Consolidated Interim Financial Statements

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the six months ended June 30, 2003 and June 30, 2002
(Amounts in millions except for per share data)

	Notes	Six months ended June 30 2003	2002 (Note 2)
		RMB	RMB
TURNOVER	3	**147,960**	108,143
OPERATING EXPENSES			
Purchases, services and other		**(40,465)**	(30,918)
Employee compensation costs		**(8,275)**	(6,943)
Exploration expenses, including exploratory dry holes		**(4,811)**	(3,744)
Depreciation, depletion and amortisation		**(20,909)**	(18,968)
Selling, general and administrative expenses		**(11,094)**	(9,905)
Taxes other than income taxes		**(7,872)**	(7,111)
Other income, net		**461**	417
TOTAL OPERATING EXPENSES		**(92,965)**	(77,172)
PROFIT FROM OPERATIONS		**54,995**	30,971
FINANCE COSTS			
Exchange gain		**26**	43
Exchange loss		**(90)**	(282)
Interest income		**241**	252
Interest expense		**(1,364)**	(2,060)
TOTAL FINANCE COSTS		**(1,187)**	(2,047)
SHARE OF PROFIT OF ASSOCIATED COMPANIES		**308**	105
PROFIT BEFORE TAXATION	4	**54,116**	29,029
TAXATION	5	**(15,201)**	(9,902)
PROFIT BEFORE MINORITY INTERESTS		**38,915**	19,127
MINORITY INTERESTS		**(296)**	(51)
NET PROFIT		**38,619**	19,076
BASIC AND DILUTED EARNINGS PER SHARE	6	**0.22**	0.11

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

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED BALANCE SHEET
As of June 30, 2003 and December 31, 2002
(Amounts in millions)

	Notes	June 30, 2003	December 31, 2002
		RMB	RMB
NON CURRENT ASSETS			
Property, plant and equipment	8	**400,537**	397,798
Long-term investments		**5,741**	5,680
Intangible and other assets		**4,615**	4,507
		410,893	407,985
CURRENT ASSETS			
Inventories	9	**28,030**	28,441
Accounts receivable	10	**5,996**	6,079
Prepaid expenses and other current assets		**18,910**	15,729
Notes receivable	11	**4,114**	2,540
Receivables under resale agreements	12	**19,854**	9,786
Time deposits with maturities over three months		**2,627**	2,612
Cash and cash equivalents		**19,334**	9,977
TOTAL CURRENT ASSETS		**98,865**	75,164
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	13	**60,633**	57,793
Income tax payable		**7,072**	5,412
Other taxes payable		**8,459**	5,515
Short-term borrowings	14	**25,129**	20,633
		101,293	89,353
NET CURRENT LIABILITIES		**(2,428)**	(14,189)
TOTAL ASSETS LESS CURRENT LIABILITIES		**408,465**	393,796
FINANCED BY:			
Share capital			
-State-owned shares of RMB1.00 each		**158,242**	158,242
-H shares of RMB 1.00 each		**17,582**	17,582
		175,824	175,824
Retained earnings		**85,324**	59,004
Reserves		**81,848**	81,848
Shareholders' equity		**342,996**	316,676
Minority interests		**5,221**	4,854
NON CURRENT LIABILITIES			
Long-term borrowings	14	**47,776**	60,655
Deferred credits and other long-term obligations		**1,884**	1,684
Deferred taxation		**10,588**	9,927
		60,248	72,266
		408,465	393,796

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

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended June 30, 2003 and June 30, 2002
(Amounts in millions)

	Notes	Six months ended June 30	
		2003	2002 (Note 2)
		RMB	RMB
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Profit		**38,619**	19,076
Adjustments for:			
Minority interests		**296**	51
Taxation	5	**15,201**	9,902
Depreciation, depletion and amortisation		**20,909**	18,968
Dry hole costs		**3,015**	2,022
Share of profit of associated companies		**(308)**	(105)
Impairment of receivables	4	**1,132**	62
Write down in inventories, net	4	**(12)**	(72)
Provision for/(reversal of) impairment of investments	4	**6**	-
Loss on disposal of property, plant and equipment	4	**123**	38
Dividend income	4	**(44)**	(39)
Interest income		**(241)**	(252)
Interest expense		**1,364**	2,060
Changes in working capital:			
-Accounts receivable and prepaid expenses and other current assets		**(5,816)**	(7,947)
-Inventories		**636**	(2,017)
-Accounts payable and accrued liabilities		**6,385**	3,498
CASH GENERATED FROM OPERATIONS		**81,265**	45,245
Interest received		**241**	252
Interest paid		**(1,844)**	(2,393)
Income taxes paid		**(12,834)**	(7,772)
NET CASH PROVIDED BY OPERATING ACTIVITIES		**66,828**	35,332

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

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended June 30, 2003 and June 30, 2002
(Amounts in millions)

	Note	Six months ended June 30	
		2003	2002 (Note 2)
		RMB	RMB
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures		**(26,068)**	(23,928)
Acquisition of subsidiaries		**-**	(2,004)
Acquisition of associated companies		**(605)**	(135)
Repayment of capital by associated companies		**17**	167
Acquisition of available-for-sale investments		**(257)**	(24)
(Acquisition)/Disposal of receivables under resale agreements		**(10,068)**	4,568
Acquisition of intangible assets		**(3)**	(176)
Acquisition of other non-current assets		**(234)**	(52)
Proceeds from disposal of property, plant and equipment		**38**	196
Proceeds from disposal of other non-current assets		**52**	-
Proceeds from disposal of available-for-sale investments		**69**	-
Dividends received		**98**	84
(Increase)/Decrease in time deposits with maturities over three months		**(15)**	615
NET CASH USED FOR INVESTING ACTIVITIES		**(36,976)**	(20,689)
CASH FLOWS FROM FINANCING ACTIVITIES			
New short-term borrowings		**12,235**	12,362
Repayments of short-term borrowings		**(17,578)**	(17,601)
New long-term borrowings		**863**	9,511
Repayments of long-term borrowings		**(3,862)**	(8,039)
Principal payment on finance lease obligations		**(41)**	(52)
Dividends paid to minority interests		**(52)**	(85)
Contribution from CNPC to marketing enterprises		**-**	10
Capital contribution from minority interests		**39**	3
Dividends paid	7	**(12,299)**	(8,839)
Change in deferred credits and other long-term obligations		**200**	177
NET CASH USED FOR FINANCING ACTIVITIES		**(20,495)**	(12,553)
Increase in cash and cash equivalents		**9,357**	2,090
Cash and cash equivalents at beginning of period		**9,977**	11,127
Cash and cash equivalents at end of period		**19,334**	13,217

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

PETROCHINA COMPANY LIMITED
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the six months ended June 30, 2003 and June 30, 2002
(Amounts in millions)

	Share Capital	Retained Earnings	Reserves	Total
	RMB	RMB	RMB	RMB
Balance at January 1, 2002 (Note 2)	175,824	35,607	79,175	290,606
Net profit from January 1 to June 30, 2002	-	19,076	-	19,076
Contribution from CNPC to marketing enterprises (Note 2)	-	-	10	10
Final dividend for 2001 (Note 7)	-	(8,839)	-	(8,839)
Balance at June 30, 2002	175,824	45,844	79,185	300,853
Balance at January 1, 2003	**175,824**	**59,004**	**81,848**	**316,676**
Net profit from January 1 to June 30, 2003	**-**	**38,619**	**-**	**38,619**
Final dividend for 2002 (Note 7)	**-**	**(12,299)**	**-**	**(12,299)**
Balance at June 30, 2003	**175,824**	**85,324**	**81,848**	**342,996**

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. The Company and its subsidiaries are collectively referred to as the "Group".

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 Standards ("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, 2002.

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 Group for the year ended December 31, 2002.

The consolidated interim condensed financial statements as of June 30, 2003 and for the six-month periods ended June 30, 2003 and June 30, 2002 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, 2003 are not necessarily indicative of the results of operations expected for the year ended December 31, 2003.

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, 2003 is principally 33% (six months ended June 30, 2002: 33%).

In accordance with the acquisition agreement between the Company and CNPC dated September 26, 2002, the Company acquired from CNPC the assets, liabilities and interests related to CNPC's refined products marketing enterprises comprising primarily of service stations and related facilities for RMB 3,200. The acquisition price was determined on the basis of independent valuation and appraisals of the assets and liabilities of these marketing enterprises under applicable rules and regulations promulgated in PRC. Of the RMB 3,200 purchase price, RMB 430 was paid in cash, RMB 1,124 was set off against receivables from CNPC, and the remaining balance of RMB 1,646 was included as payables to CNPC at June 30, 2003.

The acquisition is a combination of entities under common control since the Company and the CNPC's refined products marketing enterprises are under the common control of CNPC. As a result, the Company has accounted for the acquisition in a manner similar to a uniting of interests, whereby the assets and liabilities of the marketing enterprises acquired are accounted for at historical cost to CNPC (net liabilities of RMB 2,956 and RMB 2,516 at the effective date and at January 1, 2002 respectively). The consolidated financial statements have been restated to give effect to the acquisition with all periods presented as if the operations of the Company and these marketing enterprises have always been combined. The difference between RMB 3,200 paid and the net liabilities transferred from CNPC has been adjusted against equity.

(Amounts in millions)

The summarised results of operations for the separate entities and on a consolidated basis for the six months ended June 30, 2002 are set out below:

	PetroChina	Marketing enterprises	Consolidated
	RMB	RMB	RMB
Results of operations:			
Turnover	107,928	1,171	108,143
Net profit/(loss)	19,579	(503)	19,076
Basic and diluted earnings per share (RMB)	0.11	(0.00)	0.11

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.

(Amounts in millions)

4 PROFIT BEFORE TAXATION

	Six months ended June 30	
	2003	2002
	RMB	RMB
Profit before taxation is arrived at after crediting and charging of the following items:		
Crediting		
Dividend income from available-for-sale investments	**44**	39
Reversal of write down in inventories	**12**	72
Charging		
Amortisation on intangible and other assets	**301**	245
Cost of inventories (approximates cost of goods sold) recognised as expense	**62,447**	52,561
Depreciation on property, plant and equipment, including impairment provision		
- owned assets	**20,592**	18,704
- assets under finance leases	**16**	19
Impairment of receivables	**1,132**	62
Impairment of investments	**6**	-
Interest expense (Note (a))	**1,364**	2,060
Loss on disposal of property, plant and equipment	**123**	38
Operating lease rentals on land and buildings and equipment	**1,448**	1,393
Repair and maintenance	**1,804**	1,935
Research and development expenditure	**676**	867

Note (a) Interest expense

Interest expense	**1,872**	2,358
Less: amounts capitalised	**(508)**	(298)
	1,364	2,060

(Amounts in millions)

5 TAXATION

	Six months ended June 30	
	2003	2002
	RMB	RMB
Income tax	**14,494**	8,328
Deferred tax	**661**	1,555
Share of tax of associated companies	**46**	19
	15,201	9,902

In accordance with the relevant PRC income tax rules and regulations, the enacted PRC income tax rate applicable to the Group is principally 33% (2002: 33%). The Group in the last quarter of year 2002 obtained approvals from several provincial and local tax authorities whereby a portion of the taxable income of the Group's qualifying operations in these locales are assessed income tax at a reduced rate of 15% instead of the statutory rate of 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	
	2003	2002
	RMB	RMB
Profit before taxation	**54,116**	29,029
Tax calculated at a tax rate of 33%	**17,858**	9,580
Prior year tax return adjustment	**(323)**	-
Effect of preferential tax rate	**(2,156)**	-
Income not subject to tax	**(204)**	(107)
Expenses not deductible for tax purposes	**26**	429
Tax charge	**15,201**	9,902

6 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the six months ended June 30, 2003 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, 2002 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.

(Amounts in millions)

7 DIVIDENDS

	Six months ended June 30	
	2003	2002
	RMB	RMB
Final dividend for 2001 (Note (i))	**-**	8,839
Final dividend for 2002 (Note (ii))	**12,299**	-
	12,299	8,839

(i) 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.

(ii) A final dividend in respect of 2002 of RMB 0.069951 per share amounting to a total of RMB12,299 was paid on June 12, 2003, and was accounted for in shareholders' equity as an appropriation of retained earnings in the six months ended June 30, 2003.

(iii) As authorised by shareholders in the Annual General Meeting on May 28, 2003, the Board of Directors, in a meeting held on August 27, 2003, resolved to distribute an interim dividend in respect of 2003 of RMB 0.098841 per share amounting to a total of RMB17,379. These financial statements do not reflect this dividend payable, as it was not proposed until after the balance sheet date.

(Amounts in millions)

8 PROPERTY, PLANT AND EQUIPMENT

	RMB
Cost or valuation	
At January 1, 2003	**642,503**
Additions	**26,548**
Disposals and write off	**(8,724)**
At June 30, 2003	**660,327**
Accumulated depreciation	
At January 1, 2003	**(244,705)**
Charge for the period	**(20,608)**
Disposals and write off	**5,523**
At June 30, 2003	**(259,790)**
Net book value	
At June 30, 2003	**400,537**

Borrowings are secured on property, plant and equipment at net book value of RMB 62 at June 30, 2003 (December 31, 2002: RMB 426).

The depreciation charge of the Group for the six months ended June 30, 2003 included RMB 504 (six months ended June 30, 2002: nil) relating to impairment provision for plant and equipment held for use for the Chemicals and Marketing segment.

9 INVENTORIES

	June 30, 2003	December 31, 2002
	RMB	RMB
Crude oil and other raw materials	**9,933**	8,987
Work in progress	**3,800**	3,787
Finished goods	**14,877**	16,253
Spare parts and consumables	**61**	67
	28,671	29,094
Less: Write down in inventories	**(641)**	(653)
	28,030	28,441

Inventories of the Group carried at net realisable value amounted to RMB 1,607 at June 30, 2003 (December 31, 2002: RMB 2,780).

(Amounts in millions)

10 ACCOUNTS RECEIVABLE

	June 30, 2003	December 31, 2002
	RMB	RMB
Accounts receivable due from third parties	**11,842**	11,504
Less: Provision for impairment of receivables	**(6,945)**	(6,356)
	4,897	5,148
Accounts receivable due from related parties		
- Fellow subsidiaries	**828**	789
- Associated companies	**271**	142
	5,996	6,079

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, 2003 is as follows:

	June 30, 2003	December 31, 2002
	RMB	RMB
Within 1 year	**5,394**	4,647
Between 1 to 2 years	**247**	743
Between 2 to 3 years	**658**	697
Over 3 years	**6,642**	6,348
	12,941	12,435

In the year 2003, the Group offers its customers the credit terms of no more than 180 days, except for certain selected customers.

11 NOTES RECEIVABLE

Notes receivable represent mainly the bills of acceptance issued by banks for sale 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 income and accrued over the life of resale agreements using the effective yield method.

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

(Amounts in millions)

13 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2003	December 31, 2002
	RMB	RMB
Trade payables	**7,076**	8,153
Advances from customers	**3,370**	4,690
Salaries and welfare payable	**4,139**	3,915
Accrued expenses	**6,832**	8
Dividends payable by subsidiaries to minority shareholders	**79**	34
Interest payable	**261**	233
Construction fee and equipment cost payables	**11,691**	12,521
Payable to Sinopec	**571**	539
Advances from Sinopec	**64**	80
Other payables	**12,504**	13,058
Amounts due to related parties		
- CNPC	**1,699**	1,702
- Fellow subsidiaries	**11,488**	11,581
- Associated companies	**859**	1,279
	60,633	57,793

Other payables consist primarily of one-time staff housing remedial payment payable and payables for received deposit and earnest money.

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, 2003 is as follows:

	June 30, 2003	December 31, 2002
	RMB	RMB
Within 1 year	**6,318**	7,110
Between 1 to 2 years	**122**	369
Between 2 to 3 years	**93**	109
Over 3 years	**543**	565
	7,076	8,153

(Amounts in millions)

14 BORROWINGS

	June 30, 2003	December 31, 2002
	RMB	RMB
Short-term borrowings	**25,129**	20,633
Long-term borrowings	**47,776**	60,655
	72,905	81,288

The movements in the borrowings can be analysed as follows:

	RMB
Balance at January 1, 2003	**81,288**
New borrowings	**13,098**
Repayments of borrowings	**(21,481)**
Balance at June 30, 2003	**72,905**

(Amounts in millions)

The long-term borrowings can be analysed as follows:

	June 30, 2003	December 31, 2002
	RMB	RMB
Loans		
-Unsecured	63,743	66,740
-Secured	-	2
	63,743	66,742
Obligations under finance leases	81	122
Current portion of long-term liabilities	(16,048)	(6,209)
	47,776	60,655
The analysis of the above is as follows:		
Bank loans		
- Wholly repayable within five years	31,244	32,613
- Not wholly repayable within five years	5,353	6,934
Other loans and obligations under finance leases		
- Wholly repayable within five years	22,151	22,192
- Not wholly repayable within five years	5,076	5,125
	63,824	66,864
Current portion of long-term liabilities	(16,048)	(6,209)
	47,776	60,655

Other loans and obligations under finance leases not wholly repayable within five years are repayable by installments from July 2003 to April 2032. Interest is charged on the outstanding balances at the rate of 0% to 5.18% per annum (December 31, 2002: 0% to 5.18% per annum).

(Amounts in millions)

At June 30, 2003, the Group's bank loans and other borrowings were repayable as follows:

	Bank loans		Other loans and obligations under finance leases	
	June 30, 2003	December 31, 2002	**June 30, 2003**	December 31, 2002
	RMB	RMB	**RMB**	RMB
Within one year	**10,921**	5,384	**5,127**	825
Between one to two years	**10,441**	11,072	**8,129**	8,508
Between two to five years	**11,685**	18,518	**9,497**	13,456
After five years	**3,550**	4,573	**4,474**	4,528
	36,597	39,547	**27,227**	27,317

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, in April 2002, the Group 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, 2002 and 2003 is presented below:

(Amounts in millions)

Primary reporting format – business segments

Six months ended June 30, 2002	Exploration and Production	Refining and Marketing	Chemicals and Marketing	Natural Gas and Pipeline	Other	Total
	RMB	RMB	RMB	RMB	RMB	RMB
Turnover (including intersegment)	66,732	75,835	13,355	6,346	-	162,268
Less: Intersegment sales	(48,486)	(4,001)	(410)	(1,228)	-	(54,125)
Turnover from external customers	18,246	71,834	12,945	5,118	-	108,143
Depreciation, depletion and amortisation	(11,905)	(3,282)	(3,154)	(572)	(55)	(18,968)
Segment result	31,680	8,119	(109)	875	(106)	40,459
Other costs	(2,055)	(6,630)	(559)	(67)	(177)	(9,488)
Profit/(loss) from operations	29,625	1,489	(668)	808	(283)	30,971
Finance costs						(2,047)
Share of (loss)/ profit of associated companies	(38)	(7)	-	13	137	105
Profit before taxation						29,029
Taxation						(9,902)
Minority interests						(51)
Net profit						19,076
Interest income (including intersegment)	325	75	329	6	3,606	4,341
Less: Intersegment interest income						(4,089)
Interest income from external entities						252
Interest expense (including intersegment)	(1,565)	(1,350)	(983)	(125)	(2,126)	(6,149)
Less: Intersegment interest expense						4,089
Interest expense to external entities						(2,060)
Segment assets	279,047	113,872	64,021	24,946	405,536	887,422
Elimination of intersegment balances						(420,249)
Investments in associated companies	1,328	1,008	538	656	853	4,383
Total assets						471,556
Segment capital expenditure						
-for property, plant and equipment	16,303	2,739	790	2,645	114	22,591
Segment liabilities	95,469	77,369	46,622	14,704	98,635	332,799
Other liabilities						21,927
Elimination of intersegment balances						(189,159)
Total liabilities						165,567

(Amounts in millions)

Primary reporting format – business segments (continued)

Six months ended June 30, 2003	Exploration and Production RMB	Refining and Marketing RMB	Chemicals and Marketing RMB	Natural Gas and Pipeline RMB	Other RMB	Total RMB
Turnover (including intersegment)	91,485	106,213	18,928	7,777	-	224,403
Less: Intersegment sales	(65,714)	(8,064)	(1,064)	(1,601)	-	(76,443)
Turnover from external customers	25,771	98,149	17,864	6,176	-	147,960
Depreciation, depletion and amortisation	(12,534)	(4,345)	(3,210)	(769)	(51)	(20,909)
Segment result	53,309	9,866	1,197	1,377	(121)	65,628
Other costs	(3,039)	(6,799)	(549)	(56)	(190)	(10,633)
Profit/(loss) from operations	50,270	3,067	648	1,321	(311)	54,995
Finance costs						(1,187)
Share of (loss)/ profit of associated companies	(14)	10	3	1	308	308
Profit before taxation						54,116
Taxation						(15,201)
Minority interests						(296)
Net profit						38,619
Interest income (including intersegment)	1,116	217	56	55	2,271	3,715
Less: Intersegment interest income						(3,474)
Interest income from external entities						241
Interest expense (including intersegment)	(1,368)	(907)	(440)	(181)	(1,942)	(4,838)
Less: Intersegment interest expense						3,474
Interest expense to external entities						(1,364)
Segment assets	302,125	111,273	56,844	39,709	444,564	954,515
Elimination of intersegment balances						(448,992)
Investments in associated companies	1,190	1,660	90	61	1,234	4,235
Total assets						509,758
Segment capital expenditure -for property, plant and equipment	17,336	3,558	1,123	4,492	39	26,548
Segment liabilities	101,320	71,247	39,652	28,177	105,047	345,443
Other liabilities						26,196
Elimination of intersegment balances						(210,098)
Total liabilities						161,541

(Amounts in millions)

Note (a) – Intersegment sales are conducted principally at market price.

Note (b) – Segment result is profit from operations before other costs. Other costs include selling, general and administrative expenses and other net income.

Note (c) – Elimination of intersegment balances are elimination of intersegment current accounts and investments.

Secondary reporting format – geographical segments

	Turnover		Total assets		Capital expenditure	
Six months ended June 30,	**2003**	2002	**2003**	2002	**2003**	2002
	RMB	RMB	**RMB**	RMB	**RMB**	RMB
PRC	**147,434**	107,963	**506,667**	469,189	**26,362**	20,841
Others (Exploration and Production)	**526**	180	**3,091**	2,367	**186**	1,750
	147,960	108,143	**509,758**	471,556	**26,548**	22,591

16 CONTINGENT LIABILITIES

(a) Bank and other guarantees

At June 30, 2003, 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, 2003	December 31,2002
	RMB	RMB
Guarantee of bank loans of associated companies	**533**	962

(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 material 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 material 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, 2003, CNPC has obtained formal land use right certificates in relation to 22,670 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 on future incidents cannot be reasonably assessed at present, management believes it could have a material impact on the operating results and would not have a material adverse effect on the financial position of the Group.

(f) Cost reduction measures

The Company may further streamline production facilities 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.

(Amounts in millions)

17 COMMITMENTS

(a) Operating lease commitments

Operating lease commitments of the Group are mainly for leasing of land and 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, 2003 and December 31, 2002 under non-cancellable operating leases are as follows:

	June 30, 2003	December 31, 2002
	RMB	RMB
First year	**2,371**	2,403
Second year	**2,278**	2,265
Third year	**2,260**	2,255
Fourth year	**2,248**	2,246
Fifth year	**2,245**	2,248
Thereafter	**85,600**	86,682
	97,002	98,099

Operating lease expenses for land and buildings and equipment were RMB 1,448 for the six months ended June 30, 2003 (six months ended June 30, 2002 were RMB 1,393).

(b) Capital commitments

	June 30, 2003	December 31, 2002
	RMB	RMB
Contracted but not provided for		
Oil and gas properties	**283**	180
Plant and equipment	**6,721**	2,898
Other	**186**	198
	7,190	3,276

(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 36 for the six months ended June 30, 2003 (six months ended June 30, 2002 were RMB 14)

(Amounts in millions)

Estimated annual payments in the future are as follows:

	RMB
2003	382
2004	515
2005	618
2006	681
2007 and thereafter	840

(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 RELATED PARTY TRANSACTIONS

The Group is part of a 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 control or 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 (Note 1), 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 (Note 16 (d)) 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 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.

(Amounts in millions)

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.

The Company also entered into a Supplemental Buildings Leasing Agreement with CNPC in September 2002 to lease an additional 404 buildings covering an aggregate of approximately 442,730 square meters at annual rental of RMB 157. The Supplemental Buildings Leasing Agreement will expire at the same time as the Building Leasing Agreement.

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	
		2003	2002
	Notes	**RMB**	RMB
Sale of goods	(a)	**4,548**	2,401
Fees paid for construction and technical services	(b)		
- Exploration and development services	(c)	**11,191**	9,765
- Other construction and technical services	(d)	**4,389**	4,500
Fees for production services	(e)	**7,384**	7,150
Social services charge	(f)	**558**	555
Ancillary service charges	(g)	**803**	962
Interest income	(h)	**15**	13
Interest expense	(i)	**535**	479
Rental expense	(j)	**964**	898
Commission expense and other charges	(k)	**341**	319

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 4,629 (December 31, 2002: RMB 2,861) as of June 30, 2003. 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 24,816 (December 31, 2002: RMB 24,702) as of June 30, 2003 included under loans from related parties. The loans were interest bearing at market rates.

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

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

(l) The Group had a 7.5% equity interest in CP Finance at a book value of RMB 299 as of June 30, 2003 and a 4.73% equity interest in CP Finance at a book value of RMB 94 as of December 31, 2002.

(Amounts in millions)

SIGNIFICANT DIFFERENCES BETWEEN IFRS AND US GAAP

The consolidated interim condensed financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), which may differ in certain material respects from the accounting principles generally accepted in the United States of America (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 IFRS and US GAAP is as follows:

	Six months ended June 30	
	2003	2002
	RMB	RMB
Net income under IFRS	**38,619**	19,076
US GAAP adjustments:		
Depreciation charges on property, plant and equipment revaluation gain	**4,615**	4,152
Depreciation charges on property, plant and equipment revaluation loss	**(56)**	(56)
Loss on disposal of property, plant and equipment	**4**	41
Income tax effect	**(1,506)**	(1,365)
Minority interests	**(30)**	(30)
Net income under US GAAP	**41,646**	21,818
Basic and diluted net income per share under US GAAP (RMB)	**0.24**	0.12

PETROCHINA COMPANY LIMITED
SUPPLEMENTARY INFORMATION ON SIGNIFICANT DIFFERENCES BETWEEN IFRS AND US GAAP
For the Six months ended June 30, 2003
(Amounts in millions)

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

	June 30, 2003	December 31, 2002
	RMB	RMB
Shareholders' equity under IFRS	**342,996**	316,676
US GAAP adjustments:		
Reversal of property, plant and equipment revaluation gain	**(80,549)**	(80,549)
Depreciation charges on property, plant and equipment revaluation gain	**33,835**	29,220
Reversal of property, plant and equipment revaluation loss	**1,122**	1,122
Depreciation charges on property, plant and equipment revaluation loss	**(392)**	(336)
Loss on disposal of property, plant and equipment	**344**	340
Deferred tax assets on revaluation	**15,061**	16,567
Minority interests	**394**	424
Effect on the retained earnings from the one time remedial payments for staff housing borne by the state shareholder of the Company	**(2,553)**	(2,553)
Effect on the other reserves of the shareholders' equity from the one time remedial payments for staff housing borne by the state shareholder of the Company	**2,553**	2,553
Shareholders' equity under US GAAP	**312,811**	283,464

In preparing the summary of differences between IFRS 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, 2003 was RMB 4,615 (six months ended June 30, 2002 was RMB 4,152).

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 is available as additional depreciation base for purposes of determining taxable income.

(b) Related party transactions

The Group has disclosed in Note 18 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. IFRS exempts state controlled enterprises from disclosing transactions with other state controlled enterprises. IFRS 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 18. 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-owner of the Company, CNPC. Under IFRS, 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. In the last quarter of year 2002, the Group and CNPC completed the process of estimating the amount that are payable to qualified employees of the Group. This amount, RMB 2,553, has been reflected in determining net income of the Group for the year ended December 31, 2002, under US GAAP. Since this amount is borne by CNPC, a corresponding amount has been included as an addition to the other reserves in the shareholders' equity of the Group.

(d) Recent US accounting pronouncements

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (FAS 146). This Standard requires companies to recognise costs associated with exit or disposal activities when they are incurred rather than at the date of commitment to an exit or disposal plan. Examples of costs covered by the standard include lease termination costs and certain employee severance costs that are associated with a restructuring, discontinued operations, plant closing, or other exit or disposal activity. Previous accounting guidance was provided by EITF Issue No. 94-3, "Liability Recognition for Certain Costs, Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring) ". FAS 146 replaces EITF 94-3 and is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The adoption of FAS 146 did not have a material effect on the consolidated financial statements of the Group.

FASB issued Interpretation (FIN) 45, "Guarantor - Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others", in November 2002. FIN 45 elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognise, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions under FIN 45 are applicable prospectively to guarantees issued or modified after December 31, 2002. The adoption of disclosure requirements and the initial recognition and initial measurement provisions did not have a material effect on the consolidated financial statements of the Group.

Issued in January 2003, FIN 46, "Consolidation of Variable Interest Entities", provides guidance on the identification of and financial reporting for entities over which control is achieved through means other than voting rights. This Interpretation requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among parties involved. The Interpretation applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. The adoption of the provisions of FIN 46 did not have a material effect on the consolidated financial statements of the Group.