

REPORT OF THE SUPERVISORY COMMITTEE



Wang Fucheng
Chairman of the Supervisory Committee

Dear Shareholders,

During the year 2007, the Supervisory Committee has carried out their duties conscientiously and in accordance with the relevant provisions of the Company Law of the PRC and the Articles of Association of the Company.

During the reporting period, the Supervisory Committee held two meetings.

On March 16, 2007, the fifth meeting of the third term of the Supervisory Committee was convened in Beijing. The meeting was chaired by Mr Wang Fucheng, Chairman of the Supervisory Committee. The meeting considered and approved the Financial Report of the Company for 2006, the Draft Profit Distribution Plan for 2006, the Report on Assessment of the Completion of Performance Targets by the President's Work Team for 2006 and Formulation of Performance Contracts for 2007, the Resolution on the Appointment of International and Domestic Accounting Firm for 2007, and the Supervisory Committee's Report for 2006.

On August 21, 2007, the sixth meeting of the third term of the Supervisory Committee was convened in Beijing. The meeting was chaired by Mr Wang Fucheng, Chairman of the Supervisory Committee. The meeting considered and approved the 2007 interim report and the draft 2007 interim profit distribution plan.

Further, during the reporting period the Supervisory Committee attended the annual general meeting for the year 2006 and an extraordinary general meeting in 2007; attended four meetings of the Board of Directors and submitted five written opinions to the Board of Directors in respect of, inter alia, its review of the financial reports of the Company, the draft profit distribution plan and assessment of the performance of the President's Work Team. The Supervisory Committee conducted two supervisory hearings, received fourteen reports submitted by, inter alia, the Finance Department, Audit Department, Human Resources Department, Supervisory Department and PricewaterhouseCoopers Zhong Tian CPAs Company Limited, and reviewed and issued relevant opinions on, inter alia, the Company's financial affairs, profit distribution, connected transactions and assessment of the performance of the President's Work Team. The Supervisory Committee completed two random financial auditing investigations, performed random auditing on eight departments, prepared a total of ten investigation reports and general reports and put forward 37 recommendations. The Supervisory Committee also made one supervisory inspection tour, prepared one report and put forward five recommendations. Through the above activities, the Supervisory Committee has reinforced its supervision on the financial affairs of the Company and the performance of duties by the senior management. It has enhanced the effect of supervision and protected the rights of the shareholders as well as the interests of the Company.

The Supervisory Committee is of the opinion that in 2007, facing changes in the domestic and international macro operating environments, the Company has adopted various effective measures, implemented the strategies of resources, marketing and internationalisation of operation in the best manner, persisted in carrying out further corporate

reforms, and achieved progress in key tasks. The principal business of the Company continued to develop. There were breakthroughs in oil and gas exploration. Oil production remained steady, while production of natural gas remained at a high growth. The refining and petrochemical business mix was optimized. Major projects were completed and production commenced. A refined products sales and marketing network covering the whole of China was primarily established. International businesses maintained a good momentum of development. The Company became more competitive in the market. The overall business strengths of the Company were enhanced markedly.

1. Opinion of the Supervisory Committee on the lawful operation of the Company

In year 2007, the Company's internal control system improved gradually. The Company's overall financial position was further improved. Quality of the fixed assets of the Company improved steadily. Both the debt to asset ratio and the gearing ratio continued to drop. The Company's repayment capability improved, and the Company's financing capability was strengthened. Returns for the shareholders of the Company increased steadily.

The Company managed to comply with laws and standards in its decision-making process and operations. The Directors of the Company have complied with the applicable laws and regulations of the PRC and the Company's places of listing and the Company's Articles of Association in the performance of their duties, and has conscientiously implemented resolutions at the shareholders' general meetings. The President's Work Team complied with laws and standards in its decision-making process and operations, and have met appraisal standards in all aspects.

2. Opinion of the Supervisory Committee on inspection of the financial status of the Company

The financial reports of the Company have been prepared in accordance with CAS and IFRS. The financial reports audited by PricewaterhouseCoopers Zhong Tian CPAs Company Limited and PricewaterhouseCoopers give a true and fair view on the financial position, operating results and cash flows of the Company. The unqualified opinions issued are objective and fair.

3. Opinion of the Supervisory Committee on the use of proceeds from the latest fund raising exercise

During the reporting period, proceeds from issue of A shares were applied in the manner as undertaken.

4. Opinion of the Supervisory Committee on the acquisition and disposal of assets by the Company

During the reporting period, acquisition and disposal of assets of the Company were carried out at reasonable considerations, and no insider dealing was discovered. No prejudice to shareholders' rights, dissipation of the Company's assets or prejudice to the Company was discovered.

5. Opinion of the Supervisory Committee on connected transactions of the Company

During the year, continuing connected transactions of the Company were carried out with the approval of the Hong Kong Stock Exchange and within the limits approved at the extraordinary general meetings of the Company. Connected transactions were carried out at reasonable and fair considerations, and no prejudice to the non-connected shareholders or the Company was discovered.

The Supervisory Committee is satisfied with the results achieved by the Company in 2007 and is confident of the prospects of the Company.

The Supervisory Committee hopes that, in 2008, the Company will fully implement the target of developing the Company into a comprehensive international energy company, making the best endeavours to complete tasks in relation to resources, marketing, human resources, technology and management, persistently enhancing its ability to make innovations, steadily improving the core competitiveness of the Company in both the domestic and overseas markets and to facilitate further improvement of the overall strength of the Company.

In 2008, the Supervisory Committee will continue to fulfil its various duties conscientiously and in compliance with the Company Law of the PRC, the Articles of Association of the Company and other relevant regulations.

By Order of the Supervisory Committee

Wang Fucheng

Chairman of the Supervisory Committee

Beijing, the PRC

March 19, 2008