

Future Plans and Prospects

Looking forward, the Company will continue to reinforce its leading position in upstream business, achieve rapid growth in its natural gas business, further the structural adjustment of its refining and petrochemical business, actively participate in the competition in the international oil and gas markets, speed up the development of its overseas business, promote the growth of the Company and continue to enhance the value of the Company.

For the exploration and production segment, the Company plans to continue to enhance the exploration of oil and gas, increase the amount of good-quality exploitable reserves and realise a positive cycle of resource substitution. The Company intends to actively restructure its business in eastern China and speed up the development of business in western China. The Company plans to strive to maintain a stable increase in crude oil production and a substantial growth in natural gas production in order to uphold the Company's leading position in the domestic oil and gas industry.

For the refining and marketing segment, the Company plans to focus on adjusting the layout of production and the product mix, improving the quality and grades of oil products and the diesel-gasoline ratio. The Company plans to reinforce the technological transformation of the major installations and the construction of large oil refining bases in Dalian, Lanzhou, Fushun and other places. At the same time, the Company plans to gradually shut down those refining plants and installations which are of low efficiency and high consumption rate.

For the chemicals and marketing segment, the Company plans to, in the process of adjusting the product mix of its chemicals business, reinforce the technological transformation of the production installations of ethylene and polyolefin and the production of products with high added value. It plans to focus on the development of quality products such as polyethylene, polypropylene, ABS, urea and alkylbenzene. It will also improve management and assist those enterprises which are operating at a loss in turning deficit into surplus.

For the natural gas and pipeline segment, the Company plans to accelerate the construction of the West-East gas pipeline project which is the key project in the Company's construction of long-distance transmission pipeline infrastructure facilities. The Company will actively develop the natural gas market so that the natural gas business will become a new source of increased profitability for the Company as soon as possible.

For its overseas business, the Company will adopt active but prudent investment strategies and strive to capitalise its unique competitive edge in respect of crude oil exploitation. In the meantime, it will pursue low-risk development mainly through mergers and acquisitions of assets.