

The directors of CNPC (Hong Kong) Limited (the “Company”) are pleased to present the Company and its subsidiaries (the “Group”) Interim Report and condensed accounts for the six months ended 30th June 2002 (the “Period”). The consolidated results, consolidated cash flow statement and consolidated statement of changes in equity for the Group for the six months ended 30th June 2002, and the consolidated balance sheet as at 30th June 2002 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 1 to 15 of the report.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30TH JUNE 2002

		Unaudited	
		Six months ended	
		30th June	
	Note	2002	2001
		HK\$'000	HK\$'000
Turnover	2	738,133	777,719
Cost of sales		(513,507)	(429,363)
Gross profit		224,626	348,356
Other revenues	3	14,010	44,348
Administrative expenses		(12,406)	(19,868)
Operating profit	4	226,230	372,836
Finance costs		(485)	–
Share of profit/(loss) of jointly controlled entities		5,088	(593)
Profit before taxation		230,833	372,243
Taxation	5	(70,598)	(99,338)
Profit after taxation		160,235	272,905
Minority interests		(552)	–
Profit attributable to shareholders		159,683	272,905
Earnings per share	7		
– Basic		HK3.24 cents	HK5.32 cents
– Fully diluted		HK3.23 cents	HK5.30 cents

INTERIM REPORT 2002

CONSOLIDATED BALANCE SHEET

AS AT 30TH JUNE 2002 AND 31ST DECEMBER 2001

	Note	Unaudited 30th June 2002 HK\$'000	Audited 31st December 2001 HK\$'000
Fixed assets		584	796
Oil properties		2,522,663	2,428,861
Investments in jointly controlled entities		88,449	46,111
Other non-current assets		1,928	3,878
Current assets			
Inventories		34,831	26,599
Trade receivables	8	179,249	45,445
Deposits, prepayments and other receivables		13,863	10,540
Bank balances and cash		798,550	1,058,381
		<u>1,026,493</u>	<u>1,140,965</u>
Current liabilities			
Trade payables	9	28,602	29,260
Other payables and accruals		157,508	119,003
Amount due to the ultimate holding company		1,171	1,171
Amounts due to minority shareholders		11,340	7,192
Deferred charge		87,176	100,566
Taxation payable		30,898	95,219
Short term loan from a related company		32,760	49,920
Loan from a minority shareholder		54,606	70,262
		<u>404,061</u>	<u>472,593</u>
Net current assets		<u>622,432</u>	<u>668,372</u>
Total assets less current liabilities		<u>3,236,056</u>	<u>3,148,018</u>
Financed by:			
Share capital	10	49,300	49,300
Reserves		2,919,482	2,757,159
Proposed dividend		—	98,601
Shareholders' funds		<u>2,968,782</u>	<u>2,905,060</u>
Minority interests		109,952	109,400
Deferred taxation		157,322	133,558
		<u>3,236,056</u>	<u>3,148,018</u>

CNPC (HONG KONG) LIMITED

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE 2002

	Unaudited	
	Six months ended 30th June	
	2002	2001
	HK\$'000	HK\$'000
Net cash used in operating activities	(134,681)	(188,921)
Net cash from/(used in) investing activities	62,497	(366,009)
Net cash used in financing activities	<u>(32,816)</u>	<u>(71,364)</u>
Decrease in cash and cash equivalents	(105,000)	(626,294)
Cash and cash equivalents at 1st January	523,993	1,054,541
Effect of foreign exchange rate changes	<u>(697)</u>	<u>3,798</u>
Cash and cash equivalents at 30th June	<u><u>418,296</u></u>	<u><u>432,045</u></u>
Cash and cash equivalents at 30th June	418,296	432,045
Add: Deposits maturing after three months	<u>380,254</u>	<u>607,206</u>
Bank balances and cash at 30th June	<u><u>798,550</u></u>	<u><u>1,039,251</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE 2002

	Unaudited					
	Share capital	Contributed surplus	Share premium	Exchange reserve	Retained profit	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2002	49,300	134,323	1,423,559	(5,850)	1,303,728	2,905,060
2001 final dividend paid	-	-	-	-	(98,601)	(98,601)
Translation differences	-	-	-	2,640	-	2,640
Profit for the Period retained	-	-	-	-	159,683	159,683
At 30th June 2002	<u>49,300</u>	<u>134,323</u>	<u>1,423,559</u>	<u>(3,210)</u>	<u>1,364,810</u>	<u>2,968,782</u>
At 1st January 2001	51,903	134,323	1,587,438	(6,420)	846,352	2,613,596
Effect of adopting SSAP9 (revised)	-	-	-	-	204,458	204,458
At 1st January 2001, as restated	51,903	134,323	1,587,438	(6,420)	1,050,810	2,818,054
2000 final dividend paid	-	-	-	-	(204,458)	(204,458)
Repurchases of own shares	(1,177)	-	(70,187)	-	-	(71,364)
Translation differences	-	-	-	636	-	636
Profit for the period retained	-	-	-	-	272,905	272,905
At 30th June 2001	<u>50,726</u>	<u>134,323</u>	<u>1,517,251</u>	<u>(5,784)</u>	<u>1,119,257</u>	<u>2,815,773</u>

NOTES TO THE ACCOUNTS

1 Basis of preparation

These unaudited condensed interim accounts have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”), and Appendix 16 of the Rules Governing the Listing of Securities (“Listing Rules”) of the Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 31st December 2001 except that the Group has changed certain of its accounting policies following its adoption of the following SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 15 (revised)	:	Cash flow statements
SSAP 34	:	Employee benefits

In 2002, the Group has adopted the provisions of SSAP 34 “Employee Benefits”. The effect of such change to the results for the Period is not material.

2 Segmental information

The Group is principally engaged in the exploration and production of crude oil in the People's Republic of China (the "PRC"), Thailand, Peru and the Azerbaijan Republic. Turnover represents principally proceeds from the sale of crude oil (net of sales tax).

An analysis of the Group's turnover and profit attributable to shareholders for the Period by geographical segments is as follows:

	Mainland China 2002 HK\$'000	South America 2002 HK\$'000	Central and South East Asia 2002 HK\$'000	Total 2002 HK\$'000
Turnover	<u>572,205</u>	<u>121,730</u>	<u>44,198</u>	<u>738,133</u>
Segment results	206,201	12,031	14,769	233,001
Unallocated costs				<u>(6,771)</u>
Operating profit				226,230
Finance costs				(485)
Share of profit of jointly controlled entities	5,088	–	–	<u>5,088</u>
Profit before taxation				230,833
Taxation				<u>(70,598)</u>
Profit after taxation				160,235
Minority interests				<u>(552)</u>
Profit attributable to shareholders				<u><u>159,683</u></u>

2 Segmental information (continued)

	Mainland China 2001 HK\$'000	South America 2001 HK\$'000	Central and South East Asia 2001 HK\$'000	Total 2001 HK\$'000
Turnover	751,373	—	26,346	777,719
Segment results	372,195	—	4,647	376,842
Unallocated costs				(4,006)
Operating profit				372,836
Share of loss of jointly controlled entities	(593)	—	—	(593)
Profit before taxation				372,243
Taxation				(99,338)
Profit attributable to shareholders				272,905

An analysis of the Group's turnover and segment results for the Period by business segments is as follows:

	Turnover		Segment results	
	2002 HK\$'000	2001 HK\$'000	2002 HK'000	2001 HK\$'000
Sale of crude oil and natural gas	738,051	777,674	233,947	377,997
Others	82	45	(946)	(1,155)
	<u>738,133</u>	<u>777,719</u>	<u>233,001</u>	<u>376,842</u>
Unallocated costs			(6,771)	(4,006)
Operating profit			<u>226,230</u>	<u>372,836</u>

3 Other revenues

	Unaudited	
	Six months ended 30th June	
	2002	2001
	HK\$'000	HK\$'000
Bank interest income	8,728	12,740
Refund of PRC income tax resulting from reinvestment of profits generated from oil production sharing contract	–	31,608
Others	5,282	–
	<u>14,010</u>	<u>44,348</u>

4 Operating profit

Operating profit is arrived at after charging depletion and depreciation of oil properties amounted to HK\$167,098,000 (six months ended 30th June 2001: HK\$129,291,000).

5 Taxation

	Unaudited	
	Six months ended 30th June	
	2002	2001
	HK\$'000	HK\$'000
Overseas taxation	47,021	83,260
Deferred taxation	23,577	16,078
	<u>70,598</u>	<u>99,338</u>

No provision for Hong Kong profits tax has been made as the Group has no assessable profit for the six months ended 30th June 2002 (six months ended 30th June 2001: nil).

5 Taxation (continued)

Taxation on overseas profit has been calculated on the estimated assessable profit for the Period at the rates of taxation prevailing in the countries in which the Group operates.

Pursuant to an approval from Karamay Tax Bureau on 9th February 2001, the taxable income in respect of the oil production under the Xinjiang Contract is entitled to preferential PRC income tax rate of 15% for three years commencing from 1st January 2000 to 31st December 2002.

The taxable income in respect of the oil production under the Leng Jiapu Contract is subjected to the income tax rate of 33% (six months ended 30th June 2001: 33%) for the Period.

6 Dividend

The directors do not declare the payment of an interim dividend in respect of the six months ended 30th June 2002 (six months ended 30th June 2001: nil).

7 Earnings per share

The calculation of basic and diluted earnings per share is based on the profit for the Period of HK\$159,683,000 (six months ended 30th June 2001: HK\$272,905,000).

The basic earnings per share is based on the 4,930,033,512 shares (six months ended 30th June 2001: weighted average number of 5,126,004,290 shares) in issue during the Period. The diluted earnings per share is based on 4,947,924,137 shares (six months ended 30th June 2001: 5,146,723,343 shares) which is the shares in issue during the Period plus the weighted average number of 17,890,625 shares (six months ended 30th June 2001: weighted average number of 20,719,053 shares) which would be issued at no consideration on the exercise of all dilutive options.

8 Trade receivables

The Group grants a credit period of 30 to 60 days to its customers. The ageing analysis of trade receivables is as follows:

	Unaudited 30th June 2002 HK\$'000	Audited 31st December 2001 HK\$'000
Within three months	<u><u>179,249</u></u>	<u><u>45,445</u></u>

9 Trade payables

The ageing analysis of trade payables as at 30th June 2002 and 31st December 2001 is as follows:

	Unaudited 30th June 2002 HK\$'000	Audited 31st December 2001 HK\$'000
Within three months	16,039	18,489
Between three to six months	2,357	7,489
Over six months	<u>10,206</u>	<u>3,282</u>
	<u><u>28,602</u></u>	<u><u>29,260</u></u>

10 Share capital

	Unaudited 2002 HK\$'000	Audited 2001 HK\$'000
Authorised:		
8,000,000,000 shares of HK\$0.01 each	<u>80,000</u>	<u>80,000</u>
Issued and fully paid:		
At 1st January	49,300	51,903
Repurchase of own shares	<u>–</u>	<u>(2,603)</u>
At 30th June		
4,930,033,512 (31st December 2001: 4,930,033,512) shares of HK\$0.01 each	<u>49,300</u>	<u>49,300</u>

During the Period, no shares (year ended 31st December 2001: 260,250,000 shares of HK\$0.01 each) were repurchased and cancelled by the Company and no new shares (year ended 31st December 2001: nil) were issued.

As at 30th June 2002, the Company had outstanding options granted under the Company's executive share option scheme to directors and senior executives to subscribe for a total of 140,000,000 shares of the Company.

Details of the outstanding options are as follows:

Date of issue	Exercise price HK\$	Options outstanding at period end	Expiry date
3rd March 1998	1.61	5,000,000	3rd March 2003
12th May 1999	0.91	20,000,000	11th May 2004
8th March 2001	0.41	40,000,000	7th March 2006
26th April 2001	0.61	<u>75,000,000</u>	25th April 2006
		<u>140,000,000</u>	

11 Related party transactions

The following is a summary of significant related party transactions during the Period carried out in the normal course of the Group's business:

- (a) In connection with the Xinjiang Contract entered into with China National Petroleum Corporation ("CNPC") in July 1996, the Group has entered into the following transactions with related parties:

		Unaudited	
		Six months ended 30th June	
	Note	2002 HK\$'000	2001 HK\$'000
Sale of crude oil	(i)	121,243	216,277
Operating management	(ii)	32,344	89,262
Assistance fee		105	105
Training fee		105	105
		<u>105</u>	<u>105</u>

Notes:

- (i) The oil price was set by CNPC with reference to the trend of the international oil price.
- (ii) Various fees were paid for the provision of operating crews, purchase of materials and supplies, provision of utilities and repair and maintenance services. The provision of the above was partly governed by contracts. The pricing of principal transactions, including those with contracts, was set with reference to the rates used in the region.

In accordance with the Xinjiang Contract, all of the above amounts represent the Group's 54% share of oil production and the respective cost items.

11 Related party transactions (continued)

- (b) In connection with the Leng Jiapu Contract entered into with CNPC in December 1997, the Group has entered into the following transactions with related parties:

		Unaudited	
		Six months ended 30th June	
	Note	2002	2001
		HK\$'000	HK\$'000
Sale of crude oil	(i)	450,962	535,096
Operating management	(ii)	98,254	107,478
Drilling fees	(iii)	38,579	17,619
Purchases of equipment		728	6,246
Operations and support services fee		568	378
Assistance fee		137	137
Training fee		137	137
Surveying fees		–	1,242
Perforation fees		–	777
Quantifying fees		–	1,828
		—————	—————

Notes:

- (i) The oil price was set by CNPC with reference to the trend of the international oil price.
- (ii) Various fees were paid for the provision of operating crews, purchase of materials and supplies, provision of utilities and repair and maintenance services. The provision of the above was partly governed by contracts. The pricing of principal transactions, including those with contracts, was set with reference to the rates used in the region.
- (iii) Prices charged for drilling were in accordance with respective contracts with CNPC.

In accordance with the Leng Jiapu Contract, all of the above amounts represent the Group's 70% share of oil production and the respective cost items.

11 Related party transactions (continued)

- (c) In connection with the oil concession in Thailand, the Group entered into the following transactions with related parties:

		Unaudited	
		Six months ended 30th June	
		2002	2001
		HK\$'000	HK\$'000
	Note		
Lease rental of rig, logging and cementing equipment	(i)	<u>3,457</u>	<u>3,331</u>

Note:

- (i) Rental is governed by agreements entered into on 28th June 1994 and 10th May 1998.
- (d) Technical services fees amounting to HK\$1,783,000 (six months ended 30th June 2001: nil) was paid to China Petroleum Technology Development Company, a subsidiary of CNPC, by SAPET Development Corporation, a subsidiary of the Company, during the Period. Such fee was charged in accordance with the terms agreed in the Technical Services Contract by the two parties.
- (e) Rental expense amounting to HK\$280,000 (six months ended 30th June 2001: HK\$280,000) was paid to a subsidiary of CNPC in accordance with a lease agreement at a monthly rate of HK\$46,650 for the six months ended 30th June 2001 and 2002.
- (f) Interest expense amounting to HK\$485,000 (six months ended 30th June 2001: nil) was paid to China Petroleum Finance Company Limited, a subsidiary of CNPC.

12 Commitments

(a) Capital commitments

	Unaudited 30th June 2002 HK\$'000	Audited 31st December 2001 HK\$'000
Contracted but not provided for		
Development cost under the Leng Jiapu Contract	–	237,601
Development cost under the Xinjiang Contract	–	42,963
Investment in production sharing contract in the Union of Myanmar	<u>1,950</u>	<u>5,070</u>
	<u>1,950</u>	<u>285,634</u>

(b) Commitments under operating leases

At 30th June, the Group had total future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	Unaudited 30th June 2002 HK\$'000	Audited 31st December 2001 HK\$'000
Not later than one year	1,748	1,815
Later than one year and not later than five years	1,102	373
Later than five years	<u>286</u>	<u>–</u>
	<u>3,136</u>	<u>2,188</u>

BUSINESS REVIEW

Turnover for the Period was HK\$738,133,000, representing a decrease of 5.09% over the same period last year. The Group's unaudited profit after taxation and minority interests for the current period decreased 41.49% to HK\$159,683,000, as compared with HK\$272,905,000 for the corresponding period.

Despite a global price reduction of crude oil in the first half of the year, the management worked hard to minimize any such effect. Crude oil sales volume increased 11.29% over the previous period to 5,120,000 barrels, while the weighted average crude oil price per barrel decreased 16.07% to approximately US\$18.18, as compared with approximately US\$21.66 last year. Overall profit decreased 41.49% as compared with last period.

During the Period under review, the Liaohe Leng Jiapu Contract Area sold a total of 670,000 tonnes of crude oil, same as last year. On a 70% share basis, profit after taxation attributable to the Group was HK\$109,825,000, or a decrease of 46.34%.

Pursuant to the Leng Jiapu Contract, the Group is responsible for 70% of the development costs. During the Period, a contribution of RMB252 million was made by the Group out of profit as part of the fund required for drilling of new wells and construction of ground production facilities.

For the reporting period, the Xinjiang Karamay Contract Area produced a total of 352,000 tonnes of crude oil, 64,000 tonnes of the crude oil was kept for own use to reduce cost of production. A total of 287,000 tonnes of crude oil were sold, representing a decrease of 23.5% compared with the same period of the previous year, but after adjustment for own consumption, the sales was reduced by about 6.4%. On a 54% share basis, profit after taxation attributable to the Group was HK\$362,160,000, or a decrease of 46.90%.

Crude oil production of the Sukhothai Concession in Thailand attained around 24,000 barrels per month and reported a profit of HK\$12,543,000 for the first half of the year.

The Group acquired from China Petroleum Technology Development Company its 50% equity interest in Blocks 6 and 7 of Talara Oilfield in Peru. For the period ended 30th June, 2002, the Group has a share of profit after taxation and minority interest of HK\$550,000.

The Group signed an agreement to acquire 35% interest of exploration right of an oilfield in the Union of Myanmar in November 2001 and was approved officially by the government of the Union of Myanmar in March 2002. Exploration work will commence in the second half of the year. It is hoped that expected results will be obtained.

華油鋼管有限公司(“North China”) set up by the Group and 華北石油管理局(“Bureau”) has commenced production. Leveraging on the experience of the Bureau in the manufacturing and selling of oil pipes and natural gas pipes, it can produce high quality steel pipes to satisfy the demand of the project for transportation of natural gas from West to East of China and other pipes projects. In the beginning of the year, North China expanded its capital according to the market demand. The Group further invested RMB40 million to acquire from the Bureau its steel pipe plant engaged in the manufacture of different types of pipes so as to increase its production capacity and competitiveness. Up to 30th June, the Group’s share of its profit after taxation amounted to HK\$5,702,000.

In March 2002, the procedure for the acquisition of 15% interest in an oilfield in the Azerbaijan Republic was completed. The Group participated in the formation of the future exploration and operation plans and took part in the management of the oilfield. Up to 30th June, the Group’s share of profit after taxation amounted to HK\$3,171,000.

PROSPECTS

In July 2002, the Group successfully acquired 25% interest in an oilfield located in the Sultanate of Oman in the Middle East. The Group is now actively engaged in its exploration and operation plan.

In view of the fact that the long-term development of the Group depends on the amount of net cash flow generated from the existing oil fields, the expansion pace was relatively slow in the past. After thorough study by the Board, a syndication loan amounting to US\$100 million was raised in the financial market in July 2002. Out of this amount US\$60 million is a 3-year revolving loan, which will be used to finance future acquisition as well as development of the existing projects.

The Group will continue to strengthen the management of the existing oil development projects, control cost, increase efficiencies and stabilise income. At the same time the Group will continue to apply the net cash flow generated from the existing oil fields and syndication loan to tap business opportunities, increase crude oil reserve, diversify investments in projects with low risks but reasonable returns in different regions and develop domestic and foreign oil related business.

INTERIM DIVIDEND

Given the continued cash need for continual business expansion, the Board has resolved not to declare an interim dividend for the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating results

The Group has recorded a turnover of HK\$738 million for the Period, representing a decrease of 5.09% as compared with HK\$778 million for the same period last year. The sales volume of crude oil was 5.12 million barrels, an increase of 11.29% compared with the same period last year. The weighted average oil price dropped from US\$21.66 per barrel to US\$18.18 per barrel.

The profit after taxation for the Period was HK\$159 million, representing a decrease of HK\$113 million or 41.49%, as compared with a profit after taxation of HK\$273 million for the same period last year. The decrease in profit after taxation was mainly due to the decrease in weighted average oil price although with an increase of sales volume.

Liquidity and capital resources

On 30th June 2002, the aggregate assets of the Group were HK\$3,640 million, representing an increase of HK\$20 million or 0.5% as compared with 31st December 2001.

The major changes of the assets are as follows:

	Increase/(decrease)
	HK\$'000
Fixed assets	(212)
Oil properties	93,802
Interest in jointly controlled entities	42,338
Other non-current assets	(1,950)
Current assets (exclude Bank balances and cash)	145,359
Bank balances and cash	<u>(259,831)+</u>
Total increase in assets	<u><u>19,506</u></u>

+ Payment for acquisition of an oil field in the Azerbaijan Republic and capital increase of North China.

During the Period, RMB252 million was paid out of profits and re-invested as development costs of Leng Jiapu oil field.

In accordance with the Karamay Contract, RMB33 million was paid out of profits and re-invested as development costs of Karamay oil field during the Period.

According to the Farmout Agreement signed on 16th November 2001 in relation to an oil field in the Union of Myanmar, the Group has totally paid US\$325,000 as at 30th June 2002 and with the balance of US\$125,000 to be paid in July 2002 to TG World Energy (Bahamas) Limited. As the investment in the Union of Myanmar will be jointly controlled, the corresponding accounting treatment will be used.

On 23rd January 2002, the Group entered into an agreement with the European Bank for Reconstruction and Development at a consideration of US\$26,000,000 to acquire 15% interest in the right to rehabilitate, explore, develop, share production and export of crude oil for the Kursangi and Karabagli oil fields in the Azerbaijan Republic and Salyan Oil Limited's issued capital which carries out petroleum operations under the Joint Operating Agreement. The consideration was paid in March 2002.

During the Period, the Group has contributed an additional amount of RMB40 million to the registered capital of the North China, which representing 50% of its registered capital, to finance the purchase of the assets and liabilities relating to the steel pipe manufacturing system of the factory by the name of First Machinery Factory of North China Petroleum Administration Bureau from Bureau.

In April 2002, the Group entered into an agreement with Mazoon Petrogas SAOC at a consideration of US\$25,000,000 to acquire 50% of the issued share capital of Mazoon Petrogas (B.V.I.) Limited which holds 50% interest in the Petroleum Agreement with the right to explore for petroleum in the Contract Area in the Sultanate of Oman. The consideration was paid in July 2002.

Use of proceeds

During the Period, the Company did not issue any new share to the public.

Taking into account the cash flow from the operating activities, the Group as at 30th June 2002 has a bank balance and cash of HK\$799 million.

EMPLOYEE

On 30th June, 2002, the Group had approximately 350 staff (excluded the staff under entrustment contracts) globally. Remuneration package and benefits were determined in accordance with market terms, industry practice as well as the duties, performance, qualifications and experience of the staff. In addition, the Group set up a share option scheme, pursuant to which the directors and employees of the Company were granted options to subscribe shares of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the Period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the Period.

DIRECTORS' INTERESTS IN SHARES

At 30th June 2002, the interests of the directors in the shares of the Company, as recorded in the register maintained under section 29 of the Securities (Disclosure of Interests) Ordinance or as notified to the Company were as follows:

- (a) Messrs Wang Mingcai, Li Hualin and Xu Tianshu are directors of Sun World Limited ("Sun World") which beneficially owned 2,862,937,342 shares in the Company as at 30th June 2002. Sun World is a wholly owned subsidiary of CNPC, the Company's ultimate holding company incorporated in the PRC.
- (b) Share options are granted to directors and chief executive under the executive share option scheme approved by the board of directors on 23rd October 1991 and 28th May 2001.

Details of the share options granted by the Company are as follows:

Name	Date of issue	Exercise price HK\$	Options held at 1st January 2002	Options lapsed during the Period	Options held at 30th June 2002	Expiry date
Lin Jingao	16th June 1997	1.31	20,000,000	(20,000,000)	–	15th June 2002
	26th April 2001	0.61	10,000,000	–	10,000,000	25th April 2006
Lau Hak Woon	16th June 1997	1.39	5,000,000	(5,000,000)	–	15th June 2002
	3rd March 1998	1.61	5,000,000	–	5,000,000	3rd March 2003
	26th April 2001	0.61	5,000,000	–	5,000,000	25th April 2006
Xu Tianshu	12th May 1999	0.91	20,000,000	–	20,000,000	11th May 2004
	26th April 2001	0.61	10,000,000	–	10,000,000	25th April 2006
Li Hualin	8th March 2001	0.41	20,000,000	–	20,000,000	7th March 2006
	26th April 2001	0.61	20,000,000	–	20,000,000	25th April 2006
Wang Mingcai	8th March 2001	0.41	20,000,000	–	20,000,000	7th March 2006
	26th April 2001	0.61	30,000,000	–	30,000,000	25th April 2006
Zhang Ru Chun (retired on 18th January 2001)	16th June 1997	1.31	20,000,000	(20,000,000)	–	15th June 2002

Save for the above, at no time during the Period was the Company, its fellow subsidiaries or its holding company a party to any arrangements to enable the directors or chief executives or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 30th June 2002, the register of substantial shareholders maintained under section 16(1) of the Securities (Disclosure of Interests) Ordinance, showed that the Company has been notified of the following interests, being 10% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the directors and chief executives.

Name	Number of shares
Sun World	2,862,937,342 *

* 2,513,472,468 shares are registered under the name of HKSCC Nominees Limited.

Sun World is a wholly owned subsidiary of CNPC, accordingly CNPC is deemed to be interested in the 2,862,937,342 shares held by Sun World.

CORPORATE GOVERNANCE

None of the directors of the Company is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited at any time during the six months ended 30th June 2002.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30th June 2002.

By Order of the Board
Wang Mingcai
Executive Chairman

Hong Kong, 24th September 2002