

described above if they had been Directors.

As at December 31, 2000, the Company has not granted its Directors, Supervisors or their respective spouses or children below 18 any rights to subscribe for its equity securities or debt securities.

Service Contracts of Directors and Supervisors

No service contract existed or has been proposed between the Company or any of its subsidiaries with any of the above Directors or Supervisors. No Director or Supervisor has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Interests of Directors and Supervisors in Contracts

None of the Directors or Supervisors had a material interest, either directly or indirectly, in any contract of significance to which the Company or any of its subsidiaries was a party during the year.

Remuneration of Directors and Supervisors

Details of remuneration of Directors and Supervisors are set out in note 9 to the financial statements prepared in accordance with IAS in this Annual Report.

Workforce Reduction Plan

As at December 31, 2000, the total number of employees of the Company was 441,000. In 2000, the Company reduced the number of employees by 38,400 by means of one-off payment and the actual expenditure for such reduction amounted to RMB 3,180 million. At the same time, the Company has confirmed a plan of reducing the number of employees by 13,900 in 2001 and the expenditure for such reduction is estimated to amount to RMB 1,035 million. This expenditure has been accrued in the profit and loss account of 2000 as accrued expenses. The actual number of employees to be reduced in 2001 and total costs involved may differ from the figure anticipated in the plan for which accrued expenses have been made. It is estimated that as a result of the actual number of employees reduced in 2000, there will be a saving in expenditure of RMB 760 million per year.

Bank Loans and Other Borrowings

Details of bank loans and other borrowings of the Company and the Group as at December 31, 2000 are set out in note 23 to the financial statements prepared in accordance with IAS in this Annual Report.

According to the Restructuring Agreement, the Company and CNPC agreed to, on a best endeavours basis, approach third party lenders with the view to obtaining their respective consents to the transfer of loans from the CNPC group to the Group, during the period of three months after the publication of the Company's annual report for the financial year ended December 31, 1999. As of December 31, 2000, the Company and CNPC have basically completed the transfer of all the third party loans.

Interest Capitalised

Interest capitalised for the Group for the year ended December 31, 2000 was RMB 508 million.

Fixed Assets

Movements of fixed assets of the Company and the Group during the year are summarised in note 14 to the financial statements prepared in accordance with IAS in this Annual Report.

Land Value Appreciation Tax

No land value appreciation tax was payable by the Group during the year.

Reserves

Details of movements in reserves of the Company and the Group for the year ended December 31, 2000 are set out in note 25 to the financial statements prepared in accordance with IAS in this Annual Report.

Statutory Common Welfare Fund

Details in relation to the statutory common welfare fund, such as the nature, application and movements of the fund, and the basis of its calculation, including the percentage and profit figure used for calculating the amounts, are set out in note 25 to the financial statements prepared in accordance with IAS in this Annual Report.

Employees' Retirement Scheme

Details of the Company's employees' retirement scheme are set out in note 29 to the financial statements prepared in accordance with IAS in this Annual Report.

Major Suppliers and Customers

CNPC is the Group's largest supplier of goods and services and the aggregate purchase attributable to the CNPC group was 41% of the total purchase of the Group's goods and services

for 2000, amounting to RMB 56,051 million. The aggregate purchase attributable to the five largest suppliers of the Group was 42% of the Group's total purchase.

The aggregate revenue derived from the major customers is set out in note 33 to the financial statements prepared in accordance with IAS in this Annual Report. The aggregate revenue derived from the five largest customers was less than 30% of the Group's total sales.

None of the Directors, Supervisors and their associates nor any shareholder (who to the knowledge of Board of Directors were holding 5% or more of the Company's share capital) had any interest in any of the above mentioned suppliers and customers.

Annual General Meeting

At the 1999 annual general meeting of the Company held on June 30, 2000, the following resolutions were passed:-

- (a) the report of the Directors for the year 1999 was approved;
- (b) the report of the Supervisory Committee for the year 1999 was approved;
- (c) the audited financial statement of the Company for the year 1999 was approved;
- (d) the appointment of Mr Zheng Hu and Mr Wang Fucheng as directors and the appointment of Mr Franco Bernabè as an independent director were approved, and the Directors were authorised to fix the emoluments thereof;

(e) the appointment of PricewaterhouseCoopers, Certified Public Accountants, and Price Waterhouse Da Hua, Certified Public Accountants, as the international and domestic auditors of the Company, respectively, for the year 2000 was approved, and the Directors were authorised to fix the remuneration thereof; and

(f) the Directors were authorised to determine the interim dividend for the year 2000 and related matters.

Shareholding of Substantial Shareholders

As at December 31, 2000, the register of substantial shareholders kept by the Company under Section 16(1) of the SDI Ordinance showed the following persons are interested in 10% or more of the Company's total share capital:

	Number of State-owned shares	Percentage of the total number of shares in issue as at December 31, 2000 (%) ¹
CNPC	158,241,758,00	90.00