

FINANCIAL HIGHLIGHTS

	1999	Year ended December 31			
		2000	2001	2002	2003
		RMB (million)			
TURNOVER	<u>181,671</u>	<u>245,279</u>	<u>241,320</u>	<u>244,424</u>	<u>303,779</u>
OPERATING EXPENSES					
Purchases, services and other	(65,868)	(64,251)	(78,529)	(71,690)	(90,850)
Employee compensation costs	(11,598)	(15,129)	(14,608)	(16,248)	(19,542)
Exploration expenses, including exploratory dry holes	(7,344)	(8,680)	(7,344)	(8,095)	(10,577)
Depreciation, depletion and amortisation	(23,706)	(34,209)	(33,615)	(36,782)	(40,531)
Selling, general and administrative expenses	(13,447)	(17,621)	(21,735)	(22,474)	(23,930)
Employee separation costs and shut down of manufacturing assets	-	(6,579)	(487)	(2,121)	(2,355)
Impairment loss on assets retained by CNPC Group	(2,007)	-	-	-	-
Taxes other than income taxes	(10,293)	(13,258)	(13,951)	(14,613)	(15,879)
Revaluation of property, plant and machinery equipment	(1,122)	-	-	-	(391)
Other income/(expense) net	<u>201</u>	<u>(119)</u>	<u>88</u>	<u>(60)</u>	<u>(538)</u>
TOTAL OPERATING EXPENSE	<u>(135,184)</u>	<u>(159,846)</u>	<u>(170,181)</u>	<u>(172,083)</u>	<u>(204,593)</u>
PROFIT FROM OPERATIONS	<u>46,487</u>	<u>85,433</u>	<u>71,139</u>	<u>72,341</u>	<u>99,186</u>
FINANCE COSTS					
Exchange gain	129	1,406	390	133	53
Exchange loss	(2,362)	(234)	(140)	(449)	(233)
Interest income	638	591	809	463	677
Interest expense	<u>(9,056)</u>	<u>(6,286)</u>	<u>(4,408)</u>	<u>(3,516)</u>	<u>(2,346)</u>
TOTAL FINANCE COSTS	<u>(10,651)</u>	<u>(4,523)</u>	<u>(3,349)</u>	<u>(3,369)</u>	<u>(1,849)</u>
SHARE OF PROFIT OF ASSOCIATED COMPANIES	<u>128</u>	<u>584</u>	<u>341</u>	<u>268</u>	<u>985</u>
PROFIT BEFORE TAXATION	<u>35,964</u>	<u>81,494</u>	<u>68,131</u>	<u>69,240</u>	<u>98,322</u>

	Year ended December 31				
	1999	2000	2001	2002	2003
	RMB (million)				
TAXATION	<u>(9,414)</u>	<u>(27,014)</u>	<u>(23,066)</u>	<u>(22,231)</u>	<u>(28,072)</u>
PROFIT BEFORE					
MINORITY INTERESTS	26,550	54,480	45,065	47,009	70,250
MINORITY INTERESTS	<u>(127)</u>	<u>165</u>	<u>404</u>	<u>(99)</u>	<u>(636)</u>
NET PROFIT	<u>26,423</u>	<u>54,645</u>	<u>45,469</u>	<u>46,910</u>	<u>69,614</u>
Basic and diluted earnings per share (in RMB) ⁽²⁾	<u>0.17</u>	<u>0.32</u>	<u>0.26</u>	<u>0.27</u>	<u>0.40</u>
NON-CURRENT ASSETS					
Property, plant and machinery equipment	327,348	343,319	366,970	397,798	433,419
Long-term investments	3,845	4,948	5,530	5,680	7,410
Intangible and other assets	<u>2,017</u>	<u>2,681</u>	<u>4,148</u>	<u>4,507</u>	<u>4,732</u>
	<u>333,210</u>	<u>350,948</u>	<u>376,648</u>	<u>407,985</u>	<u>445,561</u>
CURRENT ASSETS					
Inventories	18,396	32,499	28,313	28,441	28,872
Accounts receivable	14,943	12,786	7,392	6,079	3,263
Prepaid expenses and other current assets	29,118	11,913	24,427	18,269	15,944
Receivables under resale agreement	1,489	5,815	11,505	9,786	24,224
Time deposits with maturities over three months	-	-	3,253	2,612	2,640
Cash and cash equivalents	<u>18,090</u>	<u>18,085</u>	<u>11,127</u>	<u>9,977</u>	<u>11,231</u>
TOTAL CURRENT ASSETS	<u>82,036</u>	<u>81,098</u>	<u>86,017</u>	<u>75,164</u>	<u>86,174</u>
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	47,707	39,550	53,210	57,793	64,180
Taxes payable	4,747	16,570	14,434	10,927	20,959
Short-term borrowings	<u>62,057</u>	<u>41,514</u>	<u>25,323</u>	<u>20,633</u>	<u>28,890</u>
	<u>114,511</u>	<u>97,634</u>	<u>92,967</u>	<u>89,353</u>	<u>114,029</u>
NET CURRENT LIABILITIES	<u>(32,475)</u>	<u>(16,536)</u>	<u>(6,950)</u>	<u>(14,189)</u>	<u>(27,855)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>300,735</u>	<u>334,412</u>	<u>369,698</u>	<u>393,796</u>	<u>417,706</u>
FINANCED BY:					
Share capital	160,000	175,824	175,824	175,824	175,824
Retained earnings	134	29,279	35,607	59,004	89,577

	Year ended December 31				
	1999	2000	2001	2002	2003
	RMB (million)				
Reserves	<u>49,552</u>	<u>66,543</u>	<u>79,175</u>	<u>81,848</u>	<u>91,212</u>
Shareholders' equity	<u>209,686</u>	<u>271,646</u>	<u>290,606</u>	<u>316,676</u>	<u>356,613</u>
Minority interests	<u>4,200</u>	<u>4,989</u>	<u>5,136</u>	<u>4,854</u>	<u>5,608</u>
NON-CURRENT LIABILITIES					
Long-term borrowings	84,512	53,412	65,546	60,655	41,959
Deferred credits and other long-term obligations	1,155	1,196	1,380	1,684	2,000
Deferred taxation	<u>1,182</u>	<u>3,169</u>	<u>7,030</u>	<u>9,927</u>	<u>11,526</u>
	<u>86,849</u>	<u>57,777</u>	<u>73,956</u>	<u>72,266</u>	<u>55,485</u>
	<u>300,735</u>	<u>334,412</u>	<u>369,698</u>	<u>393,796</u>	<u>417,706</u>
Other Financial Data					
Capital expenditure ⁽³⁾	(43,310)	(60,130)	(61,549)	(73,726)	(84,299)
Net cash provided by operating activities	53,658	103,309	84,439	98,341	138,820
Net cash used for investing activities ⁽⁴⁾	(40,622)	(60,126)	(61,491)	(71,662)	(97,797)
Net cash provided by (used for) financing activities ⁽⁵⁾	(10,359)	(43,188)	(29,906)	(27,829)	(39,769)
Fixed assets, net of accumulated depreciation	327,348	343,319	366,970	397,798	433,419
Total assets	415,246	432,046	462,665	483,149	531,735
	209,686	271,646	290,606	316,676	356,613

Notes:

(1) The Company acquired from CNPC the assets, liabilities and interests related to CNPC's refined products marketing 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 contained in this annual report.

(2) Basic and diluted earnings per share for the year ended December 31, 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, 2002 and 2003 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 RMB111million, nil, nil, nil and nil in each year and period presented, respectively.

(4) Includes capital expenditures for assets to be retained by CNPC of RMB111million, nil, nil, nil and nil in each year and period presented, respectively.

(5) Includes contributions from CNPC for assets to be retained by CNPC of RMB111million, nil, nil, nil and nil in each year and period presented, respectively.