of 2022 of RMB0.22 yuan (inclusive of applicable tax) per share, amounting to a total of RMB40,265, were approved at the 2022 Annual General Meeting held on June 8, 2023 and were paid on June 28, 2023 (A shares) and July 28, 2023 (H shares).

(All amounts in RMB millions unless otherwise stated)

16 PROPERTY, PLANT AND EQUIPMENT

Year Ended December 31, 2023	Buildings	Oil and Gas Properties	Equipment and Machinery	Motor Vehicles	Others	Construction in Progress	Total
	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Cost							
At beginning of the year	275,004	2,653,604	849,136	21,004	49,132	204,855	4,052,735
Additions	1,375	22,332	2,587	63	119	272,559	299,035
Transfers	8,273	205,739	44,412	558	2,928	(261,910)	-
Disposals or write offs	(2,360)	(48,079)	(4,967)	(1,131)	(3,007)	(11,147)	(70,691)
Currency translation differences	211	7,285	291	(2)	508	1,710	10,003
At end of the year	282,503	2,840,881	891,459	20,492	49,680	206,067	4,291,082
Accumulated depreciation and impairment							
At beginning of the year	(132,208)	(1,820,994)	(546,834)	(16,534)	(35,673)	(7,979)	(2,560,222)
Charge for the year and others	(11,505)	(174,314)	(36,140)	(879)	(2,363)	-	(225,201)
Impairment charge	(173)	(20,330)	(999)	(33)	(22)	(721)	(22,278)
Disposals or write offs or transfers	1,624	37,130	3,718	1,056	1,727	176	45,431
Currency translation differences	(89)	(6,117)	(155)	2	(476)	(110)	(6,945)
At end of the year	(142,351)	(1,984,625)	(580,410)	(16,388)	(36,807)	(8,634)	(2,769,215)
Net book value							
At end of the year	140,152	856,256	311,049	4,104	12,873	197,433	1,521,867

Year Ended December 31, 2022	Buildings	Oil and Gas Properties	Equipment and Machinery	Motor Vehicles	Others	Construction in Progress	Total
	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Cost							
At beginning of the year	258,858	2,452,625	778,003	21,903	47,275	232,282	3,790,946
Additions	327	78,917	3,877	125	462	258,562	342,270
Transfers	17,536	171,634	78,205	427	2,106	(269,908)	-
Disposals or write offs	(2,388)	(70,106)	(12,059)	(1,470)	(1,250)	(17,468)	(104,741)
Currency translation differences	671	20,534	1,110	19	539	1,387	24,260
At end of the year	275,004	2,653,604	849,136	21,004	49,132	204,855	4,052,735
Accumulated depreciation and impairment							
At beginning of the year	(120,417)	(1,635,837)	(516,649)	(16,991)	(33,145)	(8,611)	(2,331,650)
Charge for the year and others	(10,678)	(206,472)	(32,650)	(859)	(2,011)	-	(252,670)
Impairment charge	(957)	(14,750)	(3,510)	(20)	(1,328)	(1,830)	(22,395)
Disposals or write offs or transfers	31	52,701	6,450	1,355	1,180	2,366	64,083
Currency translation differences	(187)	(16,636)	(475)	(19)	(369)	96	(17,590)
At end of the year	(132,208)	(1,820,994)	(546,834)	(16,534)	(35,673)	(7,979)	(2,560,222)
Net book value							
At end of the year	142,796	832,610	302,302	4,470	13,459	196,876	1,492,513

(All amounts in RMB millions unless otherwise stated)

The Group's oil, gas and new energy segment determines whether there are any indicators of impairment for the oil and gas fields or blocks according to the guidelines issued by the Group on the identification of impairment signs of oil and gas assets, and performs the impairment tests on those oil and gas fields or blocks with indications of impairment, and reports the results to the Group's internal professional team (including exploration and finance expert) for further overall assessment and evaluation. The results of the impairment tests will be approved by the Group's management. The Group recorded impairment losses amounting to RMB20,330 related to oil and gas properties under the oil, gas and new energy segment for the year ended December 31, 2023 (2022: RMB14,750) due to decline in oil and gas reserves in certain oil and gas fields or blocks or change in business condition. The carrying amount of those impaired oil and gas properties was written down to their respective recoverable amounts, which were primarily determined using the discounted cash flow model. The Group's forecast of crude oil price is based on the prediction of the crude oil market and referring to the crude oil forecast prices published by a series of institutions; the forecast of future oil and gas production is based on the relevant future production in the oil and gas reserves assessment report evaluated by the oil and gas reserves assessment experts and approved by the management; the discount rates are based on the industry's weighted average cost of capital and adjusted for specific risks in different countries or regions. In 2023, the after-tax discount rates adopted by most oil and gas fields or blocks of the Group ranged from 6.7% to 14.1% (2022: 7.2% to 16.0%) per annum.

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, 2023 and 2022.

	2023 RMB	2022 RMB
At beginning of the year	24,845	29,387
Additions to capitalised exploratory well costs pending the determination of proved reserves	38,630	29,199
Reclassified to wells, facilities, and equipment based on the determination of proved reserves	(26,099)	(19,623)
Capitalised exploratory well costs charged to expense	(9,437)	(14,118)
At end of the year	27,939	24,845

The following table provides an aging of capitalised exploratory well costs based on the date the drilling was completed.

	December 31, 2023 RMB	December 31, 2022 RMB
One year or less	22,687	16,780
Over one year	5,252	8,065
Balance at December 31	27,939	24,845

Capitalised exploratory well costs over one year are principally related to the wells that are under further evaluation of drilling results or pending completion of development planning to ascertain economic viability.

(All amounts in RMB millions unless otherwise stated)

17 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The summarised financial information of the Group's principal associates and joint ventures, including the aggregated amounts of assets, liabilities, revenue, profit or loss and the interest held by the Group were as follows:

Name	Country of Incorporation	Registered Capital	Principal Activities	Interest Held	
				Direct %	Indirect %
China Oil & Gas Piping Network Corporation ("PipeChina")	PRC	500,000	Pipeline transport, storage service, import of equipment, import and export of techniques, science and technology research, research and application of informatization, technology consulting, technology service, technology transfer, promotion of technology	29.90	-
China Petroleum Finance Co., Ltd. ("CP Finance")	PRC	16,395	Deposits, loans, settlement, lending, bills acceptance discounting, guarantee and other banking business	32.00	-
CNPC Captive Insurance Co., Ltd.	PRC	6,000	Property loss insurance, liability insurance, credit insurance and deposit insurance; as well as the application of the above insurance reinsurance and insurance capital business	49.00	-
China Marine Bunker (PetroChina) Co., Ltd.	PRC	1,000	Oil import and export trade and transportation, sale and storage	-	50.00
Mangistau Investment B.V.	Netherlands	USD 131 million	Engages in investing activities, the principle activities of its main subsidiaries are exploration, development and sale of oil and gas	-	50.00
Trans-Asia Gas Pipeline Co., Ltd.	PRC	5,000	Main contractor, investment holding, investment management, investment consulting, enterprise management advisory, technology development, promotion and technology consulting	-	50.00

(All amounts in RMB millions unless otherwise stated)

Interest in Associates

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

	PipeChina		CP Finance		CNPC Captive Insurance Co., Ltd.	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	RMB	RMB	RMB	RMB	RMB	RMB
Percentage of ownership interest (%)	29.90	29.90	32.00	32.00	49.00	49.00
Current assets	118,631	104,889	437,359	401,971	10,346	8,859
Non-current assets	821,864	816,301	90,746	126,363	576	2,349
Current liabilities	130,331	132,266	436,116	442,283	271	470
Non-current liabilities	225,296	199,675	4,771	3,823	3,147	3,504
Net assets	584,868	589,249	87,218	82,228	7,504	7,234
Net assets attributable to owners of the Company	536,607	525,235	87,218	82,228	7,504	7,234
Group's share of net assets	160,445	157,045	27,910	26,313	3,677	3,545
Goodwill	-	-	349	349	-	-
Carrying amount of interest in associates	160,445	157,045	28,259	26,662	3,677	3,545

Summarised statement of comprehensive income and dividends received by the Group are as follow:

	PipeChina		CP Finance		CNPC Captive Insurance Co., Ltd.	
	2023	2022	2023	2022	2023	2022
	RMB	RMB	RMB	RMB	RMB	RMB
Revenue	120,943	112,832	17,834	13,302	1,289	931
Profit for the year	34,054	31,908	6,625	6,312	459	449
Other comprehensive income	-	-	996	1,174	-	-
Total comprehensive income	34,054	31,908	7,621	7,486	459	449
Total comprehensive income attributable to owners of the Company	28,823	26,212	7,621	7,486	459	449
Group's share of total comprehensive income	8,618	7,837	2,439	2,396	225	220
Dividends received by the Group	4,925	4,312	842	767	93	85

(All amounts in RMB millions unless otherwise stated)

Interest in Joint Ventures

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

	China Marine Bunker (PetroChina) Co., Ltd.		Mangistau Investment B.V.		Trans-Asia Gas Pipeline Co., Ltd.	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	RMB	RMB	RMB	RMB	RMB	RMB
Percentage of ownership interest (%)	50.00	50.00	50.00	50.00	50.00	50.00
Non-current assets	1,755	1,803	10,062	10,392	52,272	48,715
Current assets	10,460	10,551	2,879	1,196	622	644
Including: cash and cash equivalents	2,983	1,661	1,592	431	611	634
Non-current liabilities	178	196	2,164	2,333	2,106	2,105
Including: Non-current financial liabilities	-	-	15	14	2,100	2,100
Current liabilities	9,507	9,778	1,295	823	90	74
Including: Current financial liabilities excluding trade and other payables	6,494	6,143	-	-	-	-
Net assets	2,530	2,380	9,482	8,432	50,698	47,180
Net assets attributable to owners of the Company	2,194	2,070	9,482	8,432	50,698	47,180
Group's share of net assets	1,097	1,035	4,741	4,216	25,349	23,590
Carrying amount of interest in joint ventures	1,097	978	4,741	4,216	25,349	23,590

Summarised statement of comprehensive income as included in their own financial statements, adjusted for fair value adjustments and differences in accounting policies and dividends received by the Group is as follows:

	China Marine Bunker (PetroChina) Co., Ltd.		Mangistau Investment B.V.		Trans-Asia Gas Pipeline Co., Ltd.	
	2023	2022	2023	2022	2023	2022
	RMB	RMB	RMB	RMB	RMB	RMB
Revenue	63,485	80,086	13,684	13,279	21	16
Depreciation, depletion and amortisation	(191)	(180)	(2,223)	(950)	(13)	(11)
Interest income	128	48	17	16	29	36
Interest expense	(381)	(219)	(223)	(137)	(47)	(47)
Income tax expense	(76)	(72)	(742)	(558)	(94)	(27)
Profit for the year	201	126	816	1,486	4,404	4,112
Total comprehensive income	212	163	1,050	1,878	4,878	5,031
Total comprehensive income attributable to owners of the Company	170	118	1,050	1,878	4,878	5,031
Group's share of total comprehensive income	85	59	525	939	2,439	2,516
Dividends received by the Group	23	-	-	1,344	680	335

(All amounts in RMB millions unless otherwise stated)

Dividends received and receivable from associates and joint ventures were RMB8,764 in 2023 (2022: RMB9,803).

In 2023, investments in associates and joint ventures of RMB749 (2022: RMB721) were disposed, resulting in a loss of RMB36 (2022: RMB24) which was included in other income.

In 2023, the share of profit and other comprehensive loss in all individually immaterial associates and joint ventures accounted for using equity method in aggregate was RMB4,361 (2022: RMB2,324) and RMB601 (2022: a loss of RMB386), respectively.

18 EQUITY INVESTMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31, 2023	December 31, 2022
	RMB	RMB
Houpu Clean Energy Group Co., Ltd.	290	251
China Pacific Insurance (Group) Co., Ltd.	-	120
Other items	542	572
	832	943

Dividends amounting to RMB18 were received on these investments during the year ended December 31, 2023 (2022: RMB15).

(All amounts in RMB millions unless otherwise stated)

19 SUBSIDIARIES

The principal subsidiaries of the Group are:

Company Name	Country of Incorporation	Registered Capital	Type of Legal Entity	Attributable Equity Interest%	Voting Rights%	Principal Activities
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 outside the PRC
PetroChina Hong Kong Limited	Hong Kong	HKD 7,592 million	—	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 associates and joint ventures are the exploration, development and production of crude oil, natural gas, oil sands and coalbed methane outside the PRC
PetroChina International Company Limited	PRC	18,096	Limited liability company	100.00	100.00	Engaged in trading of crude oil, natural gas 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 Sichuan Petrochemical Company Limited	PRC	10,000	Limited liability company	90.00	90.00	Engaged in the production and sale of oil refining, petrochemical and chemical products, chemical technology development, technology transfer and technical services
KunLun Energy Company Limited(ii)	Bermuda	HKD 160 million	—	54.38	54.38	Investment holding. The principal activities of its principal subsidiaries, associates and joint ventures are the sales of natural gas, sales of liquefied petroleum gas and liquefied natural gas processing, storage and transportation business in the PRC and the exploration and production of crude oil and natural gas in the PRC, the Republic of Kazakhstan, the Sultanate of Oman, the Republic of Peru, the Kingdom of Thailand and the Republic of Azerbaijan.

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

(ii) Kunlun Energy Co., Ltd. is a company listed on The Stock Exchange of Hong Kong Limited.

(All amounts in RMB millions unless otherwise stated)

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

	CNPC Exploration and Development Company Limited		PetroChina Sichuan Petrochemical Company Limited	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	RMB	RMB	RMB	RMB
Percentage of ownership interest (%)	50.00	50.00	90.00	90.00
Current assets	49,758	20,186	13,827	4,391
Non-current assets	168,939	190,630	14,747	22,131
Current liabilities	17,665	15,463	3,736	1,700
Non-current liabilities	12,545	20,904	240	313
Net assets	188,487	174,449	24,598	24,509

Summarised statement of comprehensive income is as follows:

	CNPC Exploration and Development Company Limited		PetroChina Sichuan Petrochemical Company Limited	
	2023	2022	2023	2022
	RMB	RMB	RMB	RMB
Revenue	52,061	55,499	50,066	58,131
Net profit	16,253	12,390	218	33
Total comprehensive income	18,942	23,813	218	33
Profit attributable to non-controlling interests	8,731	6,956	22	3
Dividends paid to non-controlling interests	2,916	4,383	-	62

Summarised statement of cash flows is as follows:

	CNPC Exploration and Development Company Limited		PetroChina Sichuan Petrochemical Company Limited	
	2023	2022	2023	2022
	RMB	RMB	RMB	RMB
Net cash inflow/(outflow) from operating activities	10,996	16,850	3,482	(771)
Net cash inflow/(outflow) from investing activities	3,481	3,013	(3,398)	1,466
Net cash outflow from financing activities	(9,934)	(16,628)	(84)	(695)
Effect of foreign exchange rate changes on cash and cash equivalents	160	33	-	-
Net increase in cash and cash equivalents	4,703	3,268	-	-
Cash and cash equivalents at the beginning of the year	12,053	8,785	1	1
Cash and cash equivalents at the end of the year	16,756	12,053	1	1

(All amounts in RMB millions unless otherwise stated)

20 LEASES

The leases where the Group is a lessee.

(a) Right-of-use assets

	December 31, 2022	Addition	Reduction	December 31, 2023
Cost				
Land	183,803	5,224	(833)	188,194
Buildings	58,633	3,749	(4,197)	58,185
Equipment and Machinery	6,595	1,490	(668)	7,417
Others	1,191	118	(202)	1,107
Total	250,222	10,581	(5,900)	254,903
Accumulated depreciation				
Land	(24,727)	(6,892)	276	(31,343)
Buildings	(18,720)	(6,677)	3,034	(22,363)
Equipment and Machinery	(2,957)	(1,537)	582	(3,912)
Others	(753)	(88)	150	(691)
Total	(47,157)	(15,194)	4,042	(58,309)
Net book value				
Land	159,076			156,851
Buildings	39,913			35,822
Equipment and Machinery	3,638			3,505
Others	438			416
Total	203,065			196,594

	December 31, 2021	Addition	Reduction	December 31, 2022
Cost				
Land	180,600	4,659	(1,456)	183,803
Buildings	56,890	5,451	(3,708)	58,633
Equipment and Machinery	4,474	2,613	(492)	6,595
Others	1,818	97	(724)	1,191
Total	243,782	12,820	(6,380)	250,222
Accumulated depreciation				
Land	(18,417)	(6,694)	384	(24,727)
Buildings	(14,425)	(6,521)	2,226	(18,720)
Equipment and Machinery	(1,577)	(1,730)	350	(2,957)
Others	(757)	(140)	144	(753)
Total	(35,176)	(15,085)	3,104	(47,157)
Net book value				
Land	162,183			159,076
Buildings	42,465			39,913
Equipment and Machinery	2,897			3,638
Others	1,061			438
Total	208,606			203,065

(All amounts in RMB millions unless otherwise stated)

The Group's right-of-use assets mainly include leased land, buildings, equipment and machinery. The leases underlying assets classified as buildings are mainly the leased gas filling stations, oil storages and office buildings. The leases underlying assets classified as equipment and machinery are mainly production equipment and other movable equipment.

(b) Lease liabilities

	December 31, 2023	December 31, 2022
	RMB	RMB
Lease liabilities	121,211	125,760
Less: Lease liabilities due within one year	(7,773)	(7,560)
	113,438	118,200

Depreciation charged to profit or loss provided on right-of-use assets for the year ended December 31, 2023 was RMB15,042 (2022:RMB14,731).

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

	December 31, 2023	December 31, 2022
	RMB	RMB
Within 1 year	12,355	13,244
Between 1 and 2 years	11,720	11,301
Between 2 and 5 years	29,252	30,995
Over 5 years	140,715	148,974
	194,042	204,514

(All amounts in RMB millions unless otherwise stated)

21 INTANGIBLE AND OTHER NON-CURRENT ASSETS

	December 31, 2023			December 31, 2022		
	Cost	Accumulated amortization and impairment losses	Net	Cost	Accumulated amortisation and impairment losses	Net
	RMB	RMB	RMB	RMB	RMB	RMB
Patents and technical know-how	10,148	(7,440)	2,708	10,196	(7,295)	2,901
Computer software	13,559	(10,423)	3,136	13,582	(10,169)	3,413
Goodwill (i)	8,770	(1,328)	7,442	8,623	(1,306)	7,317
Others	27,389	(12,151)	15,238	27,502	(11,505)	15,997
Intangible assets	59,866	(31,342)	28,524	59,903	(30,275)	29,628
Other assets			43,184			40,185
			71,708			69,813

(i) Goodwill primarily relates to the acquisition of Singapore Petroleum Company and Petrolneos Trading Limited, subsidiaries in the Marketing segment, completed in 2009 and 2011, respectively.

The impairment of goodwill shall be tested in combination with its related asset groups. The recoverable amount of all cash-generating units has been determined based on the higher of fair value less costs to sell and value in use. These calculations use post-tax cash flow projections based on financial budgets prepared by the management. The post-tax discount rates reflect specific risks relating to the cash-generating unit.

For impairment test of the goodwill, the post-tax discount rates ranged from 8.90% to 11.75% (2022: 9.0% to 18.6%) were used by the management, and there was no impairment loss recoginsed for the year ended December 31, 2023 (2022:RMB1,227). Movements in provision for impairment of goodwill was the effect of exchange rate changes in 2023.

22 INVENTORIES

	December 31, 2023	December 31, 2022
	RMB	RMB
Crude oil and other raw materials	62,784	56,756
Work in progress	21,386	14,448
Finished goods	102,041	104,722
Spare parts and consumables	119	109
	186,330	176,035
Less: Write down in inventories	(5,797)	(8,284)
	180,533	167,751

(All amounts in RMB millions unless otherwise stated)

23 ACCOUNTS RECEIVABLE

	December 31, 2023 RMB	December 31, 2022 RMB
Accounts receivable	71,448	74,917
Less: Provision for impairment of accounts receivable	(2,687)	(2,889)
	68,761	72,028

The aging analysis of accounts receivable (net of impairment of accounts receivable) based on the date of revenue recognition, at December 31, 2023 and 2022 is as follows:

	December 31, 2023 RMB	December 31, 2022 RMB
Within 1 year	67,088	71,307
Between 1 and 2 years	1,491	266
Between 2 and 3 years	148	302
Over 3 years	34	153
	68,761	72,028

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

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

	2023 RMB	2022 RMB
At beginning of the year	2,889	1,414
Provision for impairment of accounts receivable	187	1,598
Reversal of provision for impairment of accounts receivable	(389)	(124)
Receivables written off as uncollectible and others	-	1
At end of the year	2,687	2,889

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

(All amounts in RMB millions unless otherwise stated)

			Impairment provision on provision matrix basis		
	Gross carrying amount	Impairment provision on individual basis	Weighted-average loss rate	Impairment provision	Loss allowance
December 31, 2023	**RMB**	**RMB**	**%**	**RMB**	**RMB**
Current (not past due)	66,179	462	0.6%	371	833
Within 1 year past due	2,561	41	2.8%	70	111
1 to 2 years past due	935	1	13.7%	128	129
2 to 3 years past due	369	-	61.2%	226	226
Over 3 years past due	1,404	618	98.0%	770	1,388
Total	71,448	1,122		1,565	2,687

			Impairment provision on provision matrix basis		
	Gross carrying amount	Impairment provision on individual basis	Weighted-average loss rate	Impairment provision	Loss allowance
December 31, 2022	**RMB**	**RMB**	**%**	**RMB**	**RMB**
Current (not past due)	68,951	-	1.1%	803	803
Within 1 year past due	3,951	380	1.1%	38	418
1 to 2 years past due	476	-	55.3%	263	263
2 to 3 years past due	522	172	70.3%	246	418
Over 3 years past due	1,017	446	94.7%	541	987
Total	74,917	998		1,891	2,889

24 DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments of the Group are mainly commodity futures, commodity swaps and commodity forwards contracts, as presented in Note 4.3.

(All amounts in RMB millions unless otherwise stated)

25 PREPAYMENTS AND OTHER CURRENT ASSETS

	December 31, 2023	December 31, 2022
	RMB	RMB
Other receivables(i)	34,036	47,410
Advances to suppliers	12,816	14,261
	46,852	61,671
Less: Provision for impairment	(3,351)	(3,124)
	43,501	58,547
Value-added tax recoverable	33,499	34,256
Prepaid expenses	365	414
Prepaid income taxes	11,617	12,107
Other current assets(ii)	17,823	14,330
	106,805	119,654

(i) As of December 31, 2023 and December 31, 2022, the Group's other receivables are mainly in the first stage.

(ii) Other current assets consist primarily of receivables from associates, dividends receivables, interests receivables, etc.

26 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at fair value through other comprehensive income represent mainly bills of acceptance issued by banks. The Group's business model of financial assets at fair value through other comprehensive income is achieved both by collecting contractual cash flows and selling of these assets. All financial assets at fair value through other comprehensive income are due within one year, and their fair values approximate the face values of the bills.

27 CASH AND CASH EQUIVALENTS

The weighted average effective interest rate on bank deposits was 2.00% per annum for the year ended December 31, 2023 (2022: 1.83% per annum).

28 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2023	December 31, 2022
	RMB	RMB
Trade payables	169,664	172,546
Salaries and welfare payable	8,522	9,385
Dividends payable	470	581
Notes payables	20,731	15,630
Construction fee and equipment cost payables	119,492	116,571
Others (i)	43,276	57,656
	362,155	372,369

(i) Others consist primarily of deposit, earnest money, caution money and insurance payables, etc.

(All amounts in RMB millions unless otherwise stated)

The aging analysis of trade payables at December 31, 2023 and 2022 is as follows:

	December 31, 2023 RMB	December 31, 2022 RMB
Within 1 year	159,875	162,431
Between 1 and 2 years	2,644	2,682
Between 2 and 3 years	842	1,072
Over 3 years	6,303	6,361
	169,664	172,546

29 CONTRACT LIABILITIES

As of December 31, 2023 and December 31, 2022, contract liabilities mainly represented advances from customers related to the sales of refined oil and natural gas. The majority of related obligations were expected to be performed with corresponding revenue recognised within one year. Substantially all of contract liabilities at the beginning of the year have been recognised as revenue for the year ended December 31, 2023.

30 BORROWINGS

	December 31, 2023 RMB	December 31, 2022 RMB
Short-term borrowings excluding current portion of long-term borrowings	38,979	38,375
Current portion of long-term borrowings	109,801	62,264
	148,780	100,639
Long-term borrowings	143,198	222,478
	291,978	323,117

	December 31, 2023 RMB	December 31, 2022 RMB
Bank loans	88,579	110,117
Corporate debentures	15,922	18,468
Medium-term notes	38,380	59,380
Other loans	149,097	135,152
	291,978	323,117

Borrowings of the Group of RMB5,189 were guaranteed by CNPC and its fellow subsidiaries and non-controlling interests of the subsidiaries of the Group at December 31, 2023 (2022: RMB11,186).

As of December 31, 2023, the RMB pledge borrowings were mainly pledged by natural gas charging rights. The Group's borrowings include pledge loans totaling RMB708 (2022: RMB3,134), and the US dollar pledge borrowings were pledged by the bank deposit of RMB2,140 (2022: RMB3,286).

(All amounts in RMB millions unless otherwise stated)

The Group's borrowings include mortgage loans totaling RMB1,443 at December 31, 2023 (2022: RMB1,074), which were secured by property, plant and equipment with net book value of RMB998 (2022: RMB1,271) and intangible and other non-current assets with net book value of RMB321 (2022: RMB65).

	December 31, 2023 RMB	December 31, 2022 RMB
Total borrowings:		
- interest free	113	103
- at fixed rates	137,916	112,588
- at floating rates	153,949	210,426
	291,978	323,117
Weighted average effective interest rates:		
- bank loans	3.33%	3.04%
- corporate debentures	3.82%	4.05%
- medium-term notes	3.50%	3.12%
- other loans	4.60%	3.47%

The borrowings by major currency at December 31, 2023 and 2022 are as follows:

	December 31, 2023 RMB	December 31, 2022 RMB
RMB	190,993	218,897
US Dollar	93,339	97,503
Other currency	7,646	6,717
	291,978	323,117

The fair values of the Group's long-term borrowings including the current portion of long-term borrowings are RMB250,350 at December 31, 2023 (2022: RMB286,770). 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 consolidated statement of financial position. Such discount rates ranged from 3.43% to 5.59% per annum as of December 31, 2023 (2022: 2.13% to 5.48%) depending on the type of the borrowings.

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

	December 31, 2023 RMB	December 31, 2022 RMB
Within 1 year	160,305	107,461
Between 1 and 2 years	93,927	129,885
Between 2 and 5 years	36,931	102,490
After 5 years	22,961	16,500
	314,124	356,336

(All amounts in RMB millions unless otherwise stated)

Reconciliation of movements of borrowings to cash flows arising from financing activities:

	2023	2022
	RMB	RMB
At beginning of the year	323,117	340,450
Changes from financing cash flows:		
Increase in borrowings	638,826	866,348
Repayments of borrowings	(674,641)	(891,329)
Total changes from financing cash flows	(35,815)	(24,981)
Exchange adjustments	1,273	7,648
Interest payable	3,403	-
At end of the year	291,978	323,117

31 SHARE CAPITAL

	December 31, 2023	December 31, 2022
	RMB	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 RMB1.00 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. 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. The H shares and ADSs were issued at prices of HKD1.28 per H share and USD16.44 per ADS respectively for which the net proceeds to the Company were approximately RMB20 billion. The shares issued pursuant to the Global Offering rank equally with existing shares.

On September 1, 2005, the Company issued an additional 3,196,801,818 new H shares at HKD6.00 per share and net proceeds to the Company amounted to approximately RMB19,692. CNPC also sold 319,680,182 state-owned shares it held concurrently with PetroChina's sale of new H shares in September 2005.

On October 31, 2007, the Company issued 4,000,000,000 new A shares at RMB16.70 yuan per share and net proceeds to the Company amounted to approximately RMB66,243 and the listing and trading of the A shares on the Shanghai Stock Exchange commenced on November 5, 2007.

(All amounts in RMB millions unless 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.

The Company's ADSs were delisted from the NYSE in September 2022.

32 RESERVES AND RETAINED EARNINGS

(a) Reserves

	The Group		The Company	
	2023	2022	2023	2022
	RMB	RMB	RMB	RMB
Capital Reserve				
Beginning balance	133,308	133,308	130,681	130,681
Ending balance	133,308	133,308	130,681	130,681
Statutory Common Reserve Fund (i)				
At beginning of the year (before adjustment)	224,957	211,970	213,865	200,878
Change in accounting policy (Note 2)	(394)	(309)	(394)	(309)
At beginning of the year (adjusted)	224,563	211,661	213,471	200,569
Transfer from retained earnings	13,239	12,902	13,239	12,902
Ending balance	237,802	224,563	226,710	213,471
Special Reserve-Safety Fund Reserve				
Beginning balance	8,490	9,231	4,620	4,829
Safety fund reserve	(1,632)	(741)	(675)	(209)
Ending balance	6,858	8,490	3,945	4,620
Currency Translation Differences (ii)				
Beginning balance	(31,774)	(35,532)	-	-
Currency translation differences	2,252	3,758	-	-
Ending balance	(29,522)	(31,774)	-	-
Other Reserves				
Beginning balance	(2,260)	(10,417)	(10,369)	(7,118)
Transaction with non-controlling interests	503	-	-	-
Fair value changes in equity investments measured at fair value through other comprehensive income	(97)	(10)	8	(28)
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	76	654	327	395
Cash flow hedges, net of deferred tax	(1,893)	11,273	153	103
Others	(1,037)	(3,760)	(906)	(3,721)
Ending balance	(4,708)	(2,260)	(10,787)	(10,369)
	343,738	332,327	350,549	338,403

(All amounts in RMB millions unless otherwise stated)

(i) Pursuant to the China Accounting Standards and the Company's Articles of Association, the Company is required to transfer 10% of its net profit, as determined under the China Accounting Standards, 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.

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.

(ii) The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

(b) The Company's retained earnings

	2023	2022
	RMB	RMB
At beginning of the year (before adjustment)	723,139	664,090
Change in accounting policy (Note 2)	(393)	(2,774)
At beginning of the year (adjusted)	722,746	661,316
Total comprehensive income for the year	132,394	129,023
Transfer to reserves	(13,239)	(12,902)
Dividends	(78,699)	(54,686)
Others	87	(5)
At end of the year	763,289	722,746

According to the relevant China Accounting Standards, the distributable reserve is the lower of the retained earnings computed under China Accounting Standards and IFRS Accounting Standards. As of December 31, 2023, the Company's distributable reserve amounted to RMB754,155 (2022: RMB717,152 (before adjustment), RMB713,612 (adjusted)).

33 DEFERRED TAXATION

The movements in the deferred taxation account are as follows:

	2023	2022
	RMB	RMB
At beginning of the year	(5,004)	(17,530)
Transfer to profit and loss (Note 12)	444	13,399
(Debit)/credit to other comprehensive income	(443)	(873)
At end of the year	(5,003)	(5,004)

(All amounts in RMB millions unless otherwise stated)

Deferred tax balances before offset are attributable to the following items:

	December 31, 2023 RMB	December 31, 2022 RMB
Deferred tax assets:		
Receivables and inventories	12,824	14,479
Tax losses	2,581	1,560
Impairment, depreciation and depletion of long-term assets	3,418	4,896
Lease liabilities	28,687	29,846
Provisions-Asset retirement obligations	34,653	33,681
Others	7,330	5,520
Total deferred tax assets	89,493	89,982
Deferred tax liabilities:		
Accelerated tax depreciation	31,734	34,913
Right-of-use assets	26,505	27,751
Oil and Gas Properties retirement obligations	5,529	4,544
Others	30,728	27,778
Total deferred tax liabilities	94,496	94,986
Net deferred tax liabilities	(5,003)	(5,004)

Deferred tax balances after offset are listed as follows:

	December 31, 2023 RMB	December 31, 2022 RMB
Deferred tax assets	18,127	16,614
Deferred tax liabilities	23,130	21,618

At December 31, 2023, certain subsidiaries of the Group did not recognise deferred tax asset of deductible tax losses carried forward of RMB38,518 (2022: RMB112,702), of which RMB13,247 (2022: RMB5,229) was incurred for the year ended December 31, 2023, because it was not probable that the related tax benefit will be realised. These deductible tax losses carried forward of RMB590, RMB3,691, RMB1,197, RMB1,041, RMB2,995 and RMB29,004 will expire in 2024, 2025, 2026, 2027, 2028 and thereafter, respectively.

(All amounts in RMB millions unless otherwise stated)

34 ASSET RETIREMENT OBLIGATIONS

	2023	2022
	RMB	RMB
At beginning of the year	142,081	129,405
Net liabilities incurred, including reassessment	2,059	11,954
Liabilities settled	(5,624)	(4,955)
Accretion expense (Note 10)	5,722	5,681
Currency translation differences	61	(4)
At end of the year	144,299	142,081

Asset retirement obligations relate to oil and gas properties (Note 16).

35 PENSIONS

The Group participates in various employee retirement benefit plans (Note 3.1(f)). Expenses incurred by the Group in connection with the retirement benefit plans for the year ended December 31, 2023 amounted to RMB22,072 (2022: RMB20,728).

For the years ended December 31, 2023 and 2022, the Group had no forfeited in the defined contribution plans available for the Group used to reduce the existing contribution level.

36 CONTINGENT LIABILITIES

(a) Bank and other guarantees

At December 31, 2023 and 2022, the Group did not guarantee related parties or third parties any significant borrowings or others.

(b) Environmental liabilities

The PRC has enacted comprehensive environmental laws and regulations that affect the operation of the oil and gas industry. Management believes that there are no probable liabilities under existing legislation, 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.

As of December 31, 2023, the amounts of asset retirement obligations which have already been reflected in the consolidated financial statements relating to environmental liability were RMB144,299 (2022: RMB142,081) (Note 34).

(All amounts in RMB millions unless otherwise stated)

(c) Legal contingencies

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

(d) Group insurance

The Group has insurance coverage for 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 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.

37 COMMITMENTS

(a) Capital commitments

At December 31, 2023, the Group's capital commitments contracted but not provided for, mainly relating to property, plant and equipment, were RMB6,050 (2022: RMB882). These capital commitments are transactions mainly with CNPC and its fellow subsidiaries.

(b) Exploration and production licenses

The Company is obligated to make annual payments with respect to its exploration and production licenses to the Ministry of Natural Resources. Payments incurred were RMB516 for the year ended December 31, 2023 (2022: RMB482).

According to the current policy, estimated annual payments for the next five years are as follows:

	December 31, 2023	December 31, 2022
	RMB	RMB
Within one year	500	500
Between one and two years	500	500
Between two and three years	500	500
Between three and four years	500	500
Between four and five years	170	500

(All amounts in RMB millions unless otherwise stated)

38 MAJOR CUSTOMERS

The Group's major customers are as follows:

	2023		2022	
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue
	RMB	%	RMB	%
China Petrochemical Corporation and its fellow subsidiaries	126,734	4	121,312	4
CNPC and its fellow subsidiaries	41,293	2	81,112	2
	168,027	6	202,424	6

39 RELATED PARTY TRANSACTIONS

CNPC, the immediate parent of the Company, is a limited liability company incorporated in PRC and directly controlled by the PRC government. Equity interest and voting rights of CNPC in the Company in 2023 was 82.62% (2022: 80.54%).

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

The Group has extensive transactions with other companies in CNPC and its fellow subsidiaries, associates and joint ventures. Due to the relationships, it is possible that the terms of the transactions between the Group and other members of CNPC and its fellow subsidiaries, associates and joint ventures 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, which were carried out in the ordinary course of business, are as follows:

The Company and CNPC entered into a Comprehensive Products and Services Agreement on August 27, 2020 for a period of three years effective from January 1, 2021. 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, then the actual cost incurred or the agreed contractual prices are used. On August 30, 2023, the Company and CNPC entered into a new Comprehensive Products and Services Agreement (the "New Comprehensive Agreement") on the basis of the Comprehensive Agreement signed in 2020. The New Comprehensive Agreement is valid for 3 years and took effect from January 1, 2024.

On August 25,2011, based on the Land Use Rights Leasing Contract signed for a period of 50 years from 2000, the Company and CNPC entered into a supplemental agreement to the Land Use Rights Leasing Contract which took effect on January 1, 2012. The expiry date of the supplemental agreement is the same as the Land Use Rights Leasing Contract, which is in 2050. The Company and CNPC may adjust area and rental payable for the leased land parcels every three years taking into consideration of production and operations of the Company and the prevailing market price. On August 27, 2020, the Company and CNPC each issued a confirmation letter to the Land Use Rights Leasing Contract, which adjusted the rental payable and the area for the leased land parcels with effect from January 1, 2021. The Company agreed to rent from CNPC and its fellow subsidiaries parcels of land with an aggregate area of approximately 1,142 million square metres with annual rental payable (exclusive of tax and government charges) approximately RMB5,673 based on the area of leased land parcels and the current market conditions. On August 30, 2023, the Company and CNPC each issued a confirmation letter to the Land Use Rights Leasing Contract, which adjusted the rental payable and the area for the leased land parcels with effect from January 1, 2024. The Company agreed to rent from CNPC and its fellow subsidiaries parcels of land with an aggregate area of approximately 1,134 million square metres with annual rental payable (exclusive of tax and government charges) approximately RMB5,724 based on the area of leased land parcels and the current market conditions.Apart from the annual rental payable and are for the leased parcels, the other terms in the Land Use Rights Leasing Contract and supplemental agreement remained.

On August 24, 2017, the Company entered into a new Buildings Leasing Contract with CNPC, which took effect on January 1, 2018 for a period of 20 years. The Company and CNPC may adjust the area of buildings leased and the rental fees every three years as appropriate by reference to the production and operations of the Company and the prevailing market prices, but the adjusted rental shall not exceed the comparable fair market prices. On August 27, 2020, the Company and CNPC issued a confirmation letter to the Buildings Leasing Contract, which adjusted the annual rental payable and the area for the leased which took effect on January 1, 2021. Buildings covering an aggregate area of 1,287.5 thousand square meters were leased at annual rental payable approximately RMB713 in accordance with the confirmed rental area and the current property market conditions. On August 30, 2023, the Company and CNPC issued a confirmation letter to the Buildings Leasing Contract, which adjusted the annual rental payable and the area for the leased which took effect on January 1, 2024. Buildings covering an aggregate area of 1,613.1 thousand square meters were leased at annual rental payable approximately RMB893 in accordance with the confirmed rental area and the current property market conditions.Apart from the annual rental payable and area of the leased building, the other terms in the Building Leasing Contract remains unchanged.

Transactions with CNPC and its fellow subsidiaries, associates and joint ventures are summarised as follows:

- 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 RMB158,545 for the year ended December 31, 2023 (2022: RMB128,265).

- 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 RMB9,796 for the year ended December 31, 2023 (2022: RMB34,872).

- 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 RMB499,863 for the year ended December 31, 2023 (2022: RMB489,353).

- Purchases of assets principally represent the purchases of manufacturing equipment, office equipment and transportation equipment, etc. The total amount of these transactions amounted to RMB1,577 for the year ended December 31, 2023 (2022: RMB1,196).

- Interest income represents interests from deposits placed with CNPC and its fellow subsidiaries. The total interest income amounted to RMB1,290 for the year ended December 31, 2023 (2022: RMB705). The balance of deposits at December 31, 2023 was RMB54,142 (2022: RMB47,656).

- Interest expense and other financial service expense, principally represents interest charged on the loans from CNPC and its fellow subsidiaries, insurance fee charged on the insurance services from CNPC and its fellow subsidiaries, etc. The total amount of these transactions amounted to RMB4,806 for the year ended December 31, 2023 (2022: RMB4,435).

- The borrowings from CNPC and its fellow subsidiaries at December 31, 2023 were RMB148,514 (2022: RMB133,453).

- Rents and other payments paid to CNPC and its fellow subsidiaries including (1) the rental expense paid by the Group according to Land Use Rights Leasing Contract and Buildings Leasing Contract between the Group and CNPC; (2) the payable by the Group (including all rents, leasing service fees and prices for exercising purchase options) for the period according to the leasing agreements entered into by the Group and CNPC and its fellow subsidiaries. The total rents and other payments amounted to RMB6,598 for the year ended December 31, 2023 (2022: RMB6,996).

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

	December 31, 2023	December 31, 2022
	RMB	RMB
Accounts receivable	4,626	3,810
Prepayments and other current assets	21,450	20,566
Financial assets at fair value through other comprehensive income	-	1,000
Intangible and other non-current assets	16,268	16,758
Accounts payable and accrued liabilities	48,386	57,459
Contract liabilities	1,508	520
Lease liabilities	96,003	98,143

(b) Key management compensation

	2023	2022
	RMB'000	RMB'000
Emoluments and other benefits	19,963	16,515
Contribution to retirement benefit scheme	2,572	2,052
	22,535	18,567

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

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

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

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

40 SEGMENT INFORMATION

The Group is principally engaged in a broad range of petroleum related products, services and activities. The Group's operating segments comprise: Oil, Gas and New energy, Refining, Chemicals and New materials, Marketing, Natural Gas Sales and Head Office and Other. 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 price. Additionally, the Group presents geographical information based on entities located in regions with a similar risk profile.

The Oil, Gas and New energy segment is engaged in the exploration, development, production, transportation and marketing of crude oil and natural gas and new energy business.

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

The Marketing segment is engaged in the marketing of refined products and non-oil products, and the trading business.

The Natural Gas Sales segment is engaged in the transportation and sale of natural gas business.

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 other 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".

(All amounts in RMB millions unless otherwise stated)

The segment information for the operating segments for the years ended December 31, 2023 and 2022 are as follows:

Year Ended December 31, 2023	Oil, Gas and New Energy	Refining, Chemicals and New Materials	Marketing	Natural Gas Sales	Head Office and Other	Total
	RMB	RMB	RMB	RMB	RMB	RMB
Revenue	892,335	1,221,161	2,527,059	561,191	7,039	5,208,785
Less: Intersegment sales	(747,603)	(884,978)	(534,421)	(27,249)	(3,522)	(2,197,773)
Revenue from external customers	144,732	336,183	1,992,638	533,942	3,517	3,011,012
Depreciation, depletion and amortisation	(194,072)	(28,217)	(17,926)	(5,439)	(1,798)	(247,452)
Including: Impairment losses of property, plant and equipment	(21,793)	(32)	(85)	(368)	-	(22,278)
Profit/(loss) from operations	148,695	36,936	23,962	43,044	(17,171)	235,466
Finance costs:						
Exchange gain						20,162
Exchange loss						(20,906)
Interest income						8,265
Interest expense						(24,063)
Total net finance costs						(16,542)
Share of profit/(loss) of associates and joint ventures	4,553	(43)	1,580	9,980	2,468	18,538
Profit before income tax expense						237,462
Income tax expense						(57,169)
Profit for the year						180,293
Segment assets	1,490,035	517,096	613,381	200,258	1,601,964	4,422,734
Other assets						29,744
Investments in associates and joint ventures	50,388	3,154	18,240	173,683	35,405	280,870
Elimination of intersegment balances(a)						(1,980,900)
Total assets						2,752,448
Capital expenditures	248,378	16,383	4,673	4,050	1,854	275,338
Segment liabilities	591,540	260,787	375,033	148,957	571,825	1,948,142
Other liabilities						97,045
Elimination of intersegment balances(a)						(923,112)
Total liabilities						1,122,075

(All amounts in RMB millions unless otherwise stated)

Year Ended December 31, 2022	Oil, Gas and New Energy	Refining, Chemicals and New Materials	Marketing	Natural Gas Sales	Head Office and Other	Total
	RMB	RMB	RMB	RMB	RMB	RMB
Revenue	929,279	1,164,596	2,771,894	519,211	5,473	5,390,453
Less: Intersegment sales	(777,846)	(827,572)	(520,502)	(22,156)	(3,210)	(2,151,286)
Revenue from external customers	151,433	337,024	2,251,392	497,055	2,263	3,239,167
Depreciation, depletion and amortisation	(182,989)	(27,265)	(20,563)	(5,329)	(1,890)	(238,036)
Including: Impairment losses of property, plant and equipment	(17,090)	(3,394)	(1,231)	(680)	-	(22,395)
Profit/(loss) from operations	165,748	40,570	14,374	12,957	(16,989)	216,660
Finance costs:						
Exchange gain						23,772
Exchange loss						(25,590)
Interest income						4,738
Interest expense						(21,554)
Total net finance costs						(18,634)
Share of profit/(loss) of associates and joint ventures	4,765	37	(195)	8,323	2,321	15,251
Profit before income tax expense						213,277
Income tax expense						(49,929)
Profit for the year						163,348
Segment assets	1,457,543	482,452	596,463	171,643	1,646,141	4,354,242
Other assets						28,721
Investments in associates and joint ventures	46,053	2,205	17,829	169,903	33,579	269,569
Elimination of intersegment balances(a)						(1,982,132)
Total assets						2,670,400
Capital expenditures	221,592	41,771	5,069	4,936	939	274,307
Segment liabilities	581,261	243,417	404,991	135,361	590,604	1,955,634
Other liabilities						75,132
Elimination of intersegment balances(a)						(894,532)
Total liabilities						1,136,234

Geographical information

	Revenue		Non-current assets (b)	
	2023	2022	December 31, 2023	December 31, 2022
	RMB	RMB	RMB	RMB
China's mainland	2,000,505	1,888,906	1,884,932	1,853,462
Other	1,010,507	1,350,261	184,104	178,343
	3,011,012	3,239,167	2,069,036	2,031,805

(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.

(All amounts in RMB millions unless otherwise stated)

41 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Notes	December 31, 2023 RMB	December 31, 2022 RMB
NON-CURRENT ASSETS			
Property, plant and equipment		1,021,356	1,059,484
Investments in associates and joint ventures		247,499	208,957
Equity investments measured at fair value through other comprehensive income		167	326
Subsidiaries		268,098	268,098
Right-of-use assets		105,674	111,564
Intangible and other non-current assets		84,726	32,740
Time deposits with maturities over one year		-	3,000
TOTAL NON-CURRENT ASSETS		1,727,520	1,684,169
CURRENT ASSETS			
Inventories		110,386	109,354
Accounts receivable		8,474	17,969
Derivative financial instruments		33	192
Prepaid expenses and other current assets		68,067	63,978
Financial assets at fair value through other comprehensive income		10,031	4,164
Time deposits with maturities over three months but within one year		1,154	3,500
Cash and cash equivalents		60,652	68,808
TOTAL CURRENT ASSETS		258,797	267,965
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		256,048	253,124
Contract liabilities		62,178	55,861
Other taxes payable		46,717	34,512
Short-term borrowings		125,327	66,685
Derivative financial instruments		33	-
Lease liabilities		3,744	3,727
TOTAL CURRENT LIABILITIES		494,047	413,909
NET CURRENT LIABILITIES		(235,250)	(145,944)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,492,270	1,538,225
EQUITY			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY:			
Share capital		183,021	183,021
Retained earnings	32 (b)	763,289	722,746
Reserves	32 (a)	350,549	338,403
TOTAL EQUITY		1,296,859	1,244,170
NON-CURRENT LIABILITIES			
Long-term borrowings		41,447	140,123
Lease liabilities		41,795	44,700
Asset retirement obligations		107,128	104,553
Deferred tax liabilities		313	376
Other long-term obligations		4,728	4,303
TOTAL NON-CURRENT LIABILITIES		195,411	294,055
TOTAL EQUITY AND NON-CURRENT LIABILITIES		1,492,270	1,538,225

42 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on March 25, 2024.

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, Peru and Chad. 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 judgement. Consequently, reserve estimates are subject to revision as additional data become available during the producing life of a reservoir. When a commercial reservoir is discovered, proved reserves are initially determined based on limited data from the first well or wells. Subsequent data may better define the extent of the reservoir and additional production performance, well tests and engineering studies will likely improve the reliability of the reserve estimate. The evolution of technology may also result in the application of improved recovery techniques such as supplemental or enhanced recovery projects, or both, which have the potential to increase reserves.

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.

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 includes quantities that are ultimately produced and sold to pay these taxes, fees and royalty.

Proved reserve estimates as of December 31, 2023 and 2022 were based on reports prepared or reviewed by DeGolyer and MacNaughton, McDaniel & Associates, Ryder Scott and GLJ independent engineering consultants.

(Amounts in millions unless otherwise stated)

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	Natural Gas	Total – All products
	(million barrels)	(billion cubic feet)	(million barrels of oil equivalent)
Proved developed and undeveloped reserves			
The Group			
Reserves at December 31, 2021	6,064	74,916	18,550
Changes resulting from:			
Purchase	2	-	2
Revisions of previous estimates	511	(3,156)	(14)
Improved recovery	125	131	146
Extensions and discoveries	622	6,237	1,662
Sales	-	-	-
Production	(906)	(4,675)	(1,685)
Reserves at December 31, 2022	6,418	73,453	18,661
Changes resulting from:			
Purchase	-	-	-
Revisions of previous estimates	(14)	(2,234)	(386)
Improved recovery	119	136	141
Extensions and discoveries	633	6,371	1,695
Sales	-	-	-
Production	(937)	(4,932)	(1,759)
Reserves at December 31, 2023	6,219	72,794	18,352
Proved developed reserves at:			
December 31, 2022	5,574	41,508	12,492
December 31, 2023	5,240	41,381	12,137
Proved undeveloped reserves at:			
December 31, 2022	844	31,945	6,169
December 31, 2023	979	31,413	6,215
Equity method investments			
Share of proved developed and undeveloped reserves of associates and joint ventures			
December 31, 2022	176	537	265
December 31, 2023	155	577	252

(Amounts in millions unless otherwise stated)

At December 31, 2023, total proved developed and undeveloped reserves of the Group and equity method investments is 18,604 million barrels of oil equivalent (2022: 18,926 million barrels of oil equivalent), comprising 6,374 million barrels of crude oil and condensate (2022: 6,594 million barrels) and 73,371 billions of cubic feet of natural gas (2022: 73,990 billions of cubic feet).

At December 31, 2023, 5,475 million barrels (2022: 5,696 million barrels) of crude oil and condensate and 71,383 billion cubic feet (2022: 72,165 billion cubic feet) of natural gas proved developed and undeveloped reserves of the Group are located within China's mainland, and 744 million barrels (2022: 722 million barrels) of crude oil and condensate and 1,411 billion cubic feet (2022: 1,288 billion cubic feet) of natural gas proved developed and undeveloped reserves of the Group are located overseas.

Capitalised Costs

	December 31, 2023	December 31, 2022
	RMB	RMB
The Group		
Property costs and producing assets	2,315,123	2,156,134
Support facilities	525,758	500,489
Construction-in-progress	120,295	122,564
Total capitalised costs	2,961,176	2,779,187
Accumulated depreciation, depletion and amortisation	(1,984,625)	(1,820,994)
Net capitalised costs	976,551	958,193
Equity method investments		
Share of net capitalised costs of associates and joint ventures	21,456	20,728

Costs Incurred for Property Acquisitions, Exploration and Development Activities

	2023		
	China's mainland	Other	Total
	RMB	RMB	RMB
The Group			
Property acquisition costs	175	2,301	2,476
Exploration costs	46,434	447	46,881
Development costs	162,083	23,178	185,261
Total	208,692	25,926	234,618
Equity method investments			
Share of costs of property acquisition, exploration and development of associates and joint ventures	-	2,502	2,502

(Amounts in millions unless otherwise stated)

	2022		
	China's mainland	Other	Total
	RMB	RMB	RMB
The Group			
Property acquisition costs	216	2,100	2,316
Exploration costs	38,662	551	39,213
Development costs	152,935	17,057	169,992
Total	191,813	19,708	211,521
Equity method investments			
Share of costs of property acquisition, exploration and development of associates and joint ventures	-	2,324	2,324

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, 2023 and 2022 are presented below. "Revenue" 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.

	2023		
	China's mainland	Other	Total
	RMB	RMB	RMB
The Group			
Revenue			
Sales to third parties	69,953	70,764	140,717
Inter-segment sales	524,435	28,871	553,306
	594,388	99,635	694,023
Production costs excluding taxes	(146,043)	(14,416)	(160,459)
Exploration expenses	(20,315)	(449)	(20,764)
Depreciation, depletion and amortisation	(167,122)	(27,522)	(194,644)
Taxes other than income taxes	(77,956)	(9,074)	(87,030)
Accretion expense	(5,383)	(339)	(5,722)
Income taxes	(35,172)	(24,488)	(59,660)
Results of operations from producing activities	142,397	23,347	165,744
Equity method investments			
Share of profit for producing activities of associates and joint ventures	-	3,189	3,189
Total of the Group and equity method investments results of operations for producing activities	142,397	26,536	168,933

(Amounts in millions unless otherwise stated)

	2022		
	China's mainland	Other	Total
	RMB	RMB	RMB
The Group			
Revenue			
Sales to third parties	108,179	56,388	164,568
Inter-segment sales	527,206	40,485	567,691
	635,385	96,873	732,259
Production costs excluding taxes	(136,890)	(15,920)	(152,810)
Exploration expenses	(26,523)	(551)	(27,074)
Depreciation, depletion and amortisation	(195,316)	(25,906)	(221,222)
Taxes other than income taxes	(76,633)	(10,093)	(86,727)
Accretion expense	(5,446)	(235)	(5,681)
Income taxes	(38,941)	(23,061)	(62,002)
Results of operations from producing activities	155,636	21,107	176,743
Equity method investments			
Share of profit for producing activities of associates and joint ventures	-	3,462	3,462
Total of the Group and equity method investments results of operations for producing activities	155,636	24,569	180,205

Standardised Measure of Discounted Future Net Cash Flows

The standardised measure of discounted future net cash flows related to proved oil and gas reserves at December 31, 2023 and 2022 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" 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 standardised measure of discounted future net cash flows related to proved oil and gas reserves at December 31, 2023 and 2022 is as follows:

	RMB
The Group	
At December 31, 2023	
Future cash inflows	6,200,288
Future production costs	(2,216,219)
Future development costs	(613,943)
Future income tax expense	(752,434)
Future net cash flows	2,617,692
Discount at 10% for estimated timing of cash flows	(1,043,450)
Standardised measure of discounted future net cash flows	1,574,242

(Amounts in millions unless otherwise stated)

	RMB
The Group	
At December 31, 2022	
Future cash inflows	6,719,784
Future production costs	(2,421,683)
Future development costs	(557,902)
Future income tax expense	(711,177)
Future net cash flows	3,029,022
Discount at 10% for estimated timing of cash flows	(1,271,392)
Standardised measure of discounted future net cash flows	1,757,630

At December 31, 2023, RMB1,516,504 (2022: RMB1,652,887) of standardised measure of discounted future net cash flows related to proved oil and gas reserves located within China's mainland and RMB57,738 (2022: RMB104,743) of standardised measure of discounted future net cash flows related to proved oil and gas reserves located overseas.

Share of standardised measure of discounted future net cash flows of associates and joint ventures:

December 31, 2023	5,106
December 31, 2022	47,342

Changes in Standardised Measure of Discounted Future Net Cash Flows

Changes in the standardised measure of discounted net cash flows for the Group for each of the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
	RMB	RMB
The Group		
Beginning of the year	1,757,630	1,401,105
Sales and transfers of oil and gas produced, net of production costs	(423,258)	(467,040)
Net changes in prices and production costs and other	(140,004)	551,666
Extensions, discoveries and improved recovery	239,703	241,644
Development costs incurred	56,829	6,876
Revisions of previous quantity estimates	(50,395)	(1,871)
Accretion of discount	173,570	130,881
Net change in income taxes	(39,833)	(105,898)
Net change due to purchases and sales of minerals in place	-	267
End of the year	1,574,242	1,757,630

CORPORATE INFORMATION

Board of Directors

Chairman:	Dai Houliang		
Vice Chairman and Non-executive Director:	Hou Qijun		
Non-executive Directors:	Duan Liangwei	Xie Jun	
Executive Director and President:	Huang Yongzhang		
Executive Director and Senior Vice Presidents:	Ren Lixin	Zhang Daowei	
Independent Non-executive Directors:	Cai Jinyong	Jiang, Simon X.	Zhang Laibin
	Hung Lo Shan Lusan	Ho Kevin King Lun	
Secretary to the Board of Directors/ Company Secretary:	Wang Hua		

Supervisory Committee

Supervisors:	Xie Haibing	Zhao Ying
	Cai Yong	Jiang Shangjun
Employee representative Supervisors:	Liao Guoqin	Fu Bin
	Li Zhanming	Jin Yanjiang

Other Senior Management

Zhu Guowen	Wan Jun	Wang Hua
Li Ruxin	He Jiangchuan	Jiang Tongwen
Yang Weisheng	Shen Fuxiao	

Authorized Representatives

Huang Yongzhang   Wang Hua

Auditors

Overseas Auditors
PricewaterhouseCoopers

Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

22/Floor, Prince's Building
Central, Hong Kong, PRC

Domestic Auditors
PricewaterhouseCoopers Zhong Tian LLP

11/F, PricewaterhouseCoopers Centre,
2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai, PRC

Legal Advisers to the Company

as to Hong Kong law:
King & Wood Mallesons
13/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Central, Hong Kong, PRC

as to PRC law:
King & Wood Mallesons
18/F, East Tower, World Financial Centre
No.1 East 3rd Ring Middle Road
Chaoyang District
Beijing 100020
PRC

as to United States law:
Shearman & Sterling
21/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Central, Hong Kong, PRC

Hong Kong Representative Office

Unit 3705
Tower 2 Lippo Centre
89 Queensway
Hong Kong, PRC

Hong Kong Share Registrar and Transfer Office

Hong Kong Registrars Limited
Shops 1712-16, 17th Floor,
Hopewell Centre, 183 Queen's Road East
Hong Kong, PRC

Principal Bankers

Industrial and Commercial Bank of China, Head Office
55 Fuxingmennei Avenue
Xicheng District
Beijing, PRC

Bank of China
Head Office
1 Fuxingmennei Avenue
Xicheng District
Beijing, PRC

China Construction Bank
25 Finance Street
Xicheng District
Beijing, PRC

Agricultural Bank of China Limited,
Head Office
23 Fuxinglunei Avenue
Xicheng District
Beijing, PRC Beijing, PRC

Bank of Communications, Beijing Branch
Tongtai Mansion, 33 Finance Street
Xicheng District
Beijing, PRC

CITIC Bank Corporation Limited,
Sales Department of Head Office
A27 Finance Street
Xicheng District
Beijing, PRC

Publications

The annual report will be made available at the following addresses

PRC	PetroChina Company Limited No. 9 Dongzhimen North Street, Dongcheng District, Beijing, PRC Postal code: 100007 Tel: 86(10) 5998 2622 Fax: 86(10) 6209 9557
Hong Kong, PRC	PetroChina Company Limited Unit 3705 Tower 2 Lippo Centre 89 Queensway Hong Kong, PRC Tel: (852) 2899 2010 Fax: (852) 2899 2390

Shareholders may also browse or download the annual report of the Company from the official website of the Company at www.petrochina.com.cn.

Investment Information for Reference

Please contact our Hong Kong Representative Office for other information about the Company.

DOCUMENTS AVAILABLE FOR INSPECTION

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

1. The original of the annual report for 2023 signed by Mr. Dai Houliang, Chairman of the Company.

2. The financial statements under the hand and seal of Mr. Dai Houliang, Chairman of the Company, Mr. Huang Yongzhang, Director and President of the Company, and Mr. Wang Hua, Chief Financial Officer of the Company.

3. The original of the financial report of the Company under the seal of the auditors and under the hand of Certified Public Accountants.

4. The original copies of the documents and announcement of the Company published in the newspaper stipulated by the China Securities Regulatory Commission during the Reporting Period.

5. The original copies of all Chinese and English announcements of the Company published on the websites of the Hong Kong Stock Exchange and the Company during the period of the annual report.

6. The annual report published in other stock markets.

CONFIRMATION FROM THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

According to the relevant provisions and requirements of the Securities Law of the People's Republic of China and Measures for Information Disclosure of Companies Offering Shares to the Public promulgated by the China Securities Regulatory Commission, as the Board of Directors, Supervisors and senior management of PetroChina Company Limited, we have carefully reviewed the annual report for 2023 and concluded that this annual report truly, objectively and completely represents the business performance of the Company, it contains no false representations, misleading statements or material omissions and its formulation and review comply with laws, regulations and the requirements of the China Securities Regulatory Commission.

Signatures of the Directors, Supervisors and senior management:

Dai Houliang	Hou Qijun	Duan Liangwei	Huang Yongzhang	Ren Lixin
Xie Jun	Zhang Daowei	Cai Jinyong	Jiang, Simon X.	Zhang Laibin
Hung Lo Shan Lusan	Ho Kevin King Lun	Xie Haibing	Zhao Ying	Cai Yong
Jiang Shangjun	Liao Guoqin	Fu Bin	Li Zhanming	Jin Yanjiang
Zhu Guowen	Wan Jun	Wang Hua	Li Ruxin	He Jiangchuan
Jiang Tongwen	Yang Weisheng	Shen Fuxiao		

March 25, 2024

This annual report is published in English and Chinese.

In the event of any inconsistency between the English and Chinese versions, the Chinese version shall prevail.

PetroChina

Designer: CNPC Printing Company Limited 010-80427353

This report is printed on recycled paper
made in the People's Republic of China.