

## REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

During the year 2001, the Supervisory Committee has carried out their duties conscientiously and in accordance with the relevant provisions of the Company Law of the People's Republic of China, the Articles of Association of the Company, and the Organisation and Rules of Procedure of the Supervisory Committee. During the year, the Supervisory Committee has held 2 meetings, reviewed and discussed 6 resolutions regarding the 2000 annual report and profit distribution plan as well as the 2001 interim report, attended the annual general meeting for the year 2000 with the submission of 2 resolutions to the meeting, and attended 4 meetings of the board of directors of the Company with the submission of 8 written opinions of the Supervisory Committee to these meetings. The Supervisory Committee has also held 2 hearings and has received in these hearings the reports relating to the finance, connected transactions and supervision on the senior management of the Company respectively submitted by the Finance Department, Auditing Department, PricewaterhouseCoopers Zhong Tian, Supervisory Department and Human Resources Department, and raised questions about the relevant issues; the Supervisory Committee also carried out 3 special auditing investigations on the finance and the sale of refined products of the Company, organised 7 investigation teams, inspected 10 enterprises under the Company, identified 16 problem items and provided 9 recommendations; the Supervisory Committee has arranged 2 visits for the Supervisors to all enterprises of the Company, with 3 enterprises being visited and during which 10 problem items were discovered and 8 recommendations made. Through the above and other activities, the Supervisory Committee has reinforced its supervision on the finance of the Company and on the acts of its senior management in the performance of their duties, and has enhanced the effect of supervision and protected the interests of the shareholders as well as the interests of long-term development of the Company.

The Supervisory Committee is of the opinion that all members of the board of directors, the president and the senior management of the Company have worked diligently towards performing their duties. They have contributed persistently to the development of the Company and have diligently performed their management responsibilities and protected the best interests of the shareholders, and have also complied with applicable laws and regulations of the People's Republic of China and the articles of association of the Company in fulfilling their duties. The Supervisory Committee is satisfied with the results achieved for the Company in 2001 and is fully confident in the prospects of the Company.

The Supervisory Committee has reviewed the unqualified auditor's report of PricewaterhouseCoopers prepared on the basis of International Accounting Standards and is of the opinion that the report gives a true and comprehensive view of the Company's financial positions and operating results and that the comments of the report on the relevant matters are fair and objective.

The Supervisory Committee hopes that in light of the new situation of China's accession to the WTO, the Company shall further reinforce its efforts to expand the exploration of oil and gas, to effect the on-going development, to enhance the reform, to reinforce management, to strive further for the reduction of production costs, and to vigorously enhance its market competition and profit earning ability in order to increase the Company's value continuously.

In 2002, the Supervisory Committee will continue to fulfil its duties to protect the interests of the Company and the shareholders, and to give emphasis on supervising the fulfilment of the Company's commitment to its shareholders as well as to endeavour in carrying out its duties satisfactorily and in strict compliance with the articles of association and the relevant laws and regulations.

We hereby submit the above report to all shareholders for review.

By Order of the Supervisory Committee  
Li Kecheng  
Chairman of the Supervisory Committee  
Beijing, the PRC  
April 15, 2002