

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

During the year 2002, the Supervisory Committee has carried out their duties conscientiously and strictly in accordance with the relevant provisions of the Company Law of the PRC (the "Company Law"), the Articles of Association of the Company, and the Organisation and Rules of Procedure of the Supervisory Committee. During the year, the Supervisory Committee held four meetings, reviewed, discussed and passed 11 resolutions, completed the review of the 2001 annual report and the 2002 interim report; attended the annual general meeting for the year 2001 and the extraordinary general meeting for the year 2002 with the submission of two resolutions to the meeting, and attended four meetings of the Board of Directors of the Company as non-voting delegates with the submission of five written opinions of the Supervisory Committee in respect of its review of the final accounts, profit distribution plan (draft) and the assessment of the performance of the members at the Company's office of the President; held three hearings and received in these hearings eight reports relating to the finance of the Company, profit distribution, connected transactions and the assessment of the performance of the members of the office of the President submitted respectively by the Finance Department, PricewaterhouseCoopers Zhong Tian, Auditing Department, Supervisory Department and Human Resources Department; carried out two random auditing investigations into the finance of the Company, sampled eight departments to conduct auditing investigation and prepared 10 auditing investigation reports and consolidated reports, put forward 27 recommendations; conducted five supervisors inspection tours, prepared 5 inspection tour reports, raised 18 recommendations; and conducted a survey and research on specific issues during which five recommendations were made. Through the above activities, the Supervisory Committee has reinforced its supervision on the finance of the Company and on the 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 the Company.

Upon the expiration of its term of office on December 3, 2002, the first Supervisory Committee had satisfactorily completed the various tasks to be completed during its three-year term of office, elected the chairman and members of the second Supervisory Committee and smoothly replaced the first Supervisory Committee with the second Supervisory Committee in accordance with the relevant provisions of the Company Law and the Articles of Association of the Company.

The Supervisory Committee is of the opinion that in 2002, all members of the Board of Directors and the senior management of the Company worked diligently towards fulfilling their duties. They contributed persistently to the development of the Company, diligently performed their management responsibilities, protected the best interests of the shareholders and complied with applicable laws and regulations of the PRC and the Articles of Association of the Company in fulfilling their duties. The Supervisory Committee is satisfied with the results achieved by the Company in 2002 and is fully confident in the prospects of the Company.

The Supervisory Committee has reviewed the unqualified financial statements of PricewaterhouseCoopers prepared on the basis of IFRS and is of the opinion that the report gives an objective true and comprehensive view of the Company's financial position and operating results .

The Supervisory Committee hopes that the Company would further reinforce its efforts

to expand exploration of oil and gas, improve the structure of the Company and develop new markets for its products, and take all measures to procure technology advancements and innovative management in the Company, strive for the enhancement of its market competitiveness and profitability in order to achieve steady and continuous growth of the Company.

In 2003, the Supervisory Committee will continue to fulfil its duties to protect the interests of the Company and the shareholders, and to supervise the fulfillment 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 of the Company and the relevant laws and regulations.

By Order of the Supervisory Committee
Li Kecheng
Chairman of the Supervisory Committee
Beijing, the PRC
March 31, 2003