

## SUPPLEMENTARY INFORMATION ON OIL AND GAS PRODUCING ACTIVITIES (UNAUDITED)

(All amounts expressed in Renminbi unless otherwise stated)

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. 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 in PRC, 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 PRC production sharing contracts as reimbursement for exploration expenses attributable to the Group's participating interest, and its participating interest in the properties covered under the production sharing contracts in Indonesia less an adjustment of share oil attributable to Indonesian government and the domestic market obligation.

The proved developed and undeveloped reserves for Indonesia in 2001 were less than 1% to the total and no separate disclosure was made.

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

	PRC		Indonesia		Total	
	Oil (mmbbls)	Natural gas (bcf)	Oil (mmbbls)	Natural gas (bcf)	Oil (mmbbls)	Natural gas (bcf)
31 December 2000	1,216	3,250	–	–	1,216	3,250
Discoveries and extensions	199	166	–	–	199	166
Production	(84)	(71)	–	–	(84)	(71)
Revisions of prior estimates	(52)	(97)	–	–	(52)	(97)
31 December 2001	1,279	3,248	–	–	1,279	3,248
Purchase of reserves	–	–	143	241	143	241
Discoveries and extensions	150	169	–	–	150	169
Production	(96)	(79)	(13)	(26)	(109)	(105)
Revisions of prior estimates	(46)	(5)	8	–	(38)	(5)
31 December 2002	1,287	3,333	138	215	1,425	3,548
Purchase of reserves	53	142	–	–	53	142
Discoveries and extensions	114	506	1	2	115	508
Production	(97)	(69)	(15)	(37)	(112)	(106)
Revisions of prior estimates	(24)	42	(21)	20	(45)	62
31 December 2003	1,333	3,954	103	200	1,436	4,154

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## (a) Reserve quantity information (continued)

Proved developed reserves:

	PRC		Indonesia		Total	
	Oil (mmbbls)	Natural gas (bcf)	Oil (mmbbls)	Natural gas (bcf)	Oil (mmbbls)	Natural gas (bcf)
31 December 2001	582	765	–	–	582	765
31 December 2002	542	724	115	101	657	825
31 December 2003	459	2,054	91	135	550	2,189

## (b) Results of operations

	2001		2002		2003		
	PRC RMB'000	PRC RMB'000	Indonesia RMB'000	Total RMB'000	PRC RMB'000	Indonesia RMB'000	Total RMB'000
Net sales to customers	17,560,788	20,280,746	3,498,548	23,779,294	23,644,659	4,472,172	28,116,831
Operating expenses	(2,329,130)	(2,440,210)	(1,335,124)	(3,775,334)	(2,903,094)	(1,609,715)	(4,512,809)
Production taxes	(883,768)	(1,023,049)	–	(1,023,049)	(1,238,598)	–	(1,238,598)
Exploration	(1,039,297)	(1,286,670)	(31,653)	(1,318,323)	(764,165)	(83,907)	(848,072)
Accretion expense	–	–	–	–	(93,246)	–	(93,246)
Depreciation, depletion and amortisation (including dismantlement)	(2,566,920)	(3,121,381)	(898,151)	(4,019,532)	(3,700,349)	(1,109,730)	(4,810,079)
	10,741,673	12,409,436	1,233,620	13,643,056	14,945,207	1,668,820	16,614,027
Income tax expenses	(3,992,578)	(3,816,008)	(592,138)	(4,408,146)	(4,483,562)	(719,695)	(5,203,257)
Result of operations	6,749,095	8,593,428	641,482	9,234,910	10,461,645	949,125	11,410,770

## (c) Capitalised costs

	2001		2002		2003		
	PRC RMB'000	PRC RMB'000	Indonesia RMB'000	Total RMB'000	PRC RMB'000	Indonesia* RMB'000	Total RMB'000
Proved oil and gas properties	40,748,848	46,426,684	9,605,744	56,032,428	57,537,676	9,440,843	66,978,519
Unproved oil and gas properties	428,611	521,880	–	521,880	713,594	–	713,594
Accumulated depreciation, depletion and amortisation	(18,154,653)	(21,161,905)	(993,316)	(22,155,221)	(25,740,836)	(2,098,269)	(27,839,105)
Net capitalised costs	23,022,806	25,786,659	8,612,428	34,399,087	32,510,434	7,342,574	39,853,008

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## (d) Costs incurred

	2001		2002		2003		
	PRC	PRC	Indonesia	Total	PRC	Indonesia*	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Acquisition costs	–	–	4,735,826	4,735,826	<b>1,579,726</b>	–	<b>1,579,726</b>
Exploration costs	996,121	1,519,683	32,405	1,552,088	<b>1,225,926</b>	<b>102,067</b>	<b>1,327,993</b>
Development costs**	3,958,357	5,458,199	750,532	6,208,731	<b>7,489,472</b>	<b>512,064</b>	<b>8,001,536</b>
Total costs incurred	<u>4,954,478</u>	<u>6,977,882</u>	<u>5,518,763</u>	<u>12,496,645</u>	<u><b>10,295,124</b></u>	<u><b>614,131</b></u>	<u><b>10,909,255</b></u>

\* The amounts do not include prepayments and subsequent cash calls made for the Tangguh Project of RMB2,445,715,000.

\*\* The development costs include estimated future dismantlement costs of dismantling offshore oil platforms and gas properties.

## (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\$30 as at 31 December 2003 (2002: US\$28; 2001: US\$17). 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 estimate 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:

	Notes	2001		2002		2003		
		PRC	PRC	Indonesia	Total	PRC	Indonesia	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Future cash inflows	(1)	261,339,180	389,025,791	37,242,644	426,268,435	<b>422,329,692</b>	<b>30,135,721</b>	<b>452,465,413</b>
Future production costs		(74,404,378)	(89,657,677)	(22,386,603)	(112,044,280)	<b>(106,854,167)</b>	<b>(17,532,095)</b>	<b>(124,386,262)</b>
Future development costs	(2)	(38,640,756)	(44,699,729)	(5,381,081)	(50,080,810)	<b>(52,917,280)</b>	<b>(4,114,091)</b>	<b>(57,031,371)</b>
Future income taxes		(39,097,483)	(73,757,925)	(4,301,926)	(78,059,851)	<b>(72,124,755)</b>	<b>(3,346,547)</b>	<b>(75,471,302)</b>
Future net cash flows	(3)	109,196,563	180,910,460	5,173,034	186,083,494	<b>190,433,490</b>	<b>5,142,988</b>	<b>195,576,478</b>
10% discount factor		(58,114,105)	(84,478,856)	(1,463,589)	(85,942,445)	<b>(84,550,531)</b>	<b>(1,226,300)</b>	<b>(85,776,831)</b>
Standardised measure		<u>51,082,458</u>	<u>96,431,604</u>	<u>3,709,445</u>	<u>100,141,049</u>	<u><b>105,882,959</b></u>	<u><b>3,916,688</b></u>	<u><b>109,799,647</b></u>

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

- (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 in PRC 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 PRC production sharing contracts for exploration costs attributable to the Group's participating interest, plus its participating interest in the properties covered under the production sharing contracts in Indonesia, less an adjustment of share oil attributable to Indonesian government and the domestic market obligation.
- (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 costs of dismantling offshore oil platforms and gas properties.

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

	2001 RMB'000	2002 RMB'000	2003 RMB'000
Standardised measure, beginning of year	93,390,597	51,082,458	<b>100,141,049</b>
Sales of production, net of royalties and production costs	(14,347,890)	(18,980,911)	<b>(22,345,781)</b>
Net change in prices, net of royalties and production costs	(32,289,445)	58,471,355	<b>22,321,949</b>
Extensions discoveries and improved recovery, net of related future costs	9,985,707	14,603,893	<b>13,790,936</b>
Change in estimated future development costs	(9,651,681)	(13,947,849)	<b>(14,673,054)</b>
Development costs incurred during the year	3,958,357	6,208,731	<b>7,718,863</b>
Revisions in quantity estimates	(3,272,326)	(3,301,510)	<b>(2,942,902)</b>
Accretion of discount	10,846,714	6,873,378	<b>13,428,654</b>
Net change in income taxes	(3,241,861)	(23,296,206)	<b>(6,290,099)</b>
Purchase of properties	-	15,899,375	<b>5,363,142</b>
Changes in timing and other	(4,295,714)	6,528,335	<b>(6,713,110)</b>
Standardised measure, end of year	<u>51,082,458</u>	<u>100,141,049</u>	<u><b>109,799,647</b></u>