



# Financial Report

## Consolidated Balance Sheet

Unit: million RMB yuan

	2000	2001	2002	2003	2004
<b>Assets</b>					
Cash and cash equivalent	71,427.03	79,314.17	87,886.83	94,537.96	105,587.02
Short-term investments	10,449.29	15,850.96	16,927.87	48,150.10	64,143.16
Net bills and accounts receivable	20,287.12	20,429.97	22,171.65	20,624.81	23,053.52
Other accounts receivable	29,687.09	16,612.67	15,401.28	7,482.16	6,857.73
Inventories	49,632.54	45,717.29	47,521.30	50,118.44	71,086.76
Other current assets	6,902.13	6,772.83	11,418.70	10,910.61	15,618.88
<b>Total current assets</b>	<b>188,385.20</b>	<b>184,697.89</b>	<b>201,327.63</b>	<b>231,824.08</b>	<b>286,347.07</b>
Long-term investments	23,122.46	29,289.03	43,489.19	47,137.68	49,957.26
Fixed assets	400,989.34	444,076.75	469,944.49	499,767.53	494,386.37
Other long-term assets	43,963.39	17,040.90	21,346.49	29,547.75	83,003.52
<b>Total assets</b>	<b>656,460.39</b>	<b>675,104.57</b>	<b>736,107.80</b>	<b>808,277.04</b>	<b>913,694.23</b>
<b>Liabilities</b>					
Short-term debt	33,694.24	19,276.98	18,075.20	14,355.43	18,921.46
Bills and accounts payable	28,301.46	35,935.88	44,288.99	53,328.46	56,556.81
Other accounts payable	17,102.14	31,751.91	35,137.21	26,714.66	28,136.36
Taxes payable	19,123.35	17,391.39	13,985.42	30,002.36	24,894.79
Other current liabilities	35,287.73	29,164.16	42,096.44	68,663.28	75,511.86
<b>Total current liabilities</b>	<b>133,508.92</b>	<b>133,520.32</b>	<b>153,583.26</b>	<b>193,064.19</b>	<b>204,021.27</b>
Long-term debt	78,185.29	50,170.73	43,675.27	51,598.45	45,643.94
Other long-term liabilities	17,419.01	17,625.96	17,749.86	20,271.49	10,900.64
<b>Total long-term liabilities</b>	<b>95,604.30</b>	<b>67,796.69</b>	<b>61,425.13</b>	<b>71,869.94</b>	<b>56,544.58</b>
<b>Total liabilities</b>	<b>229,113.22</b>	<b>201,317.01</b>	<b>215,008.39</b>	<b>264,934.13</b>	<b>260,565.85</b>
<b>Minority equity</b>	<b>33,493.85</b>	<b>64,895.94</b>	<b>70,653.76</b>	<b>46,530.93</b>	<b>57,762.11</b>
<b>Owner equity</b>					
Paid-in capital	154,601.61	164,877.49	180,642.65	192,729.84	207,962.37
Capital reserve	189,452.53	192,009.76	193,780.88	200,254.54	214,559.11
Reserved surplus	49,799.18	52,004.37	76,022.12	103,827.60	172,844.78
<b>Total owner equity</b>	<b>393,853.32</b>	<b>408,891.62</b>	<b>450,445.65</b>	<b>496,811.98</b>	<b>595,366.27</b>
<b>Total liabilities plus total equity</b>	<b>656,460.39</b>	<b>675,104.57</b>	<b>736,107.80</b>	<b>808,277.04</b>	<b>913,694.23</b>

# Consolidated Profit Statement

Unit: million RMB yuan

	2000	2001	2002	2003	2004
<b>1. Income from core businesses</b>	345,067.50	343,484.48	379,190.21	475,287.03	570,684.55
Less: Cost of core business	218,854.95	233,495.99	252,996.87	320,630.95	348,199.98
Core business tax and supertax	12,568.52	13,306.88	15,170.20	16,278.13	19,581.22
Plus: Income from procurement service and consignment	85.55	29.09	53.20	253.13	320.74
<b>2. Profit from core business</b>	113,729.58	96,710.70	111,076.34	138,631.08	203,224.09
Plus: Profit from other businesses	1,962.45	1,084.55	763.82	242.43	258.33
Less: Operating expenses	10,135.27	12,038.59	16,755.90	20,651.28	25,542.50
Management expenses	46,544.70	39,053.33	32,031.39	34,742.94	37,238.72
Financial expenses	2,995.85	879.22	1,420.73	1,315.28	680.35
<b>3. Operating profit</b>	56,016.22	45,824.11	61,632.14	82,164.01	140,020.85
Plus: Income from investments	961.61	401.16	-401.41	1,824.44	743.20
Income from subsidies	87.88	429.45	239.64	541.58	641.31
Non-Operating income	766.86	1,500.02	845.01	1,231.93	2,450.60
Less: Non-Operating expenses	7,357.53	4,711.24	8,761.09	12,095.03	15,003.53
<b>4. Total profit</b>	50,475.03	43,443.50	53,554.29	73,666.93	128,852.43
Less: Income tax	25,543.74	20,082.44	20,595.48	28,835.93	42,828.93
Loss and gain of minority	5,199.25	8,298.00	9,427.75	7,989.65	13,831.24
Plus: Unconfirmed loss from investment	2.64	25.09	34.13	175.18	288.96
<b>5. Net profit</b>	19,734.68	15,088.15	23,565.19	37,016.53	72,481.22

## Principal Accounting Policies

### A. Description of Principal Accounting Policies and Accounting Estimates

#### 1. Accounting systems

CNPC utilizes the "Enterprise Accounting Standards," the "Enterprises Accounting System," and supplementary regulations.

#### 2. Fiscal year

The fiscal year starts on January 1 and ends on December 31, according to the Gregorian (standard) calendar.

#### 3. Standard accounting currency

The RMB yuan is the standard accounting currency.

#### 4. Valuation and accounting basis

Accounting is based on the accrual system and adopts the debit-credit bookkeeping method. Assets will be valued

according to the historical cost principle, and the provision of corresponding devaluation reserve will be available for any devaluation later.

#### 5. Foreign currency transactions

When actual foreign currency transactions occur, the base price of exchange rate published by the People's Bank of China on the day when the transaction is conducted will be converted into RMB for bookkeeping, and the adjustment will be carried out according to the base price of exchange rate at the end of the month. The resulting exchange profit and loss will be entered into the account book as a financial expense of the current period if arising during the production operations; for those arising during the preparation period, they will be entered into the account book first as long term expenses, and then entered as current profits and losses in the first month after the start of production operations; for those associated with the purchasing of a fixed asset, the capitalization of borrowing costs will be used as the principle for handling.



## 6. Conversion of accounting statement in foreign currency

All asset and liability items in the foreign currency balance sheet will be converted into RMB according to the base price of the exchange rate published by the People's Bank of China on the date of the balance sheet. Shareholders equity items except undistributed profits will be converted according to the base price of the exchange rate published by the People's Bank of China on the day when the transaction is conducted, whereas the undistributed profits item will be listed in the amount under this item on the converted profit appropriation statement. The income statement will be converted according to the annual mean exchange rate, the balance resulted from this will be listed in the foreign currency statement conversion balance on the converted balance sheet. All items on the statement of cash flow will be converted into RMB according to the base price of exchange rate of the date of the balance sheet.

## 7. Reserve for bad debts

- (1) The range for the provision of bad debts: a. Accounts receivable; b. Other accounts receivable.
- (2) The accounting method for calculating the reserve for bad debts: the reserve for bad debts will be calculated by the allowance method, except for PetroChina. PetroChina Hutchison Information Technology Co. Ltd. and China Petroleum Finance Co. Ltd., CNPC subsidiaries will arrange the provision of reserve for bad debts by the combination of individual judgment and aging analysis. The accounts receivable proven to be uncollectible with clear evidence will be listed as losses from bad debts and will be offset from the reserve for bad debts after the approval from the company GM's board or other high ranking officials.

## 8. Long-term investment

(1) Long-term equity investment  
The confirmation of the valuation and income from long-term equity investment: The long-term equity investment will be taken as the initial cost according to the actual payment or the established value when obtained. As for equity investment, with the investment amount occupying less than 20% voting share of the total capital of the invested enterprise, or 20% or above but with no substantial impact, the accounting will be based on the cost method. As for equity investment occupying 20% or above of the voting share of the total capital of the invested enterprise, or less than 20% but with substantial impact, accounting will be conducted using the equity method.

(2) Long-term financial claim investments  
The confirmation of the valuation and income from long-term financial claim investments: Long-term financial claim

investments will be taken as the initial cost according to the actual payment when obtained; for the long-term financial claim investment obtained by cash payment, valuation will be taken as the initial cost minus the bond interest to be received. The long-term financial claim investment that provides accrued interest will be entered as income from investment according to accrual basis.

## 9. Profit distribution

The realized net profit distribution sequence and proportion: First used to cover any deficit from the previous year; 10% is allocated to the legal earned surplus reserve; 9% to the legal public welfare fund; a portion to the provision of free surplus reserve; and a portion as a dividend payment to common stockholders. The cash dividends allocation plan will be taken from the owner's equity (shareholders' equity) in the current period when approved by the shareholders' meeting.

## B. Tax categories

### 1. Income tax

The applicable tax rate for business income taxes is 33%.

### 2. Value added tax

Value added tax is set at 17% for petroleum and petrochemical products and 13% for natural gas and LPG.

### 3. Operating tax

Operating tax is set at 3% for transportation and construction while 5% for service operations, transfer of intangible assets, and real estate sales.

### 4. Supertax

Urban maintenance and construction tax calculated and paid as 1%, 5%, 7% of turnover tax. Educational surtax calculated and paid as 3% of turnover tax.

### 5. Excise tax

Excise tax for gasoline and diesel is calculated according to the amount sold, at the rate of 278 yuan per ton for gasoline and 118 yuan per ton for diesel.

### 6. Personal income tax

The employee is responsible for his personal income tax, which the company withholds and remits.

### 7. Royalties

Royalties for crude oil and natural gas production is calculated according to the amount sold, at the rate of 8-30 yuan per ton for crude oil and 2-15 yuan per thousand cubic meters.