



Message from the President

In 2007, CNPC experienced relatively fast but sustained, effective and sound growth. While pursuing our strategic goals of increasing resources, expanding markets and seeking a greater international role, CNPC worked hard to carry out its economic, political and social responsibilities. Despite severe natural disasters in China and many challenges at home and abroad, we fulfilled all our proposed objectives and recorded the best performance and profits in our history. In 2007, we registered sales revenues of RMB 1000.68 billion, total profit of RMB 191.98 billion and taxation payments of RMB 198.5 billion, all increased over the previous year.

2007 saw our sustained growth in domestic oil and gas operations to better meet market demands. We made strategic discoveries and progress in domestic oil and gas exploration, thanks to our all-embracing, intensified efforts in this prioritized operation. Specifically, we discovered the Jidong Nanpu Oilfield with a reserve volume of 1.18 billion metric tons, and proved Sulige Gas Province with a reserve of more than 1 trillion cubic meters. In addition, 830 million metric tons of oil in place and 445.39 billion cubic meters of gas in place were newly proven in 2007. Oil production sustained steady growth to 107.65 million metric tons, 1.01 million metric tons more than in 2006, despite output adjustments in mature fields. Natural gas production was 54.25 billion cubic meters, up by 10 billion cubic meters from the previous year. In 2007, we made steady progress in the construction of major projects. Our strategic oil and gas pipelines in northeastern, northwestern, southwestern and offshore regions progressed with remarkable speed. The debut of Beijing Oil & Gas Pipeline Control Center realized nationwide central dispatch and control of oil and gas transportation. In 2007, we strategically adjusted the layout of our refining and chemical business. Large refining and chemical production bases were constructed in an orderly manner and our marketing network system was further improved. In 2007, CNPC processed 120 million metric tons of crude oil, produced 76.81 million metric tons of refined products and 15.6 million metric tons of chemical products, securing stable market supplies. Moreover, our engineering and technical service sector saw continuous improvement in technologies, equipment, engineering competence and market competitiveness.

Adhering to a philosophy of win-win cooperation, CNPC realized a massive, effective, and sustainable growth in its overseas business. Oil and gas output from five major oil and gas cooperation regions maintained steady growth, thanks to our enhanced risk exploration and the contribution of mature oilfields. In 2007, 52.41 million metric tons of recoverable oil reserve was added through our overseas exploration, and oil production and our share in it increased by 10.2% and 6.8% over

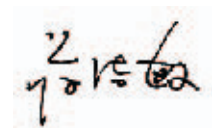
the previous year respectively. 2007 also saw progress in project development and strategic cooperation. Several major oil and gas cooperation projects and agreements were signed. These included, among others, the construction and operation agreement of the Central Asia Gas Pipeline with Turkmenistan and other Central Asian countries. Our international engineering and technical services progressed in a more integrated and coordinated way with enhanced overall profitability and core competitiveness. As for international trade, an innovated trading model, enhanced risk control and improved trade system helped us in achieving remarkable growth in both scale and profits. Our materials and equipment were exported to 69 countries and regions, with sales increased by 13.6%. In 2007, more projects and wider scope in terms of Sino-foreign cooperation in China was reached. These led not only to economic benefits, but also introduction of advanced management, technology and equipment.

Significant achievements were made in 2007 in our technical innovation, safety, environmental protection, energy conservation and pollutant reduction, as well as the reform of our development mode. We continuously enhanced our independent innovation competence by orienting it toward the development need of our main business, tackling critical bottleneck technologies, and reinforcing the integration and implementation of R&D results. As a result, we made impressive progress in key technological solutions and equipment manufacturing. People, safety and the environment are CNPC's top priorities in all its operations. We improved our performance in safety and environmental protection by implementing controlled operation, improving the HSE management system, and rigorously removing hidden hazards. Focusing on the conservation of energy, water and land, as well as on intensive land utilization, we formed an improved system and standards of energy conservation and pollutant reduction and utilized resources more efficiently. Through 2007, 1.4 million metric tons of standard coal equivalent and 55 million cubic meters of water were saved. Our discharges of wastewater, flue gas, and solid wastes saw persistent compliance with relevant standards. COD and oil-related waste discharges were reduced by 4.4% and 13.2% respectively compared with 2006.

We made progress in our efforts to improve our management, to integrate our businesses, and to recombine our specialized sectors. Our professional management system saw continued improvement in investment planning, financial assets and procurement, making us develop in a more vigorous way. We worked with neighboring communities in a mutually beneficial manner, and positioned ourselves to drive the local society and economy. As always, we actively

participated in public welfare as a part of the implementation of our social responsibilities, helping CNPC continue to grow in more harmonious circumstances.

In 2008, CNPC will continue its scientific approach as we strive to become an integrated international energy corporation. While reforming our development mode, we will exert ourselves to promote technical, managerial and institutional innovation, optimize our business structure and resource allocation, and improve safety, environmental protection and energy conservation. We will fulfill all the tasks and goals required to achieve sound and rapid development and contribute even more to China's energy security.



Jiang Jiemin, President