

2000 were RMB 7,873 million, RMB 10,481 million and RMB 9,652 million, respectively. As of December 31, 2000, we had repaid all of the guaranteed short-term and long-term debts owed to related parties.

Our debts included short-term and long-term debts owed to China Petroleum Finance Company Limited of RMB 14,986 million, RMB 25,683 million and RMB 23,896 million as of December 31, 1998, 1999 and 2000, respectively. These debts were unsecured with interest bearing at below the prime rate as published by the People's Bank of China. We also maintain a significant portion of our deposits at China Petroleum Finance Company Limited.

Our net cash used for financing activities for the year ended December 31, 2000 increased 299.7% over the year ended December 31, 1999. This increase primarily resulted from the following:

- an increase of RMB 31,182 million in repayment of long-term borrowings;
- a decrease of RMB 27,030 million in additional short-term borrowings;
- a RMB 2,640 million in net distribution to CNPC in 2000 as compared to a RMB 14,267 million in net contribution from CNPC in 1999; and
- a RMB 10,381 million in interim dividend to our shareholders.

This increase was partially offset by:

- a RMB 20,336 million in cash proceeds from issue of H-shares; and
- an increase of RMB 10,857 million in additional long-term borrowings.

Capital Expenditures

The table below sets forth our capital expenditures by business segment for each of the years ended December 31, 1999 and 2000. Our capital expenditures increased 21.4% from RMB 49,220 million for the year ended December 31, 1999 to RMB 59,762 million for the year ended December 31, 2000. The increase was due primarily to an increase in expenses relating to exploration, development and technical services and oil field construction services after the incorporation of the Company on November 5, 1999 (which increase was attributable to a change from these services being calculated at actual direct cost to being implemented at prices contemplated by the Comprehensive Products and Services Agreement entered into between CNPC and the Company), an increase in our exploration and development activities and an expansion of our refined product retail marketing network and storage infrastructure.

| | 1999 | | 2000 | |
|----------------------------|-------------------|--------------|-------------------|--------------|
| | (RMB in millions) | % | (RMB in millions) | % |
| Exploration and production | 32,878* | 66.8 | 38,654* | 64.7 |
| Refining and marketing | 9,208 | 18.7 | 13,227 | 22.1 |
| Chemicals | 5,011 | 10.2 | 4,104 | 6.9 |
| Natural gas | 1,646 | 3.3 | 3,214 | 5.4 |
| Corporate and other | <u>477</u> | <u>1.0</u> | <u>563</u> | <u>0.9</u> |
| Total | <u>49,220</u> | <u>100.0</u> | <u>59,762</u> | <u>100.0</u> |

* Note: Taking into account the inclusion of investments relating to geological and geophysical exploration expenditure, the capital expenditures relating to our exploration and production segment for 1999 and 2000 would have been RMB 36,059 million and RMB 42,968 million, respectively.

Prior to November 5, 1999, services relating to our exploration and production activities and oil field construction were provided by CNPC to us at direct costs. On the presumption that the Comprehensive Products and Services Agreement entered into between CNPC and the Company was in effect throughout 1999, the Company's pro-forma capital expenditures for 1999 would have been RMB 61,562 million (the pro-forma capital expenditures relating to our exploration and production segment, taking into account the inclusion of expense-related investments, would have been RMB 49,382 million).