	Notes	Six months ended June 30 2002 RMB	2001 RMB
TURNOVER	3	**107,928**	122,169
OPERATING EXPENSES			
Purchases, services and other		**(30,762)**	(35,129)
Employee compensation costs		**(6,751)**	(6,328)
Exploration expenses, including exploratory dry holes		**(3,744)**	(3,729)
Depreciation, depletion and amortisation		**(18,877)**	(18,195)
Selling, general and administrative expenses		**(9,767)**	(10,334)
Taxes other than income taxes		**(7,096)**	(7,390)
Other income, net		**448**	434
TOTAL OPERATING EXPENSES		**(76,549)**	(80,671)
PROFIT FROM OPERATIONS		**31,379**	41,498
FINANCE COSTS			
Exchange gain		**43**	289
Exchange loss		**(282)**	(2)
Interest income		**250**	389
Interest expense		**(1,963)**	(2,479)
TOTAL FINANCE COSTS		**(1,952)**	(1,803)
SHARE OF PROFIT OF ASSOCIATED COMPANIES		**105**	303
PROFIT BEFORE TAXATION	4	**29,532**	39,998
TAXATION	5	**(9,902)**	(13,160)
PROFIT BEFORE MINORITY INTERESTS		**19,630**	26,838
MINORITY INTERESTS		**(51)**	330
NET PROFIT		**19,579**	27,168
BASIC AND DILUTED EARNINGS PER SHARE (RMB)	6	**0.11**	0.15

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

	Notes	June 30, 2002	December 31, 2001
		RMB	RMB
NON CURRENT ASSETS			
Property, plant and equipment	8	**366,492**	365,063
Long-term investments		**5,826**	5,436
Intangible and other assets		**3,905**	3,963
		376,223	374,462
CURRENT ASSETS			
Inventories	9	**30,188**	27,961
Accounts receivable	10	**10,060**	7,909
Prepaid expenses and other current assets		**27,255**	22,308
Notes receivable	11	**3,632**	2,359
Receivables under resale agreements	12	**6,943**	11,505
Time deposits with maturities over three months		**2,638**	3,253
Cash and cash equivalents		**13,211**	11,117
TOTAL CURRENT ASSETS		**93,927**	86,412
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	13	**52,694**	51,214
Income tax payable		**6,241**	5,672
Other taxes payable		**6,970**	8,751
Short-term borrowings	14	**18,074**	23,111
		83,979	88,748
NET CURRENT ASSETS / (LIABILITIES)		**9,948**	(2,336)
TOTAL ASSETS LESS CURRENT LIABILITIES		**386,171**	372,126
FINANCED BY:			
Share capital			
- State-owned shares of RMB1.00 each		**158,242**	158,242
- H share of RMB 1.00 each		**13,447**	13,447
- ADS (each representing 100 H share)		**4,135**	4,135
		175,824	175,824
Retained earnings		**51,464**	40,724
Reserves		**76,574**	76,574
Shareholders' equity		**303,862**	293,122
Minority interests		**5,136**	5,136
NON CURRENT LIABILITIES			
Long-term borrowings	14	**67,072**	65,484
Deferred credits and other long-term obligations		**1,516**	1,354
Deferred taxation		**8,585**	7,030
		77,173	73,868
		386,171	372,126

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

	Six months ended June 30	
	2002	2001
	RMB	RMB
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**29,532**	39,998
Adjustments for:		
Depreciation, depletion and amortisation	**18,877**	18,195
Dry hole costs	**2,022**	2,025
Impairment charge for doubtful debts	**62**	1,631
Reversal of provision for diminution in value of inventories	**(55)**	(743)
Reversal of impairment charge for available-for-sale investment	**(5)**	(8)
Loss on disposal of property, plant and equipment	**23**	39
Loss on disposal of available-for-sale investment	**-**	19
Dividend income	**(39)**	(38)
Interest income	**(250)**	(389)
Interest expense	**1,963**	2,479
Changes in working capital:		
- Accounts receivable, prepaid expenses and other current assets	**(8,087)**	(22,324)
- Inventories	**(2,168)**	(1,501)
- Payables and accrued liabilities	**3,035**	16,551
CASH GENERATED FROM OPERATIONS	**44,910**	55,934
Interest received	**250**	389
Interest paid	**(2,296)**	(2,048)
Income taxes paid	**(7,772)**	(12,870)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**35,092**	41,405

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

	Six months ended June 30	
	2002	2001
	RMB	RMB
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditures	**(23,870)**	(14,105)
Acquisition of subsidiaries (Note 18)	**(2,004)**	-
Proceeds from disposal of property, plant and equipment	**97**	620
Acquisition of associated companies	**(135)**	(495)
Share of profit of associated companies	**(105)**	(303)
Repayment of capital by associated companies	**167**	-
Proceeds from disposal/(acquisition) of receivables under resale agreements	**4,562**	(6,455)
Acquisition of available-for-sale investments	**(24)**	(176)
Acquisition of intangible assets	**(125)**	(408)
Acquisition of other non-current assets	**(52)**	(473)
Proceeds from disposal of available-for-sale investments	**-**	87
Dividends received	**84**	129
Decrease/(increase) in time deposits with maturities over three months	**615**	(3,394)
NET CASH USED FOR INVESTING ACTIVITIES	**(20,790)**	(24,973)
CASH FLOWS FROM FINANCING ACTIVITIES		
New short-term borrowings	**12,362**	12,480
Repayments of short-term borrowings	**(17,236)**	(28,182)
New long-term borrowings	**9,507**	19,233
Repayments of long-term borrowings	**(8,030)**	(8,664)
Principal repayment on finance lease obligations	**(52)**	(80)
Dividends paid to minority interests	**(85)**	(54)
Capital contribution from minority interests	**3**	359
Dividends paid (Note 7)	**(8,839)**	(14,473)
Change in deferred credits and other long-term obligations	**162**	130
NET CASH USED FOR FINANCING ACTIVITIES	**(12,208)**	(19,251)
Increase/(decrease) in cash and cash equivalents	**2,094**	(2,819)
Cash and cash equivalents at beginning of period	**11,117**	18,060
Cash and cash equivalents at end of period	**13,211**	15,241

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

	Share Capital RMB	Retained Earnings RMB	Reserves RMB	Total RMB
Balance at January 1, 2001	175,824	33,057	64,076	272,957
Net profit from January 1 to June 30, 2001	-	27,168	-	27,168
Premium arising from issue of shares by an associated company	-	-	56	56
Dividend paid (Note 7)	-	(14,473)	-	(14,473)
Balance at June 30, 2001	175,824	45,752	64,132	285,708
Balance at January 1, 2002	**175,824**	**40,724**	**76,574**	**293,122**
Net profit from January 1 to June 30, 2002	**-**	**19,579**	**-**	**19,579**
Dividend paid (Note 7)	**-**	**(8,839)**	**-**	**(8,839)**
Balance at June 30, 2002	**175,824**	**51,464**	**76,574**	**303,862**

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

1 ORGANISATION AND PRINCIPAL ACTIVITIES

PetroChina Company Limited (the "Company") was established in the People's Republic of China (the "PRC" or "China") on November 5, 1999 as a joint stock company with limited liability as a result of a group restructuring (the "Restructuring") of China National Petroleum Corporation ("CNPC") in preparation for the listing of the Company's shares on the New York Stock Exchange and The Stock Exchange of Hong Kong Limited.

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 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 American Depositary Shares ("ADSs", each representing 100 H shares) in a 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.

2 ACCOUNTING POLICIES

The consolidated interim condensed financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". The accounting policies used in the preparation of the consolidated interim condensed financial statements are consistent with those used in the preparation of the financial statements for the year ended December 31, 2001.

The consolidated interim condensed financial statements presented herein should be read in conjunction with the consolidated financial statements and notes thereto included in the annual report of the Company and its subsidiaries (the "Group")for the year ended December 31, 2001. The consolidated interim condensed financial statements as of June 30, 2002 and for the six-month periods ended June 30, 2002 and June 30, 2001 included herein are unaudited but reflect, in the opinion of the Board of Directors, all adjustments (which include only normal recurring adjustments) necessary to properly prepare the consolidated interim condensed financial statements, in all material respects, in accordance with IAS 34. The results of operations for the six months ended June 30, 2002 are not necessarily indicative of the results of operations expected for the year ending December 31, 2002.

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

Income tax expense is recognised based on the best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended June 30, 2001 and 2002 is 33% .

3 TURNOVER

Turnover represents revenues from the sale of crude oil, natural gas, refined products and petrochemical products and from the transportation of crude oil and natural gas. Analysis of turnover by segment is shown in Note 15.

4 PROFIT BEFORE TAXATION

	Six months ended June 30	
	2002	2001
	RMB	RMB
Profit before taxation is arrived at after crediting and charging of the following items:		
Crediting		
Dividend income from available-for-sale investments	**39**	38
Reversal of provision for diminution in value of inventories	**55**	743
Charging		
Amortisation on intangible and other assets	**235**	321
Cost of inventories (approximates cost of goods sold) recognised as expense	**52,405**	57,097
Depreciation on property, plant and equipment		
- owned assets	**18,623**	17,861
- assets under finance leases		
Interest expense (note (a))	**1,963**	2,479
Loss on disposal of property, plant and equipment		
Operating lease rentals on land and buildings and equipment	**1,491**	1,221
Impairment charge for doubtful debts	**62**	1,631
Repair and maintenance	**1,863**	2,128
Research and development expenditure	**867**	453
Note (a) Interest expense		
Interest expense	**2,261**	2,631
Less: Amounts capitalised	**(298)**	(152)
	1,963	2,479

5 TAXATION

	Six months ended June 30	
	2002	2001
	RMB	RMB
PRC income tax	**8,328**	11,848
Deferred tax	**1,555**	1,223
Share of tax of associated companies	**19**	89
	9,902	13,160

In accordance with the relevant PRC income tax rules and regulations, the enacted PRC income tax rate applicable to the Group is 33%(2001:33%).

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

	Six months ended June 30	
	2002	2001
	RMB	RMB
Profit before taxation	**29,532**	39,998
Tax calculated at a tax rate of 33%	**9,746**	13,199
Income not subject to tax	**(107)**	(70)
Expenses not deductible for tax purposes	**263**	31
Tax charge	**9,902**	13,160

6 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the six months ended June 30, 2002 have been computed by dividing net profit by the number of 175,824 million shares issued and outstanding for the period.

Basic and diluted earnings per share for the six months ended June 30, 2001 have been computed by dividing net profit by the number of 175,824 million shares issued and outstanding for the period.

There are no dilutive potential ordinary shares.

7 DIVIDENDS

	Six months ended June 30	
	2002	2001
	RMB	RMB
Final dividend for 2000 (Note (i))	**-**	14,473
Final dividend for 2001 (Note (ii))	**8,839**	-
	8,839	14,473

(i) A final dividend in respect of 2000 of RMB 0.082315 per share amounting to a total of RMB 14,473 was paid on June 22, 2001, and was accounted for in shareholders' equity as an appropriation of retained earnings in the six months ended June 30, 2001.

(ii) A final dividend in respect of 2001 of RMB 0.050272 per share amounting to a total of RMB 8,839 was paid on June 21, 2002, and was accounted for in shareholders' equity as an appropriation of retained earnings in the six months ended June 30, 2002.

(iii) As authorised by shareholders in the Annual General Meeting on June 6, 2002, the Board of Directors, in a meeting held on August 29, 2002, resolved to distribute an interim dividend in respect of 2002 of RMB 0.050113 per share amounting to RMB 8,811. These financial statements do not reflect this dividend payable, as it was not proposed until after the balance sheet date.

8 PROPERTY, PLANT AND EQUIPMENT

	RMB
Cost or valuation	
At January 1, 2002	**583,255**
Acquisition of a subsidiary (Note 18)	**1,709**
Additions	**20,834**
Disposals and write off	**(5,397)**
At June 30, 2002	**600,401**
Accumulated depreciation	
At January 1, 2002	**(218,192)**
Charge for the period	**(18,642)**
Disposals and write off	**2,925**
At June 30, 2002	**(233,909)**
Net book value	
At June 30, 2002	**366,492**

Borrowings are secured on property, plant and equipment at net book value of RMB 551 at June 30, 2002 (December 31, 2001: RMB 539).

9 INVENTORIES

	June 30, 2002	December 31,
	RMB	RMB
Crude oil and other raw materials	**7,887**	7,774
Work in progress	**3,847**	4,043
Finished goods	**18,882**	16,829
Spare parts and consumables	**274**	81
	30,890	28,727
Less: Provision for diminution in value of inventories	**(702)**	(766)
	30,188	27,961

Inventories of the Group carried at net realisable value amounted to RMB 1,716 at June 30, 2002 (December 31, 2001: RMB 2,228).

10 ACCOUNTS RECEIVABLE

	June 30, 2002	December 31, 2001
	RMB	RMB
Accounts receivable due from third parties	**14,280**	12,319
Less: Provision for doubtful debts	**(6,193)**	(6,207)
	8,087	6,112
Accounts receivable due from related parties		
- Fellow subsidiaries	**1,844**	1,740
- Associated companies	**129**	57
	10,060	7,909

Amounts due from related parties are interest free, unsecured and repayable in accordance with normal commercial terms.

The aging analysis of accounts receivable at June 30, 2002 is as follows:

	June 30, 2002	December 31, 2001
	RMB	RMB
Within 1 year	**8,801**	5,945
Between 1 to 2 years	**587**	924
Between 2 to 3 years	**815**	1,091
Over 3 years	**6,050**	6,156
	16,253	14,116

In year 2002, the Group offers its customers the credit terms of no more than 180 days, except for certain selected customers.

11 NOTES RECEIVABLE

Notes receivable represents mainly the bills of acceptance issued by banks for sales of goods and products. All notes receivable are due within one year.

12 RECEIVABLES UNDER RESALE AGREEMENTS

Securities purchased under agreements to resell ("resale agreements") are recorded as receivables under resale agreements. The difference between purchase and resell prices is treated as interest and accrued over the life of resale agreements using the effective yield method.

Resale agreements are accounted for as collaterised financing transactions and are recorded at their contractual amounts plus interest accrued. The underlying collaterals are principally the PRC government bonds.

13 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2002	December 31, 2001
	RMB	RMB
Trade payables	**5,265**	4,439
Advances from customers	**2,352**	2,826
Salaries and welfare payable	**3,594**	3,418
Accrued expenses	**7,972**	28
Dividends payable by subsidiaries to minority shareholders	**19**	50
Interest payable	**350**	385
Construction fee and equipment cost payables	**10,186**	13,520
Payable to Sinopec	**1,525**	1,710
Advances from Sinopec	**69**	128
Other payables	**7,602**	8,917
Amounts due to related parties		
- CNPC	**66**	87
- Fellow subsidiaries	**11,606**	15,178
- Associated companies	**2,088**	528
	52,694	51,214

Amounts due to related parties are interest-free, unsecured and repayable in accordance with normal commercial terms.

The aging analysis of trade payables at June 30,2002 is as follows:

	June 30, 2002	December 31, 2001
	RMB	RMB
Within 1 year	**4,480**	2,197
Between 1 to 2 years	**278**	1,530
Between 2 to 3 years	**185**	413
Over 3 years	**322**	299
	5,265	4,439

14 BORROWINGS

	June 30, 2002	December 31, 2001
	RMB	RMB
Short-term borrowings	**18,074**	23,111
Long-term borrowings	**67,072**	65,484
	85,146	88,595

The movements in the borrowings can be analysed as follows:

	RMB
Balance at January 1, 2002	**88,595**
New borrowings	**21,869**
Repayments of borrowings	**(25,318)**
Balance at June 30, 2002	**85,146**

The long term borrowings can be analysed as follows:

	June 30, 2002	December 31, 2001
	RMB	RMB
Loans		
Unsecured	**71,892**	70,415
Secured	**2**	2
	71,894	70,417
Obligations under finance leases	**174**	226
Current portion of long-term liabilities	**(4,996)**	(5,159)
	67,072	65,484
The analysis of the above is as follows:		
Bank loans		
- Wholly repayable within five years	**32,313**	29,718
- Not wholly repayable within five years	**13,581**	16,541
Other loans and obligations under finance leases		
- Wholly repayable within five years	**19,542**	19,454
- Not wholly repayable within five years	**6,632**	4,930
	72,068	70,643
Current portion of long-term liabilities	**(4,996)**	(5,159)
	67,072	65,484

Other loans and obligations under finance leases not wholly repayable within five years are repayable by installments from July 1, 2002 to September 8, 2007. Interest is charged on the outstanding balances at the rate of 0% to 9% per annum (December

31, 2001: 0% to 9% per annum).

At June 30, 2002, the group's bank loans and other borrowings were repayable as follows:

	Bank loans		Other loans and obligations under finance leases	
	June 30, 2002	December 31, 2001	**June 30, 2002**	December 31, 2001
	RMB	RMB	**RMB**	RMB
Within one year	**4,140**	4,832	**856**	327
Between one to two years	**11,428**	5,519	**4,960**	678
Between two to five years	**20,274**	24,907	**14,179**	19,003
After five years	**10,052**	11,001	**6,179**	4,376
	45,894	46,259	**26,174**	24,384

15 SEGMENT INFORMATION

The Group is engaged in a broad range of petroleum related activities through its four major business segments: Exploration and Production, Refining and Marketing, Chemicals and Marketing and Natural Gas and Pipeline.

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

The Refining and Marketing segment is engaged in the refining, transportation, storage and marketing of crude oil and petroleum products.

The Chemicals and Marketing segment is engaged in the production and sale of basic petrochemical products, derivative petrochemical products, and other chemical products.

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

In addition to these four major business segments, the Other segment includes the assets, income and expenses relating to cash management, financing activities, the corporate center, research and development, and other business services to the operating business segments of the Group.

Substantially all assets and operations of the Group are located in the PRC, which is considered as one geographic location in an economic environment with similar risks and returns. In addition to its operations in the PRC, as disclosed in Note 18, the Group had acquired all the share capital of Devon Energy Indonesia Ltd., a company engaging in the exploration and production of crude oil and natural gas in Indonesia.

The accounting policies of the operating segments are the same as those described in Note 2—"Accounting Policies".

Operating segment information for the six months ended June 30, 2001 and 2002 is presented below:

Primary reporting format –business segments

Six months ended June 30, 2001	Exploration and Production	Refining and Marketing	Chemicals and Marketing	Natural Gas and Pipeline	Other	Total
	RMB	RMB	RMB	RMB	RMB	RMB
Turnover (including intersegment)	78,849	86,380	15,913	5,391	-	186,533
Less: Intersegment sales	(58,393)	(4,346)	(232)	(1,393)	-	(64,364)
Turnover from external customers	20,456	82,034	15,681	3,998	-	122,169
Depreciation, depletion and amortisation	(11,929)	(2,923)	(2,740)	(555)	(48)	(18,195)
Segment result	44,114	6,512	722	329	(280)	51,397
Other costs	(2,216)	(5,931)	(1,541)	(168)	(43)	(9,899)
Profit/(Loss) from operations	41,898	581	(819)	161	(323)	41,498
Finance costs						(1,803)
Equity in profit/(loss) of associated companies accounted for by equity method	238	(1)	14	9	43	303
Profit before taxation						39,998
Taxation						(13,160)
Minority interests						330
Net profit						27,168
Interest income (including intersegment)	260	94	11	7	3,661	4,033
Less: Intersegment interest income						(3,644)
Interest income from external entities						389
Interest expense (including intersegment)	(1,560)	(1,230)	(1,023)	(151)	(2,159)	(6,123)
Less: Intersegment interest expense						3,644
Interest expense to external entities						(2,479)
Segment assets	264,162	115,409	74,037	21,647	387,074	862,329
Elimination of intersegment balances						(408,867)
Investments in associated companies	1,254	1,372	253	364	670	3,913
Total assets						457,375
Segment capital expenditure - for property, plant and equipment	13,265	4,035	590	685	152	18,727
Segment liabilities	95,972	74,089	49,523	11,597	98,182	329,363
Elimination of intersegment balances						(183,886)
Other liabilities						21,098
Total liabilities						166,575

Primary reporting format –business segments (continued)

Six months ended June 30, 2002	Exploration and Production RMB	Refining and Marketing RMB	Chemicals and Marketing RMB	Natural Gas and Pipeline RMB	Other RMB	Total RMB
Turnover (including	**66,732**	**75,620**	**13,355**	**6,346**	**-**	**162,053**
Less: Intersegment sales	**(48,486)**	**(4,001)**	**(410)**	**(1,228)**	**-**	**(54,125)**
Turnover from external	**18,246**	**71,619**	**12,945**	**5,118**	**-**	**107,928**
Depreciation, depletion and amortisation	**(11,905)**	**(3,191)**	**(3,154)**	**(572)**	**(55)**	**(18,877)**
Segment result	**31,680**	**8,358**	**(109)**	**875**	**(106)**	**40,698**
Other costs	**(2,055)**	**(6,461)**	**(559)**	**(67)**	**(177)**	**(9,319)**
Profit/(Loss) from	**29,625**	**1,897**	**(668)**	**808**	**(283)**	**31,379**
Finance costs						**(1,952)**
Equity in profit/(loss) of associated companies accounted for by equity method	**(38)**	**(7)**	**-**	**13**	**137**	**105**
Profit before taxation						**29,532**
Taxation						**(9,902)**
Minority interests						**(51)**
Net profit						**19,579**
Interest income (including intersegment)	**325**	**73**	**329**	**6**	**3,606**	**4,339**
Less: Intersegment interest						**(4,089)**
Interest income from						**250**
Interest expense (including intersegment)	**(1,565)**	**(1,253)**	**(983)**	**(125)**	**(2,126)**	**(6,052)**
Less: Intersegment interest						**4,089**
Interest expense to external						**(1,963)**
Segment assets	**279,047**	**112,556**	**64,021**	**24,946**	**405,536**	**886,106**
Elimination of intersegment						**(420,249)**
Investment in associated	**1,328**	**918**	**538**	**656**	**853**	**4,293**
Total assets						**470,150**
Segment capital expenditure - for property, plant and equipment	**16,303**	**2,691**	**790**	**2,645**	**114**	**22,543**
Segment liabilities	**95,469**	**72,995**	**46,622**	**14,704**	**98,635**	**328,425**
Elimination of intersegment balances						**(189,159)**
Other liabilities						**21,886**
Total liabilities						**161,152**

Secondary reporting format – geographical segments

Six months ended June 30, 2002	Turnover	Total assets	Capital expenditure
	RMB	RMB	RMB
PRC	107,748	467,783	20,793
Others (Exploration and Production)	180	2,367	1,750
	107,928	470,150	22,543

16 CONTINGENT LIABILITIES

(a) Bank and other guarantees

At June 30, 2002, the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

	June 30, 2002	December 31,2001
	RMB	RMB
Guarantee of bank loans of associated companies	932	1,049

(b) Environmental liabilities

CNPC and the Group have operated in China for many years and certain environmental problems have developed. China has adopted extensive environmental laws and regulations that affect the operation of the oil and gas industry. The outcome of environmental liabilities under proposed or future environmental legislation cannot reasonably be estimated at present, and could be material. Under existing legislation, however, management believes that there are no probable liabilities, that are in addition to amounts which have already been reflected in the financial statements, that will have a materially adverse effect on the financial position of the Group.

(c) Legal contingencies

The Group is the named defendant in certain insignificant lawsuits as well as the named party in other proceedings arising in the ordinary course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, management believes that any resulting liabilities will not have a materially adverse effect on the financial position of the Group.

(d) Leasing of roads, land and buildings

According to the Restructuring Agreement entered into between the Company and CNPC in 1999 upon the formation of the company, CNPC has undertaken to the Company the following:

- CNPC will use its best endeavours to obtain formal land use right certificates to replace the entitlement certificates in relation to the 28,649 parcels of land which were leased or transferred to the Company from CNPC, within one year from August, September and October 1999 when the relevant entitlement certificates were issued;
- CNPC will complete, within one year from November 5, 1999, the necessary governmental procedures for the requisition of the collectively-owned land on which 116 service stations owned by the Company are located; and

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

As at June 30, 2002, CNPC has obtained formal land use right certificates in relation to 12,417 out of the above-mentioned 28,649 parcels of land, some building ownership certificates for the above-mentioned buildings, but has completed none of the necessary governmental procedures for the above-mentioned service stations located on collectively-owned land. The Directors of the Company confirm that the use of and the conduct of relevant activities at the above-mentioned parcels of land, service stations and buildings are not affected by the fact that the relevant land use right certificates or individual building ownership certificates have not been obtained or the fact that the relevant governmental procedures have not been completed. In management's opinion, the outcome of the above events will not have a material adverse effect on the results of operations or the financial position of the Group.

(e) Group insurance

Except for limited insurance coverage for vehicles and certain assets subject to significant operating risks, the Group does not carry any other insurance for property, facilities or equipment with respect to its business operations. In addition, the Group does not carry any third-party liability insurance against claims relating to personal injury, property and environmental damages or business interruption insurance since such insurance coverage is not customary in China. While the effect of under-insurance cannot be reasonably estimated at present, management believes it could have a material impact on the operating results or financial position of the Group.

(f) Cost reduction measures

The Company is currently evaluating options to further streamline production facilities and implement other cost reduction measures within the next several years to further improve the operating efficiency and competitiveness of the Group. Management has not approved all significant actions to be taken to complete such plan. Management does not believe it will have a material adverse impact on the Group's financial position, but it could have a material adverse effect on the Group's results of operations.

17 COMMITMENTS

(a) Operating lease commitments

Operating lease commitments of the Group are mainly for leasing of buildings and equipment. Leases range from one to fifty years and usually do not contain renewal options. Future minimum lease payments as of June 30, 2002 and December 31, 2001 under non-cancellable operating leases are as follows:

	June 30, 2002	December 31, 2001
	RMB	RMB
First year	**2,303**	2,421
Second year	**2,106**	2,139
Third year	**2,081**	2,083
Fourth year	**2,075**	2,077
Fifth year	**2,085**	2,093
Thereafter	**85,787**	86,793
	96,437	97,606

Operating lease expenses for land and buildings were RMB 1,491 for the six months ended June 30, 2002 (six months ended June 30, 2001 were RMB 1,221).

(b) Capital commitments

	June 30, 2002	December 31, 2001
	RMB	RMB
Contracted but not provided for		
Oil and gas properties	**863**	539
Plant and equipment	**78**	54
Other	**3,777**	89
	4,718	682

(c) Exploration and production licenses

The Company is obligated to make annual payments with respect to its exploration and production licenses to the Ministry of Land and Resources. Payments incurred were approximately RMB 14 for the six months ended June 30, 2002 (six months ended June 30, 2001 was RMB124).

Estimated annual payments in the future are as follows:

	RMB
2002	280
2003	382
2004	515
2005	618
2006 and thereafter	681

(d) Dividends

Dividends received from the Company are likely to be one of the principal sources of funding for CNPC. Subject to the relevant provisions of the PRC Company law and the Articles of Association of the Company, CNPC, as major shareholder of the Company, may seek to influence the determination of the amount of dividends paid by the Company with a view to satisfying its cash flow requirements including those relating to its obligations to provide supplementary social services to its employees and a limited number of third parties. The Ministry of Finance has committed to provide subsidies to enable CNPC to fund a portion of future operating shortfalls arising out of CNPC's obligation to provide social services. The directors believe that these subsidies will substantially reduce CNPC's reliance on dividends from the Company.

18 Acquisition

On April 22, 2002 the Group acquired all of the share capital of Devon Energy Indonesia Ltd., which is engaging in the exploration and production of crude oil and natural gas in Indonesia. The acquired business contributed turnover of RMB180 and operating profit of RMB63 to the Group for the six months ended June 30, 2002, and its assets and liabilities at June 30, 2002 were respectively RMB2,367 and RMB250.

Details of net assets acquired are as follows:

	RMB
Purchase consideration－cash paid	**2,068**
Fair value of net assets acquired	**2,068**

Other than for land and buildings, the fair value of the net assets approximated to the book value of the net assets acquired, and no plant closure provisions or other restructuring provisions were established.

The assets and liabilities arising from the acquisition are as follows:

	RMB
Cash and cash equivalents	**64**
Property, plant and equipment (Note 8)	**1,709**
Inventories	**4**
Accounts receivable	**132**
Prepaid expenses and other current assets	**236**
Accounts payable and accrued liabilities	**(64)**
Income tax payable	**(13)**
Fair value of net assets acquired	**2,068**
Less: Cash and cash equivalents in subsidiary acquired	**(64)**
Cash outflow on acquisition	**2,004**

There were no major acquisitions in the year ended 31 December 2001.

19 RELATED PARTY TRANSACTIONS

The Group is part of the larger group of companies under CNPC and has extensive transactions and relationships with members of the CNPC group. Because of these relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties. Related parties refer to corporations in which CNPC is a major shareholder and is able to exercise significant influence.

CNPC itself is a state-owned enterprise. In accordance with a specific exemption in IAS-24 “Related Party Disclosures”, the Group does not accumulate or disclose transactions with other state-owned enterprises as related party transactions, other than those with other CNPC group companies and significant customers.

The majority of the Group’s business activities are conducted with state-owned enterprises. Sale of certain products to these state-owned enterprises are at state-prescribed prices. The Group considers that these sales are activities in the ordinary course of business and has not accumulated or disclosed such related party transactions.

As a result of the Restructuring, the Company and CNPC entered into a Comprehensive Products and Services Agreement for a range of products and services which may be required and requested by either party; a Land Use Rights Leasing Contract under which CNPC leases 42,476 parcels of land located throughout the PRC to the Company; and a Buildings Leasing Contract under which CNPC leases 191 buildings, together with the headquarters, located throughout the PRC to the Company.

The term of the Comprehensive Products and Services Agreement is 10 years commencing from November 5, 1999. The products and services to be provided by the CNPC group to the Company under the Comprehensive Products and Services Agreement include construction and technical services, production services, supply of material services, social services, ancillary services and financial services. The products and services are provided in accordance with (1) state-prescribed prices; or (2) where there is no state-prescribed price, relevant market prices; or (3) where neither (1) nor (2) is applicable, actual cost incurred; or the agreed contractual price, being the actual cost plus a margin of no more than 15% for certain construction and technical services, and 3% for all other types of services.

The Land Use Rights Contract provides for the lease of an aggregate area of approximately 1,145 million square meters of land located throughout the PRC to members of the Company for a term of 50 years at an annual fee of RMB 2,000. The total fee payable for the lease of all such property may, after the expiration of 10 years, be adjusted by agreement between the Company and CNPC.

Under the Buildings Leasing Contract, 191 buildings covering an aggregate area of 269,770 square meters located throughout the PRC are leased at an aggregate annual fee of RMB 39 for a term of 20 years.

Prior to the establishment of the Company, allocation of costs from companies and operating units retained by CNPC primarily represented direct costs of exploration, drilling, production, construction, maintenance, procurement and other services. Following the establishment of the Company, costs are based on the terms of the agreements entered into with CNPC as described above.

In addition to the related party information shown elsewhere in the financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and entities controlled by CNPC during the periods indicated below:

		Six months ended June 30	
		2002	2001
	Notes	**RMB**	RMB
Sale of goods	(a)	**3,259**	12,766
Fees paid for construction and technical services	(b)		
- Exploration and development services	(c)	**9,765**	10,543
- Other construction and technical services	(d)	**4,500**	2,838
Fees for production services	(e)	**7,150**	6,972
Social services charge	(f)	**555**	624
Ancillary service charges	(g)	**962**	1,012
Interest income	(h)	**13**	14
Interest expense	(i)	**479**	576
Rental expense	(j)	**996**	987
Commission expense and other charges	(k)	**319**	461

Notes:

(a) Represents sale of crude oil, refined and chemical products conducted principally at market prices.

(b) Under the Comprehensive Products and Services Agreement entered into between CNPC and the Company, certain construction and technical services provided by CNPC are charged at cost plus an additional margin of no more than 15%, including exploration and development services and oilfield construction services.

(c) Direct costs for exploration and development services, comprise geophysical survey, drilling, well cementing, logging and well testing.

(d) The fees paid for other construction and technical services, comprise fees for construction of refineries and chemical plants and technical services in connection with oil and gas exploration and production activities such as oilfield construction, technology research, engineering and design, etc.

(e) The fees paid for production services, comprise fees for the repair of machinery, supply of water, electricity and gas, provision of services such as communications, transportation, fire fighting, asset leasing, environmental protection and sanitation, maintenance of roads, manufacture of replacement parts and machinery.

(f) These represent expenditures for social welfare and support services which are charged at cost.

(g) Ancillary service charges represent mainly fees for property management, the provision of training centres, guesthouses, canteens, public shower rooms, etc.

(h) The Group had deposits placed with China Petroleum Finance Company Limited ("CP Finance"), a subsidiary of CNPC and a non-bank financial institution approved by the People's Bank of China, amounting to RMB 4,635 (December 31, 2001: RMB 1,239) as of June 30, 2002. The deposits yield interest at prevailing saving deposit rates.

(i) The Group had unsecured short-term and long-term loans from CP Finance amounting to RMB 24,347 (December 31, 2001: RMB 22,021) as of June 30, 2002 included under loans from related parties. The loans interest bearing at below market rates.

(j) Rental expenses are calculated in accordance with the lease agreements entered into between the Company and CNPC.

(k) CNPC purchased materials on behalf of the Company and charged commission thereon. The commission is calculated at rates ranging from 1% to 5% of the goods purchased.

(l) The Group had a 4.73% equity interest in CP Finance at a book value of RMB 85 as of June 30, 2002 and December 31, 2001.

SIGNIFICANT DIFFERENCES BETWEEN IAS AND US GAAP

The consolidated interim condensed financial statements have been prepared in accordance with IAS which may differ in certain material respects from US GAAP. Such differences involve methods for measuring the amounts shown in the financial statements, as well as additional disclosures required by US GAAP.

Effect on net income of significant differences between IAS and US GAAP is as follows:

	Six months ended June 30	
	2002	2001
	RMB	RMB
Net income under IAS	**19,579**	27,168
US GAAP adjustments:		
Depreciation charges on property, plant and equipment revaluation gain	**4,152**	4,301
Depreciation charges on property, plant and equipment revaluation loss	**(56)**	(56)
Loss on disposal of property, plant and equipment	**41**	27
Income tax effect	**(1,365)**	(1,410)
Minority interests	**(30)**	(30)
Net income under US GAAP	**22,321**	30,000
Basic and diluted net income per share under US GAAP(RMB)	**0.13**	0.17

Effect on shareholders' equity of significant differences between IAS and US GAAP is as follows:

	June 30, 2002	December 31, 2001
	RMB	RMB
Shareholders' equity under IAS	**303,862**	293,122
US GAAP adjustments:		
Reversal of property, plant and equipment revaluation gain	**(80,549)**	(80,549)
Depreciation charges on property, plant and equipment revaluation gain	**25,215**	21,063
Reversal of revaluation loss	**1,122**	1,122
Depreciation charges on property, plant and equipment revaluation loss	**(280)**	(224)
Loss on disposal of property, plant and equipment	**157**	116
Deferred tax assets on revaluation	**17,931**	19,296
Minority interests	**454**	484
Shareholders' equity under US GAAP	**267,912**	254,430

In preparing the summary of differences between IAS and US GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the estimates of revenues and expenses. Accounting estimates have been employed in these financial statements to determine reported amounts, including realisability, useful lives of tangible and intangible assets, income taxes and other areas. Actual results could differ from those estimates.

A summary of the principal differences and additional disclosures applicable to the Group is set out below:

(a) Revaluation of property, plant and equipment

The property, plant and equipment, excluding oil and gas reserves, transferred to the Company by CNPC were appraised as of June 30, 1999, as required by the relevant PRC regulations, by a firm of independent valuers registered in the PRC, China Enterprise Appraisal. The revaluation of the property, plant and equipment transferred resulted in RMB 80,549 in excess of the prior carrying value and a revaluation loss of RMB 1,122 on certain property, plant and equipment items. The depreciation charge on the revaluation surplus for the six months ended June 30, 2002 was RMB 4,152 (six months ended June 30, 2001 was RMB 4,301).

For purposes of reconciling to the US GAAP financial data, the effect of the revaluation and the related depreciation charges is reversed. A deferred tax asset relating to the reversal of the revaluation effect is established, together with a corresponding increase in the shareholders' equity. Under a special approval granted by the Ministry of Finance, the effect of the revaluation will be available as additional depreciation base for purposes of determining taxable income.

(b) Related party transactions

The Group has disclosed in Note 19 transactions and balances with its immediate parent, CNPC, and related companies. CNPC is owned by the PRC government, which also owns a significant portion of the productive assets in the PRC. IAS exempts state controlled enterprises from disclosing transactions with other state controlled enterprises. IAS also excludes from related parties government departments and agencies to the extent that such dealings are in the normal course of business. US GAAP contains no similar exemptions but requires disclosure of material related party transactions. The Group believes that it has provided meaningful disclosures in Note 19. Although the majority of the Group's activities are with PRC government authorities and affiliates and other state controlled enterprises, none individually constitutes a major customer or supplier other than those disclosed.

(c) One-time remedial payments for staff housing

Under regulations issued by the Ministry of Finance of the PRC in 2000 and in January 2001, certain employees of the Group who joined the workforce prior to December 31,1998 and have housing conditions below local standards are to be reimbursed for such differentials. These one –time remedial payments are to be borne by the state shareholder of the Company. Under IAS, such direct payments to employees or reimbursements will not be recorded through the consolidated income statement of the Group. US GAAP contains no such exemption but requires this principal shareholder's action on behalf of the Company to be recorded in the consolidated income statement. To the extent that a reliable estimate can be established for such one-time remedial housing payments, the amount will be reflected in the consolidated income statement for purposes of reconciling to the US GAAP financial data.

(d) Recent US accounting pronouncements

In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of

Financial Accounting Standards No. 141 (FAS141), “Business Combinations” and Statement of Financial Accounting Standards No. 142 (FAS 142), “ Goodwill and Other intangible Assets”. FAS 141 addresses financial accounting and reporting for business combinations and requires that all business combinations in the scope of this statement are to be accounted for using one method, the purchase method. The provisions of FAS 141 apply to all business combinations initiated after June 30, 2001. FAS 142 addresses how intangible assets that are acquired individually or with a group of other assets should be accounted for in financial statements upon their acquisition, and how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. The provisions of FAS 142 are effective for fiscal years beginning after December 15, 2001. The adoption of FAS 141 and FAS 142 did not have a material impact on the Group’s results of operations and its financial position.

In August 2001, FASB issued Statement of Financial Accounting Standards No. 143 (FAS143), “Accounting for Asset Retirement Obligations”. FAS143 establishes accounting standards for recognition and measurement of a liability for an asset retirement obligation and the associated asset retirement cost. FAS143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Group expects the adoption of FAS143 could have a material impact on the Group’s results of operations and its financial position.

In October 2001, FASB issued Statement of Financial Accounting standards No. 144 (FAS144), “ Accounting for the Impairment or Disposal of Long-Lived Assets”. FAS144 addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of. FAS144 is effective for financial statements issued for fiscal years beginning after December 15, 2001. The adoption of FAS144 did not have a material impact on the Group’s results of operations and its financial position.

On behalf of the Board

Chairman
Ma Fucai

Beijing, China, August 29, 2002