

SUPPLEMENTARY INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED)

The following disclosures are included in accordance with the United States Statements of Financial Accounting Standards No. 69, "Disclosures about Oil and Gas Producing Activities".

(a) Reserve quantity information

Crude oil and natural gas reserve estimates are determined through analysis of geological and engineering data which appear, with reasonable certainty, to be recoverable at commercial rates in the future from known oil and natural gas reservoirs under existing economic and operating conditions.

Estimates of crude oil and natural gas reserve have been made by independent engineers and the Group's internal engineers. The Group's net proved reserves consist of its percentage interest in reserves, comprised of a 100% interest in its independent oil and gas properties and its participating interest in the properties covered under the production sharing contracts, less (a) an adjustment for the Group's share of royalties payable by the Group to the PRC government and the Group's participating interest in share oil payable to the PRC government under the production sharing contracts, and less (b) an adjustment for production allocable to foreign partners under the production sharing contracts as reimbursement for exploration expenses attributable to the Group's participating interest.

Proved developed and undeveloped reserves (net of royalties and government share oil):

	Oil* (mmbbls)	Natural gas (bcf)
31 December, 1998	1,176	3,396
Discoveries and extensions	144	14
Production	(64)	(74)
Revisions of prior estimates	(14)	(4)
31 December, 1999	1,242	3,332
Discoveries and extensions	76	5
Sales of reserves	(41)	-
Production	(75)	(72)
Revisions of prior estimates	14	(15)
31 December, 2000	1,216	3,250
Discoveries and extensions	199	166
Production	(84)	(71)
Revisions of prior estimates	(52)	(97)
31 December, 2001	1,279	3,248

* Crude oil and natural gas liquids, including 33 mmbbls reserve estimated by the Group's internal engineers.

Proved developed reserves:

	Oil* (mmbbls)	Natural gas (bcf)
31 December, 1999	358	608
31 December, 2000	546	558
31 December, 2001	582	765

* Crude oil and natural gas liquids

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(b) Results of operations

	<u>2001</u>	<u>2000</u>	<u>1999</u>
	RMB'000	RMB'000	RMB'000
Net sales to customers	17,560,788	18,819,323	11,397,873
Operating expenses	(2,329,130)	(2,124,078)	(1,855,309)
Production taxes	(883,768)	(1,036,729)	(578,878)
Exploration costs	(1,039,297)	(552,869)	(246,402)
Depreciation, depletion and amortisation	(2,566,920)	(2,577,882)	(2,373,380)
Results of operations before tax	10,741,673	12,527,765	6,343,904
Income taxes	(3,992,578)	(2,265,847)	(1,307,593)
Results of operations	6,749,095	10,261,918	5,036,311

(c) Capitalised costs

	<u>2001</u>	<u>2000</u>	<u>1999</u>
	RMB'000	RMB'000	RMB'000
Proved oil and gas properties	40,748,848	36,323,472	33,045,347
Unproved oil and gas properties	428,611	996,452	711,113
Accumulated depreciation, depletion and amortisation	(18,154,653)	(15,482,082)	(13,216,562)
Net capitalised costs	23,022,806	21,837,842	20,539,898

(d) Costs incurred

	<u>2001</u>	<u>2000</u>	<u>1999</u>
	RMB'000	RMB'000	RMB'000
Acquisition costs	-	-	-
Exploration costs	996,121	610,159	474,210
Development costs	3,958,357	4,176,555	3,877,367
Total costs incurred	4,954,478	4,786,714	4,351,577

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(e) Standardised measure of discounted future net cash flows and changes therein

In calculating the standardised measure of discounted future net cash flows, year-end constant price and cost assumptions were applied to the Group's estimated annual future production from proven reserves to determine future cash inflows. Year end average realised oil prices used in the estimation of proved reserves and calculation of the standardised measure were US\$17 as at 31 December, 2001 (2000: US\$22, 1999: US\$22). Future development costs are estimated based upon constant price assumptions and assume the continuation of existing economic, operating and regulatory conditions. Future income taxes are calculated by applying the year-end statutory rate to estimated future pre-tax cash flows after provision for the tax cost of the oil and natural gas properties based upon existing laws and regulations. The discount was computed by application of a 10% discount factor to the estimated future net cash flows.

Management believes that this information does not represent the fair market value of the oil and natural gas reserves or the present value of estimated cash flows since no economic value is attributed to potential reserves, the use of a 10% discount rate is arbitrary, and prices change constantly from year-end levels.

Present value of estimated future net cash flows:

	Note	2001	2000	1999
		RMB'000	RMB'000	RMB'000
Future cash inflows	(1)	261,339,180	326,513,363	335,668,012
Future production costs		(74,404,378)	(73,402,341)	(75,159,191)
Future development costs	(2)	(38,640,756)	(31,279,348)	(34,712,865)
Future income taxes		(39,097,483)	(30,833,803)	(34,632,334)
Future net cash flows	(3)	109,196,563	190,997,871	191,163,622
10% discount factor		(58,114,105)	(97,607,274)	(103,441,165)
Standardised measure		51,082,458	93,390,597	87,722,457

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(e) Standardised measure of discounted future net cash flows and changes therein (Cont'd)

- (1) Future cash flows consist of the Group's 100% interest in the independent oil and gas properties and the Group's participating interest in the properties under production sharing contracts less (a) an adjustment for the royalties payable to the PRC government and share oil payable to the PRC government under production sharing contracts and (b) an adjustment for production allocable to foreign partners under the production sharing contracts for exploration costs attributable to the Group's participating interest.
- (2) Future development costs include the estimated costs of drilling future development wells and building the production platforms.
- (3) Future net cash flows have been prepared taking into consideration estimated future dismantlement and site restoration costs of dismantling offshore oil platforms and oil and gas properties.

Changes in the standardised measure of discounted future net cash flows:

	2001	2000	1999
	RMB'000	RMB'000	RMB'000
Standardised measure, beginning of year:	93,390,597	87,722,457	38,446,846
Sales of production, net of royalties and production costs	(14,347,890)	(15,658,516)	(8,963,686)
Net change in prices, net of royalties and production costs	(32,289,445)	578,121	53,656,976
Extensions, discoveries and improved recovery, net of related future costs	9,985,707	5,417,977	9,742,935
Change in estimated future development costs	(9,651,681)	3,433,517	(6,512,940)
Development costs incurred during the year	3,958,357	4,176,555	3,877,367
Revisions in quantity estimates	(3,272,326)	830,236	(932,128)
Accretion of discount	10,846,714	10,361,478	4,469,855
Net change in income taxes	(3,241,861)	815,779	(9,640,963)
Sales of property	-	(2,865,132)	-
Changes in timing and other	(4,295,714)	(1,421,875)	3,578,195
Standardised measure, end of year	51,082,458	93,390,597	87,722,457