

## **Prospects for the Second Half of 2002**

The Company had achieved encouraging results for the first half of 2002 despite the fact that crude oil prices have decreased compared with the same period last year. For the second half of 2002, the Company will actively adopt the following measures to increase its competitiveness and to create higher value for shareholders, with a view to maintaining the operating results for 2002 at a satisfactory level. The Company is confident that these targets can be achieved.

In relation to the exploration and production segment, aiming at the realisation of a positive cycle of resource substitution, the Company will make greater efforts in geological research with a special focus on ancillary technology, improve dynamic analysis of exploration and production work, rationalise and implement exploration plans, increase exploration of key exploration areas and pre-exploration targets, make greater progress in the exploration for oil and gas and ensure a steady increase in oil and gas production.

The refining and marketing segment and the chemicals and marketing segment will strive to increase profitability and reduce loss. The refining and marketing segment will focus on increasing the light oil recovery rate, the composite commodity rate and the diesel-gasoline ratio, improving product mix and further improving various economic and technical indicators, and increasing the proportion of various refined products being sold through the Company's own operations. The chemicals and marketing segment will adjust and optimise its product mix according to market conditions, and will continue to adjust the utilisation rate of its facilities with a view to increasing marginal profits.

The natural gas and pipeline segment will actively strengthen its pipeline construction and market development activities. Significant progress has been made in the selection of foreign investment partners for the West-East gas pipeline project. In July 2002, the Company entered into a Joint Venture Framework Agreement with the foreign investment partners. Full construction of the major pipelines for the Project commenced in July this year. The construction of the Zhong-Wu line is expected to commence in the second half of 2002. The Shan-Jing pipeline network will be further developed. The principal work on the Lan-Cheng-Yu refined products pipeline has been completed and is in trial operation. Operation is expected to commence in September this year. In the meantime, the Company will put extra emphasis on strengthening its market position. The Company will make full use of its resource-rich position so as to build a stronger competitive edge in the markets.

The Company will continue to evaluate various business development plans and the capital expenditures required. It will implement rigorous and prudent investment plans with the aim of increasing the rate of financial return on our investments.

Furthermore, the Company will continue to emphasise on e-commerce, make good use of the Company's website for e-commerce ([www.energyahead.com](http://www.energyahead.com)), increase the on-line trading coverage and volume, and reduce purchasing costs.

The Company will continue to expand its overseas oil exploration and development business in an active but prudent manner. The Company is confident that these targets can be achieved.