

CHAIRMAN'S LETTER

Dear Shareholders,

I am pleased to submit to you the annual report of PetroChina Company Limited (the "Company") for the year ended December 31, 2002.

Review of Results and Operations

The Company is the largest oil and gas producer and seller that assumes a leading position in the oil and gas industry in the PRC. The Company is engaged in a broad range of petroleum-related activities.

In 2002, the Company's profit before taxation was RMB69.24 billion, representing an increase of 1.63% compared to the previous year. Net profit was RMB46.91 billion, representing an increase of 3.17% over the previous year. Profit of the Company in 2002 was primarily derived from the sale of crude oil in the exploration and production segment. In spite of the weak global economy, substantial fluctuations in international oil prices and consistently poor performance of the stock market, the Company has been able to achieve satisfactory operating results by increasing the production and sales volume and by reducing costs.

The basic and diluted earnings per share of the Company is RMB0.27.

The Board of Directors of the Company recommends a final dividend of RMB0.069951 per share for 2002 (annual dividend for 2002 is RMB0.12006 per share), subject to the approval of the shareholders in the annual general meeting to be held on May 28, 2003.

Board of Directors and Supervisory Committee

An extraordinary general meeting of the Company was held in Beijing, the PRC on November 19, 2002 for the election of members of the second Board of Directors and Supervisory Committee.

The Board of Directors currently consists of 12 Directors, including three independent non-executive Directors. Mr Yan Sanzhong, Mr Huang Yan and Mr Wu Jinglian ceased to act as Directors and independent non-executive Directors of the Company on November 19, 2002. Mr Ma Fucui, Mr Wu Yaowen, Mr Ren Chuanjun, Mr Gong Huazhang, Mr Zou Haifeng and Mr Chee-Chen Tung were re-elected as Directors of the Company. In addition, Mr Su Shulin and Mr Liu Hongru were elected as Director and independent non-executive Director of the Company respectively. Mr Liu has resigned from the post of independent supervisor after being elected as a Director of the Company. Mr Chen Geng, Mr Zheng Hu, Mr Wang Fucheng and Mr Franco Bernabè remain as Directors of the Company as their terms of office of directorship have not yet expired.

The Supervisory Committee currently consists of seven Supervisors, including two independent Supervisors. Mr Lin Jingao and Mr Liu Hongru ceased to act as Supervisors of the Company on November 19, 2002. Mr Li Kecheng, Mr Chen Weizhong, Mr Bai Xinhe and Mr Wu Zhipan were re-elected as Supervisors of the Company. In addition, Mr Sun Chongren was the employees' representative in the Company's Supervisory Committee and was re-elected as a Supervisor of the Company in accordance with the relevant procedures stipulated in the Company's Articles of Association. In addition, Mr Wen Qingshan and Mr Zhang Youcai were elected as Supervisor and independent Supervisor of the Company respectively.

Please refer to the section on Brief Biography of Directors, Secretary, Supervisors and Senior Management in the "Report of Directors" for the brief biography of Mr Su Shulin, Mr Liu Hongru, Mr Wen Qingshan and Mr Zhang Youcai.

The first meeting of the second Board of Directors of the Company was convened in Beijing, the PRC on December 3, 2002. Mr Ma Fucui was re-elected as the Chairman while Mr Wu Yaowen and Mr Ren Chuanjun were elected as Vice Chairmen. Mr Chen Geng was appointed as the President, Mr Su Shulin as the Senior Vice President and Mr Wang Fucheng, Mr Liu Baohe and Mr Duan Wende as Vice Presidents. Mr Wang Guoliang and Mr Jia Chengzao continued to be appointed as the Chief Financial Officer and the Chief Geologist respectively. In the first meeting of the second Supervisory Committee which was convened at the same time, Mr Li Kecheng was re-elected as the Chairman of the Supervisory Committee.

I would like to take this opportunity to express my gratitude to former Directors Mr Yan Sanzhong, Mr Huang Yan and Mr Wu Jinglian, former Supervisors Mr Lin Jingao and Mr Liu Hongru and former senior management personnel Mr Shi Xingquan, Mr Lin Qingshan, Mr Zhang Xinzhi and Mr Shen Pingping for their contributions to the Company during their respective terms of office. I would also like to take this opportunity to express my sincere thanks for the support of our shareholders, the close cooperation of our Board of Directors and Supervisory Committee and the hard work of all our employees.

Standardised Operations and Business Prospects of the Company

The management of the Company has always insisted on realising the contemporary management concept which focuses on increasing the value of the Company, optimising benefits and maximising value for shareholders.

In order to achieve these purposes, we will continue to reinforce our exploration and exploitation work, stabilise our business in eastern China, speed up the development of business in western China and realise a stable increase in crude oil production and a breakthrough in the exploration of overseas crude oil and natural gas resources. We will strive to push ahead the restructuring of the refining and chemicals business, procure mergers and acquisitions, shut down installations which are of low efficiency, optimise allocation of resources and strengthen technological renovation so as to achieve improvements in the restructuring of the refining and chemicals business and achieve a continuous optimisation of the product structure. Moreover, we will accelerate the construction of natural gas transmission works which are key projects and develop the natural gas business at a high speed.

The Company will continue to promote e-commerce, unify procurement activities and to vigorously promote the centralised procurement of goods in large quantity so as to reduce the procurement cost. The website "Energyahead" (www.energyahead.com) maintained by the Company as an e-commerce platform is advance in functioning and is operating smoothly.

In the course of its production and operation, the Company enhanced construction of a system of safety production, and implemented the system for administration of safety production on a contract basis and the HSE (Health, Safety and Environment) management system. The Company endeavoured to increase efficiency in utilising resources and maintained an input at a relatively high level in respect of environment protection, thus improving the Company's ability to control the discharge of pollutants.

Looking forward, the Company will continue to consolidate the leading position of its upstream operations, realise a rapid growth in natural gas business, and push ahead the

restructuring of the refining and chemicals business. At the same time, the Company will actively participate in the competition in the international oil and gas markets, speed up development of the overseas business, accelerate the growth of the Company and continue to increase the value of the Company.

For exploration and production, the Company will continue to insist on the principle of "exploration first" and will strive to realise the growth in output and reserves of oil and gas, and realise a positive cycle of resource substitution, strive to maintain a stable increase in crude oil production and concurrently realise a high growth rate in the output, sales and profit from natural gas in order to uphold the Company's leading position in the domestic oil and gas industry.

For refining and chemicals, the Company will vigorously push ahead optimising and restructuring of the refining and chemicals business, accelerate technology upgrading in relation to the refining and chemicals business and the construction of sales and distribution network and realise a breakthrough in improving the profitability from its end products and record a gain rather than a loss.

For marketing, the Company will vigorously strengthen its management of marketing and sales, reinforce the construction of secondary storage facilities and service stations, continue to improve the sales and distribution network and logistics system, vigorously expand the retail sales and to increase retail market share while achieving a growth in sales and profit.

For natural gas and pipeline, the Company will focus on monitoring pipeline construction work with the West-East Pipeline Project, procure commencement of operation on schedule and actively develop the natural gas market so that the natural gas business will become a new source of growth in profitability for the Company.

For overseas business, the Company will speed up the implementation of its overseas business development strategy and globalise its business operation, actively and prudently conduct its international exploration and development business and continue to improve its international business operation. In addition, the Company, while carrying out the existing overseas project, will actively look for new projects to achieve new breakthroughs.

The Company will continue to endeavour to develop its core business and will further regulate its corporate governance in order to maintain a continuous, effective and rapid growth of the Company and to create even better return for its shareholders.

Ma Fucai
Chairman of the Board
Beijing, the PRC
March 31, 2003