





BUSINESS REVIEW AND PROSPECTS (CONTINUED)

3. Performance Review by

Business Segments: In 2000, with its market orientation, the Company aggressively expanded its market share, optimised its allocation of resources, actively reduced cost of production, adjusted products structure, and achieved satisfactory results in all segments of its businesses.

Exploration and Production Segment

In 2000, the Company increased its exploration activities to discover new reserves. To take advantage of the high crude price prevailing in 2000, the Company exploited reserves which would have been unprofitable or marginally profitable at a lower crude price. Oil and gas production was relatively stable in

2000, reversing the slightly declining trend experienced in the past few years. For the fourth consecutive year, the Company had a greater than one annual reserves replacement ratio.

Refining Segment

In 2000, the refining segment adjusted its business strategy in accordance with the market situation, optimised its crude sourcing structure and increased refinery throughput, especially with respect to less expensive sour crude, to improve profitability. In 2000, the Company's refining throughput accounted for 52.1% of the national total, with various operational performance ratios improved significantly.

Operation Summary of Exploration and Production Segment

	2000	1999	Change, %
Oil production (mmbbls)	247.35	241.45	2.44
Natural gas production (bcf)	80.3	78.6	2.16
Added proven oil reserves (mmbbls)	318	443	- 28
Added proven gas reserves (bcf)	297	284	4.58
Year end proved reserves of crude oil (mmbbls)	2,952	2,881	2.5
Year end proved reserves of natural gas (bcf)	999	782	28
Year end proved reserves of oil and gas (mmboe)	3,118	3,011	3.55

Crude Sourcing Structure (1,000 t.)

	2000	1999	Change, %
Self-supply	27,390	27,100	1.07
Sinopec Group	160	NA	NA
PetroChina	16,560	20,220	- 18.10
CNOOC	5,170	7,630	- 32.24
Import	58,920	34,140	72.58
Total	108,200	89,090	21.45

Operation Summary of Refining Segment

	2000	1999	Change, %
Crude throughput, mm bbl/day	2.11	1.76	19.89
Sour crude throughput, mm bbl/day.	0.276	0.12	130
Refinery utilisation, %	81	67.7	13.3 pct. points
Gasoline, diesel and kerosene production, mm t.	62.58	52.42	19.38
Light product yield, %	71.57	70.7	0.87 pct. points
Composite commercial yield, %	92.25	91.2	1.05 pct. points