
Business Overview

Kazakhstan is rich in oil and gas resources, and was one of the first countries in central Asia to develop its oil and gas resources. In 1997, when the Kazakh government started to encourage foreign investment to accelerate the development of its oil industry, CNPC entered the nation's oil and gas sector. The two countries have signed a number of agreements on oil and gas cooperation over the past 12 years. Playing a key role in the implementation of these agreements, CNPC has participated in a number of important energy cooperation projects, such as the Aktobe, PK and Kazakhstan-China Oil and Gas Pipeline projects. Our business in Kazakhstan now covers many fields, such as oil and gas exploration, refining, petrochemicals, pipeline transportation, sales, trade and oilfield service.

In Aktobe, CNPC AktobeMunaiGas, a joint venture of CNPC and the local government, is a comprehensive oil company that also engages in exploration, development, engineering service, sales and R&D. In Kyzylorda, we established a joint-stock company with KazMunaiGas, PetroKazakhstan (PK), a comprehensive oil company integrating upstream, midstream and downstream operations. In South Kazakhstan, we operate the Shymkent refinery together with KazMunaiGas. In Mangghystau, we have jointly developed the North Buzachi oilfield with Russia's Lukoil. In addition, we provide cutting-edge engineering services to Kazakhstan's oil industry.

Achievements

We have made sustained efforts to modernize the Kazakh oil industry, achieving impressive results in production, operation, safety, environmental protection, employee career development and boosting local living standards. By the end of 2008, we had invested over USD 7 billion in Kazakhstan, paid more than USD 7 billion in tax, and provided jobs to over 14,800 people.

Exploration

By the end of 2007, we had completed 4,946 kilometers of 2-D seismic lines, 3,120 square kilometers of 3-D seismic profiles, and 26.05 million metric tons of newly added proven recoverable reserves. The "Hope Oilfield" is the first major exploration breakthrough in Aktobe in the past decade. The Tuzkol-1 well can produce 70 cubic meters a day, an output that has not been achieved for 40 years in the South Turgai Basin.

Production

Through technological innovation and integration, we have turned 28 million metric tons of unusable but recoverable reserves in the Kenkiyak subsalt

oilfield into quality reserves that can be developed in a highly efficient way. We also used gas-lift oil production technology to increase and stabilize the output of the Zhanazhol oilfield in Aktobe. The output of the Kumkol oilfield in Kyzylorda has been maintained at over 6 million metric tons for five consecutive years, while the output of the North Buzachi oilfield had increased from less than 500 thousand metric tons to 1.71 million metric tons in 2008.

Refining

We upgraded the Shymkent refinery to ensure stable oil supply to the local market. Through technological upgrading, we improved our

product structure and increased production efficiency. We also formulated a long-term development plan to ensure that fuel quality meets the Euro IV standard. We also plan to establish a petrochemical production area, lift the lightweight oil recovery rate to the level of modernized refineries, and to realize mass production by increasing its annual output to 6 million metric tons.

Marketing

In addition to supplying diesel, RON 92, RON 93 and RON 96 gasoline, we have upgraded our convenience stores, which provide products and services such as lubricants, drinks, food and phone cards.

Oil and gas pipeline

Developed by CNPC and KTO, Kazakhstan-China Oil Pipeline is Kazakhstan's first pipeline to directly transport oil to the global market. It has a designed annual transportation capacity of 20 million metric tons. By the end of 2008, the pipeline had exported 12.54 million metric tons of oil. Construction of the Kazakhstan-China natural gas pipeline, developed by CNPC and KazMunaiGas, began in July 2008. It is estimated that gas will flow through one of its pipelines in 2009, while both will become operational in 2010.

Environment and safety

All CNPC companies based in Kazakhstan strictly comply with the company's HSE standards, with no major accident or environmental incident occurring over the past 12 years. CNPC's oil and gas investment unit has invested USD 445 million in environmental protection. CNPC AktobeMunaiGas and PK have also dramatically reduced environmental pollution. These two companies's environmental and economic achievements have become a model for local companies.

Employee training

We have more than 14,800 local staff, with local people accounting for 97% of our oil and gas employees. With education and training programs, we aim to improve skills and overall qualifications of our staff and encourage greater respect for employees from diverse cultural backgrounds.

Corporate citizenship

We signed the *Socio-Economic Cooperation Memorandum* with host areas. We promoted public welfare services and supported socio-economic development by improving local infrastructure and supporting education and the development of small- and medium-sized enterprises. Our public welfare investment totaled USD 50 million.



Our concept

Corporate mission: Caring for Energy, Caring for You

Values: Loyalty, respect, honest, harmony

International cooperation concept: Mutually beneficial development

Sustainable development strategy: To supply energy for sustainable social and economic development in a safer, cleaner and more efficient way, and create a better life for everyone. Fulfilling its social responsibilities is the basic precondition of the company's sustainable development. Besides public welfare and charity donations, corporate social responsibility should also be incorporated into the whole production and operation process.

