

## FINANCIAL HIGHLIGHTS

	Year ended December 31,				
	1998	1999	2000	2001	2002
	RMB million	RMB million	RMB million	RMB million	RMB million
TURNOVER	<u>153,448</u>	<u>181,671</u>	<u>245,279</u>	<u>241,320</u>	<u>244,424</u>
OPERATING EXPENSES					
Purchases, services and other	(63,138)	(65,868)	(64,251)	(78,529)	(71,690)
Employee compensation costs	(10,430)	(11,598)	(15,129)	(14,608)	(16,248)
Exploration expenses, including exploratory dry holes	(5,990)	(7,344)	(8,680)	(7,344)	(8,095)
Depreciation, depletion and amortisation	(18,081)	(23,706)	(34,209)	(33,615)	(36,782)
Selling, general and administrative expenses	(10,617)	(13,447)	(17,621)	(21,735)	(22,474)
Employee separation costs and shut down of manufacturing assets	-	-	(6,579)	(487)	(2,121)
Revaluation loss	-	(1,122)	-	-	-
Impairment loss on assets retained by CNPC Group	(310)	(2,007)	-	-	-
Taxes other than income taxes	(9,604)	(10,293)	(13,258)	(13,951)	(14,613)
Other (expense) / income net	<u>(294)</u>	<u>201</u>	<u>(119)</u>	<u>88</u>	<u>(60)</u>
TOTAL OPERATING EXPENSES	<u>(118,464)</u>	<u>(135,184)</u>	<u>(159,846)</u>	<u>(170,181)</u>	<u>(172,083)</u>
PROFIT FROM OPERATIONS	<u>34,984</u>	<u>46,487</u>	<u>85,433</u>	<u>71,139</u>	<u>72,341</u>
FINANCE COSTS					
Exchange gain	44	129	1,406	390	133
Exchange loss	(1,916)	(2,362)	(234)	(140)	(449)
Interest income	1,334	638	591	809	463
Interest expense	<u>(12,402)</u>	<u>(9,056)</u>	<u>(6,286)</u>	<u>(4,408)</u>	<u>(3,516)</u>
TOTAL FINANCE COSTS	<u>(12,940)</u>	<u>(10,651)</u>	<u>(4,523)</u>	<u>(3,349)</u>	<u>(3,369)</u>
SHARE OF PROFIT OF ASSOCIATED COMPANIES	88	128	584	341	268
PROFIT BEFORE TAXATION	22,132	35,964	81,494	68,131	69,240
TAXATION	<u>(7,543)</u>	<u>(9,414)</u>	<u>(27,014)</u>	<u>(23,066)</u>	<u>(22,231)</u>
PROFIT BEFORE MINORITY INTERESTS	14,589	26,550	54,480	45,065	47,009
MINORITY INTERESTS	<u>57</u>	<u>(127)</u>	<u>165</u>	<u>404</u>	<u>(99)</u>
NET PROFIT	<u>14,646</u>	<u>26,423</u>	<u>54,645</u>	<u>45,469</u>	<u>46,910</u>
Basic and diluted earnings per share (in RMB) <sup>(2)</sup>	<u>0.09</u>	<u>0.17</u>	<u>0.32</u>	<u>0.26</u>	<u>0.27</u>

<b>NON-CURRENT ASSETS</b>					
Net assets to be retained by CNPC Group	8,478	-	-	-	-
Property, plant and machinery equipment	231,064	327,348	343,319	366,970	397,798
Long-term investments	3,708	3,845	4,948	5,530	5,680
Intangible and other assets	<u>1,835</u>	<u>2,017</u>	<u>2,681</u>	<u>4,148</u>	<u>4,507</u>
	245,085	333,210	350,948	376,648	407,985
<b>CURRENT ASSETS</b>					
Inventories	18,423	18,396	32,499	28,313	28,441
Accounts receivable	19,482	14,943	12,786	7,392	6,079
Prepaid expenses and other current assets	20,747	29,118	11,913	24,427	18,269
Short-term investments	53	1,489	-	-	-
Receivables under resale agreement	-	-	5,815	11,505	9,786
Time deposits with maturities over three months	-	-	-	3,253	2,612
Cash and cash equivalents	<u>15,413</u>	<u>18,090</u>	<u>18,085</u>	<u>11,127</u>	<u>9,977</u>
<b>TOTAL CURRENT ASSETS</b>	<b>74,118</b>	<b>82,036</b>	<b>81,098</b>	<b>86,017</b>	<b>75,164</b>
<b>CURRENT LIABILITIES</b>					
Accounts payable and accrued liabilities	42,087	47,707	39,550	53,210	57,793
Taxes payable	3,902	4,747	16,570	14,434	10,927
Short-term borrowings	<u>65,006</u>	<u>62,057</u>	<u>41,514</u>	<u>25,323</u>	<u>20,633</u>
	110,995	114,511	97,634	92,967	89,353
<b>NET CURRENT LIABILITIES</b>	<b>(36,877)</b>	<b>(32,475)</b>	<b>(16,536)</b>	<b>(6,950)</b>	<b>(14,189)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b><u>208,208</u></b>	<b><u>300,735</u></b>	<b><u>334,412</u></b>	<b><u>369,698</u></b>	<b><u>393,796</u></b>
<b>FINANCED BY:</b>					
Share capital		160,000	175,824	175,824	175,824
Retained earnings		134	29,279	35,607	59,004
Reserves		<u>49,552</u>	<u>66,543</u>	<u>79,175</u>	<u>81,848</u>
Shareholders' equity	77,986	209,686	271,646	290,606	316,676
Minority interests	3,798	4,200	4,989	5,136	4,854
<b>NON-CURRENT LIABILITIES</b>					
Payable to CNPC	8,478	-	-	-	-
Long-term borrowings	105,432	84,512	53,412	65,546	60,655
Deferred credits and other long-term obligations	2,133	1,155	1,196	1,380	1,684
Deferred taxation	<u>10,381</u>	<u>1,182</u>	<u>3,169</u>	<u>7,030</u>	<u>9,927</u>

	<u>126,424</u>	<u>86,849</u>	<u>57,777</u>	<u>73,956</u>	<u>72,266</u>
	<u>208,208</u>	<u>300,735</u>	<u>334,412</u>	<u>369,698</u>	<u>393,796</u>
Other Financial Data					
Capital expenditure <sup>(3)</sup>	(43,933)	(43,310)	(60,130)	(61,549)	(73,726)
Net cash provided by operating activities	38,068	53,658	103,309	84,439	98,341
Net cash used for investing activities <sup>(4)</sup>	(39,290)	(40,622)	(60,126)	(61,491)	(71,662)
Net cash provided by (used for) financing activities <sup>(5)</sup>	(55)	(10,359)	(43,188)	(29,906)	(27,829)
Fixed assets, net of accumulated depreciation	231,064	327,348	343,319	366,970	397,798
Total assets	319,203	415,246	432,046	462,665	483,149
Owner's equity	77,986	209,686	271,646	290,606	316,676

Notes:

(1) The Company acquired from CNPC Group the assets, liabilities and interests related to CNPC Group's refined products sales enterprises in 2002, and has accounted for the acquisition in a manner similar to a uniting of interests. The consolidated financial statements have been reinstated to give effect to the acquisition with all periods presented. Details of the basis of preparation are set out in note 2 to the financial statements prepared in accordance with IFRS in this Annual Report.

(2) Basic and diluted earnings per share for the year ended December 31, 1998 and 1999 have been computed by dividing net profit by the 160 billion State-owned shares issued and outstanding upon the establishment of the Company on November 5, 1999 as if such shares had been outstanding for all the accounting periods. Basic and diluted earnings per share for the year ended December 31, 2000 have been computed by dividing net profit by the weighted average number of 171.63 billion shares issued and outstanding for the year. Basic and diluted earnings per share for the year ended December 31, 2001 and 2002 have been computed by dividing net profit by the number of 175.82 billion shares issued and outstanding for the year.

(3) Excludes capital expenditures for assets to be retained by CNPC of RMB1,687 million, RMB111 million, nil, nil and nil in each year and period presented, respectively.

(4) Includes capital expenditures for assets to be retained by CNPC of RMB1,687 million, RMB111 million, nil, nil and nil in each year and period presented, respectively.

(5) Includes contributions from CNPC for assets to be retained by CNPC of RMB1,687 million, RMB111 million, nil, nil and nil in each year and period presented, respectively.