

# Operations Review

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The Company continued its stable and robust growth in 2005: Encouraging success was achieved in exploration; Development projects came on stream on schedule; Production and reserves continued to grow. All these progresses combined with our high degree of transparency in corporate governance and prudent financial policies, gave a further boost to the business development of the Company.



### Solid Foundation and Unlimited Potential

In 2005, to create value for our shareholders, we continued to pursue active business expansion. Brilliant achievements were made on exploration, project development and overseas acquisitions. Our outstanding business performance is widely recognized by our shareholders and the market alike.

During the year, the Company made a lot of progresses in its active exploration activities, with 14 new oil and gas discoveries and 8 hydrocarbon-bearing structures successfully appraised. Its reserve replacement ratio reached 186%, surpassing that of previous year and continued to stand at the forefront amongst peers. As a result, the Company successfully maintained the growth momentum of its reserves.

Despite heavy workload, the Company's engineering constructions progressed with high efficiency. During the year, a record number of projects were put on stream, and these new projects contributed substantially to the Company's production. In addition, more than 10 projects were under way as scheduled.

In order to fulfill its commitment to future growth and to its shareholders, the Company continued to seek overseas acquisition opportunities. In 2005, it acquired assets and signed co-operation agreements in, among others, Canada and Morocco. The successful implementation of its overseas development strategy helped greatly to improve the Company's reputation around the world.

During the year, the Company continued to maintain its prudent financial policy and its credit rating was upgraded by Standard and Poor's. In respect of health, safety and environmental protection, no material safety nor pollution incident was recorded throughout the year. Meanwhile, the Company actively participated in community charity activities, further reinforcing its positive image as a corporate citizen.



### Results Figures

In 2005, the Company followed its business strategies to achieve various targets of the year.

As of 31 December 2005, the Company's oil and gas production reached 154.8 million BOE, representing a year-on-year (YOY) increase of 10.6%. Crude oil production amounted to 356,868 barrels per day, while natural gas production was 389.6 MMCF per day, representing a YOY increase of 11.7% and 7.0% respectively. Total oil and gas production offshore China was 140.6 million BOE, including 121.7 million barrels of crude oil and 108.4 bcf of gas. In Indonesia, oil and gas production was 14.2 million BOE, including 8.6 million barrels of crude oil and 33.8 bcf of gas.

In 2005, the realized oil price of the Company was US\$47.31 per barrel, an increase of 33.6% over the previous year. Realized natural gas price was US\$2.82 per thousand cubic feet, a YOY increase of 2.6%.

Benefiting from high oil prices and the increase in its production, the Company's results were outstanding in terms of total revenue and net profits, etc. in 2005.

The Company realized a total revenue of RMB69,455.7 million, a YOY increase of 25.8% , and a net profit of RMB25,323.1 million, a YOY increase of 56.9%, setting yet another record in its history. The earnings per share were RMB0.62 and the return on shareholders' equity reached 38.9%.

Surging prices of raw materials, among other things, leading to higher production costs, represented a tough challenge for the whole industry. In 2005, the Company's production cost per BOE increased by 8.7% over 2004. Still, the figure fared better than those of international peers.



### Operation Updates

In 2005, the Company realized a reserve replacement ratio of 186%, continuing its leading position among peers. During the year, 7 new projects commenced production, breaking the record set the previous year. At the same time, 16 projects were under way as scheduled. Below are the Company's activities on exploration, development and engineering constructions:

### Exploration

In 2005, the Company was very active in exploration offshore China and made 14 new oil and gas discoveries, including 9 independent discoveries and 5 discoveries under Production Sharing Contracts (PSCs). Moreover, 8 structures were successfully appraised, of which 6 were independent and 2 were under PSCs. These appraisals helped cement a solid base for the subsequent development activities of the Company.

Meanwhile, the Company's overseas exploration activities were also vigorous. In 2005, the Company completed 2 wildcats in Indonesia and acquired 324 kilometers of 2D seismic data in block M in Myanmar.

During the year, the Company's reserves maintained its growth momentum. In 2005, the proved reserves increased by 288 million BOE, comprising 132 million barrels of crude oil and 926 bcf of natural gas. The Company realized a reserve replacement ratio of 186%.



### Construction and Development

In 2005, the Company undertook more engineering projects than in 2004. There were altogether 16 projects under construction. Among these projects, 7 have been completed and have commenced production, namely Luda 10-1, Luda 4-2, Luda 5-2, Nanbao 35-2, Bozhong 25-1/25-1S (C/F platforms), Lufeng 13-2 and Caofeidian 11-3/5. These oil and gas fields made remarkable contributions to the Company's production for the year. The remaining projects are under way as scheduled.

During the year, the Company completed the construction and installation of 19 and 12 jackets respectively, and of 28 and 15 platform modules respectively. It also laid 540 kilometers of subsea pipelines and completed 2 terminals.

It is expected that a number of construction projects will be launched in 2006. Hence the Company's construction schedule will continue to be busy. It is estimated that the number of oil and gas projects under way will maintain at above 16. Besides, Chunxiao, Dongfang 1-1 Phase II, Qikou 17-2 East, Pinghu-BJT, etc. will be completed and commence production in 2006.

### Natural Gas Business

Apart from actively finding new reserves, the Company is also aggressively developing its natural gas business. In 2005, its production of natural gas offshore China reached 142 bcf.

In 2005, the development project on Dongfang 1-1 Phase II was completed, and will commence production in the first half of 2006. Besides, in 2006, the North West Shelf Gas Project in Australia will also commence production to supply gas to the LNG Terminal in Guangdong province, marking the beginning of significant gas importing to China.

In the future, the Company will strengthen its exploration efforts in the South China Sea and develop more natural gas fields, in order to consolidate its leading position in the natural gas market along coastal China.

### Overseas Development

In 2005, in order to fulfill its commitment to future growth and to its shareholders, the Company continued to seek overseas acquisition opportunities.

On 25 January 2005, a consortium led by the Company, the Singaporean Golden Aaron Pte Limited and the PRC-based HQCEC, signed PSCs with Myanma Oil and Gas Enterprise ("MOGE") on three blocks, C1, C2 and M2. In these blocks the Company is the Operator and owns 81.25% participation interests.

On 21 February 2005, the Company signed a joint study agreement with Office National de Recherches et d'Exploitations Pétrolières ("ONAREP"), a Morocco National Oil Company, to assess the oil potential in the basins of Haha and Missouri, Morocco.

On 11 March 2005, the Company reached an agreement with the Canadian MEG Energy Corporation ("MEG") on the acquisition of a 18.5% (16.69% on a diluted basis) stake in MEG, for a consideration of C\$150 million. The Company thereby obtained entry into potential oil sand projects in Canada.



On 23 June 2005, the Company made an offer to merge with Unocal for US\$67 per share, or a total consideration of approximately US\$18.5 billion. However, in light of considerable uncertainties and unbearable risks associated with the political environment in the US, the Company finally withdrew its offer on 2 August 2005. During the whole process, from bidding to the final voluntary withdrawal, our overriding principles remained unchanged, with the emphasis on the Company's future growth and our commitment to shareholders.

On 8 January 2006, the Company signed a definitive agreement with South Atlantic Petroleum Limited ("SAPETPO") to acquire a 45% working interest in an offshore oil-mining license "OML 130" in Nigeria for a cash consideration of US\$2.268 billion. Conditional upon, among other things, the approval of Nigerian National Petroleum Corporation ("NNPC") and the PRC government, the transaction is expected to be completed in the first half of 2006.

On 27 January 2006, the Company also acquired a 35% working interest in the contract for OPL229 in Nigeria for a consideration of US\$60 million. In addition, the Company signed a PSC for block S in Equatorial Guinea, marking another progress in the Company's overseas business.

### Research and Development

The technology research and development are mainly conducted by our research center. Besides, the Company's branches in Tianjin, Zhanjiang, Shenzhen and Shanghai are also engaged in certain research and development programs.

In 2005, we continued to actively pursue technology development in support of our core business of oil exploration and development. Encouraging progress was made in respect of those critical technology development projects on the exploration of offshore oil and gas resources, development of offshore marginal oil fields and enhancement of recovery of

offshore heavy oil fields. Pioneer studies were also conducted on the exploration and development in deep water areas.

Certain research and development outcomes are already being applied in the production process of the Company with remarkable benefits. For example, the technology "Maximizing Reservoir Exposure Drilling & Fit-For-Purpose Sand Management" is found to be very effective in increasing the single-well production of offshore oilfields. This technology has been applied to the well A11 in Luda 10-1 field, realizing a production rate of over 7,000 barrels per day.

### Health, Safety and Environmental Protection (HSE)

Our first priorities are always health, safety and environmental protection to guarantee the health and safety of employees. Over the years, the Company's staff and management at different levels have realized that "safety is always the weak link in corporate management". As a result, production safety, staff care and environmental protection have become an important part of our corporate culture.

In 2005, the Company made satisfactory progress in respect of safeguarding health, safety and environmental protection. During the year, it was neither involved in any material injury liability case, spillage and pollution incidents, nor subject to any safety-related liability claims for losses over RMB 1 million. Besides, the Company's OSHA Statistics results continued to be above average among its peers.



MAJOR PROPERTIES UNDER PRODUCTION AND DEVELOPMENT

Name of Block	Major Oil and Gas Field	Net Reserves as of 31 December 2005	
		Total (BOE/day) Oil (Bbls/day) Gas (Mmcf/day)	Total (MM BOE) Oil (MM Bbls) Gas (Bcf)
<b>Bohai Bay</b>			
● Production			
Liaoxi	Jinzhou20-2, Jinzhou9-3, Suizhong36-1, Luda4-2, Luda 5-2, Luda 10-1	104,680 Oil 98,065 Gas 40	323.0 Oil 286.5 Gas 219.1
09/18	Chengbei	4,229	5.5
Boxi	QK18-1, QK18-2, QK17-2, QK17-3	10,008 Oil 8,951 Gas 6	18.5 Oil 15.9 Gas 15.4
05/36	Nanbao35-2, Qinghuangdao32-6	21,914	121.3
11/05	Penglai19-3	7,422	132.5
Bonan	Bozhong34-2/4, Bozhong28-1, Bozhong26-2 Bozhong25-1, Bozhong25-1S	21,797 Oil 21,289 Gas 3	184.4 Oil 165.2 Gas 115.2
04/36	Caofeidian11-1, Caofeidian11-2, Caofeidian11-3, Caofeidian11-5	16,970	28.8
● Development			
Liaoxi	Jinzhou21-1/25-1S		90.7 Oil 38.9 Gas 310.3
Bozhong	Qinhuangdao33-1, Bozhong3-1, Bozhong3-2		9.8
Boxi	Caofeidian18-1, Caofeidian18-2, QK18-9, Bozhong13-1		20.1 Oil 9.0 Gas 67.1
11/05	Penglai25-6		10.5
04/36&05/36	Caofeidian12-1, Caofeidian12-1S		13.8
Bonan	Bozhong34-1, Bozhong34-1S, Bozhong34-3/5		28.3
Liaodong	Luda27-2, Luda32-2		37.4
11/19	Bozhong19-4, Bozhong26-2N		19.1 Oil 16.8 Gas 13.6
<b>Bohai Subtotal</b>		187,021 Oil 178,840 Gas 49	1,043.7 Oil 920.2 Gas 740.7

## MAJOR PROPERTIES UNDER PRODUCTION AND DEVELOPMENT (continued)

Name of Block	Major Oil and Gas Field	Total (BOE/day) Oil (Bbls/day) Gas (Mmcf/day)	Net Reserves as of
			31 December, 2005 Total (MM BOE) Oil (MM Bbls) Gas (Bcf)
<b>Eastern South China Sea</b>			
● Production			
Huizhou14	Huizhou Oil Fields	18,117	22.0
16/19	Huizhou19-3, Huizhou19-2, Huizhou19-1	2,782	21.6
15/12	Xijiang24-3	16,576	15.0
Xijiang24	Xijiang30-2	10,788	8.5
Huizhou31	Lihua11-1	18,699	29.8
16/05	Lufeng13-1, Lufeng13-2	3,513	20.6
Lufeng08	Lufeng22-1	2,382	2.4
15/34	Panyu4-2, Panyu5-1	30,885	29.7
● Development			
Lihua07	Panyu30-1, Lihua19-5		96.7 Oil 3.0 Gas 562.0
Panyu33	Panyu34-1		30.7 Oil 0.6 Gas 180.8
Xijiang04	Xijiang23-1		47.2
15/34	Panyu11-6		2.6
Huizhou 14	Huizhou21-1(G)		9.1 Oil 2.2 Gas 41.3
Huizhou 16	Huizhou25-1, Huizhou25-3		6.1
<b>Eastern South China Sea Subtotal</b>		103,741 Oil 103,741 Gas 0	341.9 Oil 211.2 Gas 784.2



MAJOR PROPERTIES UNDER PRODUCTION AND DEVELOPMENT (continued)

Name of Block	Major Oil and Gas Field	Net Reserves as of 31 December, 2005	
		Total (BOE/day) Oil (Bbls/day) Gas (Mmcf/day)	Total (MM BOE) Oil (MM Bbls) Gas (Bcf)
<b>Western South China Sea</b>			
● Production			
Yulin35	Weizhou Oil Fields	25,864 Oil 24,706 Gas 7	46.4 Oil 44.7 Gas 10.5
Yangjiang31	Wenchang13-1, Wenchang13-2	23,077	30.1
Ledong01	Yacheng13-1	25,020 Oil 1,027 Gas 130	76.2 Oil 4.5 Gas 430.1
Changjiang25	Dongfang1-1	15,622 Oil 208 Gas 92	223.1 Oil 3.0 Gas 1,320.4
● Development			
Yangjiang31/32	Wenchang8-3, Wenchang14-3, Wenchang15-1, Wenchang19-1, Wenchang9-2, Wenchang9-3, Wenchang10-3		123.6 Oil 83.6 Gas 239.7
Ledong01	Yacheng13-4, Ledong22-1, Ledong15-1		101.8 Oil 1.3 Gas 603.3
Yulin35	Weizhou6-1, Weizhou11-1, Weizhou11-1N, Weizhou11-4N, Weizhou6-10, Weizhou12-8		38.5
<b>Western South China Sea Subtotal</b>		<b>89,583 Oil 49,016 Gas 230</b>	<b>639.7 Oil 205.7 Gas 2,604.0</b>

## MAJOR PROPERTIES UNDER PRODUCTION AND DEVELOPMENT (continued)

Name of Block	Major Oil and Gas Field	(BOE/day) Oil (Bbls/day) Gas (Mmcf/day)	Net Reserves as of
			31 December, 2005 (MM BOE) Oil (MM Bbls) Gas (Bcf)
<b>East China Sea</b>			
● Production			
Pinghu	Pinghu Gas Field	4,751 Oil 1,706 Gas 18	9.1 Oil 3.0 Gas 36.5
● Development			
Xihu Trough			
Canxue			9.4 Oil 5.1 Gas 25.5
Duanqiao			7.8 Oil 2.3 Gas 33.4
Chunxiao			32.0 Oil 3.8 Gas 169.0
Tianwaitian			6.1 Oil 0.5 Gas 33.7
Baoyunting			19.2 Oil 4.6 Gas 87.5
Wuyunting			4.7 Oil 1.9 Gas 16.6
<b>East China Sea Subtotal</b>		4,751 Oil 1,706 Gas 18	88.3 Oil 21.2 Gas 402.2

## MAJOR PROPERTIES UNDER PRODUCTION AND DEVELOPMENT (continued)

Name of Block	Major Oil and Gas Field	(BOE/day) Oil (Bbls/day) Gas (Mmcf/day)	Net Reserves as of
			31 December, 2005 Total (MM BOE) Oil (MM Bbls) Gas (Bcf)
Offshore China Subtotal		385,095	2,113.7
		Oil 333,303	Oil 1,358.5
		Gas 297	Gas 4,531.0
● Production			
Indonesia		39,013	123.2
		Oil 23,565	Oil 73.7
		Gas 93	Gas 296.9
● Development			
Australia			
NWS			125.9
			Oil 25.4
			Gas 603.0
Overseas Subtotal		39,013	249.1
		Oil 23,565	Oil 99.1
		Gas 93	Gas 899.9
Total		424,108	2,363
		Oil 356,868	Oil 1,457
		Gas 390	Gas 5,431

## REVIEW BY AREA

In 2005, the Company made 14 oil and gas discoveries offshore China, including 9 independent discoveries and 5 discoveries under PSCs. The 9 independent discoveries were Bozhong 26-2N, Bozhong 34-1N, Luda 27-1, Jinxian 1-1, Jinxian 1-1E and Qikou 17-2S in the Bohai Bay area; Weizhou 6-10, Wenchang 9-3, and Wenchang 10-3 in the Western South China Sea area. The 5 PSC discoveries, included Bozhong 19-4N, Bozhong 19-4S, Wushi 17-1, Huizhou 25-4 and Qinhuangdao 32-6N.

In offshore China, the Company successfully appraised 8 structures, including 6 independent appraisals, namely Bozhong 3-2, Luda 27-2, Weizhou 11-1N, Weizhou 11-4N, Wenchang 9-2 and Lihua 19-5; and 2 PSC appraisals, including Bozhong 19-4N and Huizhou 25-3 (CACT 16/19 Block). These appraisals greatly accelerated the progress of development and construction of the Company's oil and gas fields.

In 2005, the Company acquired a total of 29,122 kilometers 2D seismic data offshore China, including 14,947 kilometers acquired independently and 14,175 kilometers acquired by PSC partners. Besides, a total of 3,633 square kilometers of 3D seismic data were also acquired, including 3,612 square kilometers acquired independently and 21 square kilometers acquired by PSC partners. Meanwhile, the Company completed 47 exploration wells, including 31 independent wells and 16 wells under PSCs, with total footage of 133,594 meters, including 90,756 meters drilled independently and 42,838 meters by PSC partners. As for overseas operations, the Company acquired 324 kilometers of 2D seismic data, drilled 2 exploration with total footage of 6,778 meters.

### Bohai Bay

Bohai Bay is the Company's most important and largest oil and gas production base offshore China. In 2005, the Company's production and reserves in Bohai Bay continued to grow, further strengthening its leadership position. As of 31 December 2005, the net proved reserves in this region amounted to 1,044 million BOE, accounting for 44% of the Company's total. The average daily production in this area amounted to 187,021 BOE, accounting for 44% of the Company's total. Currently, the Company has exploration licenses of 15 blocks in the region, with 6 PSC blocks in cooperation with foreign companies.

In 2005, there were altogether 6 new oil and gas projects that commenced production in Bohai Bay, namely Luda 10-1, Luda 4-2, Luda 5-2, Nanbao 35-2, Caofeidian 11-3/5 and Bozhong 25-1/25-1S (C/F Platforms). The commencement of production of these projects further strengthened the position of Bohai Bay as the most important oil and gas operation base of the Company. They also contributed greatly to the Company's sustainable production growth.

In 2005, the Company continued to invest substantially in seismic data acquisition and drilling. Encouraging results were obtained in exploration.

In Bohai Bay, 22 wells were drilled during the year. 15 wells were drilled independently, including 11 wildcats and 4 appraisal wells. 2,770 kilometers of 2D seismic data and 775 square kilometers of 3D seismic data were acquired independently. 7 wells were drilled by PSC partners, including 4 wildcats and 3 appraisal wells. 21 square kilometers of 3D seismic data were acquired by PSC partners. There were 9 new oil and gas discoveries and 3 structures were successfully appraised in Bohai Bay.

#### Bozhong Block

In 2005, 3 wells were drilled, including 1 wildcats and 2 appraisal wells. 1 structure (Bozhong 3-2) was successfully appraised in the region. 57.5 square kilometers of 3D seismic data were acquired.

#### Bonan Block

In 2005, 2 wildcats and 1 appraisal well were drilled. Besides, there was 1 new discovery, namely Bozhong 34-1N.

#### Liaodong Bay Block

During the year, 1 wildcat was drilled and 407 square kilometers of 3D seismic data were acquired.

#### Boxi Block

In 2005, 2 wildcats were drilled and there was 1 new discovery, namely Qikou 17-2S.

#### Block 06/17

In 2005, 1 wildcat was drilled in the area.

### Block 02/31

During the year, 4 wells were drilled in the area, including 3 wildcats and 1 appraisal well. There were 3 new discoveries, including Jinxian 1-1, Jinxian 1-1E and Luda 27-1 and 1 hydrocarbon-bearing structure, namely Luda 27-2, was successfully appraised.

### Block 11/19

In 2005, 1 wildcat was drilled in the area. There was 1 new discovery, namely Bozhong 26-2N. 1,061 kilometers of 2D seismic data and 310 square kilometers of 3D seismic data were acquired. In 2005, 3 PSC wells were drilled in the area, including 2 wildcats and 1 appraisal well. There were 2 new discoveries, namely Bozhong 19-4N and Bozhong 19-4S. Besides, the structure of Bozhong 19-4N was successfully appraised.

### Qinhuangdao 32-6 Block

In 2005, 1 PSC wildcat was drilled. There was 1 new discovery, namely Qinhuangdao 32-6N.

### Block 09/06 & 09/18

In 2005, Kerr-McGee Group drilled 2 appraisal wells on the Caofeidian 14-5 hydrocarbon-bearing structure.

### Block 04/36

In 2005, Kerr-McGee Group drilled 1 wildcat on Caofeidian 2-2 in block 04/36.

### Other Independent Blocks

During the year, the Company acquired 1,710 kilometers of 2D seismic data in the Bodong Miaoxi Sag.

### Western South China Sea

This is the Company's another important natural gas production and exploration base. Two largest natural gas fields, Yacheng 13-1 and Dongfang 1-1 are located in this region. The Company's Dongfang 1-1 Phase II engineering project was completed in 2005 and will commence production in the first half of 2006.

By the end of 2005, a total of 640 million BOE of net proved reserves were confirmed in the region, accounting for 27% of the Company's total. The average daily net production amounted to 89,583 BOE, or 21% of the Company's total.

The major exploration areas in the Western South China Sea include Beibu Gulf, Yinggehai Basin and Qiongdongnan Basin. Currently, the Company has exploration licenses of 34 blocks in the region and with 6 PSC blocks in cooperation with foreign companies. In 2005, the Company drilled 6 wildcats and 3 appraisal wells and made 3 new discoveries appraised. In addition, 5,664 kilometers of 2D seismic data and 787 square kilometers of 3D seismic data were acquired. Meanwhile, the Company's PSC partners drilled 4 wildcats and had 1 new discovery in the region.

### Yulin Block 35 of Beibu Gulf

In 2005, 3 wildcats and 2 appraisal wells were drilled. There was 1 new discovery, namely Weizhou 6-10 and 2 hydrocarbon-bearing structures, Weizhou 11-1N and Weizhou 11-4N, were successfully appraised.

### Yangjiang Block 32 by the Western Estuary of the Pearl River

During the year, 2 wildcats and 1 appraisal well were drilled in the area. There were 2 new discoveries, Wenchang 10-3 and Wenchang 9-3, and 1 structure, namely Wenchang 9-2, was successfully assessed.

### Songtao Block 22 in Qiongdongnan Basin

In 2005, 1 wildcat was drilled.

### Other Independent Blocks

In 2005, 787 square kilometers of 3D seismic data were collected from the Southwestern Weixi Region. Besides, 5,664 kilometers of 2D seismic data were also acquired from Beijiao in Qiongdongnan Basin.

### PSC Blocks

In 2005, Husky Oil China Limited drilled 1 wildcat and had 1 oil and gas discovery, namely Wushi 17-1 in block 23/15 in Beibu Gulf. Besides, it drilled 1 wildcat in block 23/20 and 2 wildcats in Wenchang 13-1/2 in Qionghai.



### Eastern South China Sea

This is one of the important crude oil production bases of the Company. The crude oil produced in this region is mainly medium or light oil.

By the end of 2005, the Company had a total of 342 million BOE of net proved reserves in the Eastern South China Sea, accounting for 14% of the Company's total. The average daily net production in the area amounted to 103,741 BOE, or 24% of the Company's total.

Currently, the Company made aggressive exploration efforts in the region. The Company has exploration licenses of 38 blocks, with 9 PSC blocks in cooperation with foreign companies. In 2005, the Company drilled 5 wildcats and 2 appraisal well in the region independently. Besides, it acquired 6,512 kilometers of 2D seismic data and 1,111 square kilometers of 3D seismic data. Meanwhile, the Company's PSC partners drilled 4 wildcats and 1 appraisal well. A new discovery, namely Huizhou 25-4 was made and 3,153 kilometers of 2D seismic data were acquired. In the region, 2 structures, including Liuhua 19-5 and Huizhou 25-3, were successfully assessed in 2004. This further helped prove the promising natural gas exploration potential in Baiyun Trough.

#### Block 27/10

In 2005, 2 wildcats were drilled.

#### Liuhua Block 07

During the year, 1 wildcat was drilled and 1 appraisal well, namely Liuhua 19-5, was successfully appraised.

#### Enping Block 15

In 2005, 1 wildcat was drilled.

#### Huizhou Block 14

In 2005, 1 wildcat was drilled.

#### Block 16/21

During the year, 1 wildcat was drilled.

### Other Independent Blocks

In 2005, 6,512 kilometers of 2D seismic data were acquired from Panyu 28-1, Baiyun 16-1, Xijiang 35-1, Hanjiang and Zhu 1 Sag. 1,111 square kilometers of 3D seismic data were acquired from Liuhua 4-1 and Xijiang 23-1.

### PSC Blocks

#### Block 17/22

In 2005, Statoil drilled 1 wildcat.

#### Block 16/19

In 2005, Eni and Chevron drilled 1 wildcat and had 1 new discovery, namely Huizhou 25-4; it also drilled 1 appraisal well and successfully assessed one, namely Huizhou 25-3.

#### Block 15/34

During the year, Devon drilled 2 wildcats.

#### Block 43/11

In 2005, Kerr-McGee Group acquired 3,153 kilometers of 2D seismic data from the area.

### East China Sea

This is an area with enormous exploration potential and extensive exploration acreage. By the end of 2005, a total of 88 million BOE of net proved reserves was certified in the East China Sea, accounting for 4% of the Company's total. The average daily net production in the area amounted to 4,751 BOE, or 1% of the Company's total.

Currently, the Company has exploration licenses of 57 blocks, with 3 PSC blocks in cooperation with foreign companies. In joint efforts with Sinopec, the Company is carrying out exploration and development activities in the Xihu area of the East China Sea.

In 2005, the Company acquired 940 square kilometers of 3D seismic data from Xihu Trough 27/05.

### Overseas

As of 31 December 2005, the Company had net proved reserves of 249 million BOE in Indonesia and Australia, accounting for 11% of the Company's total. Our overseas average daily net production amounted to 39,013 BOE, or 9% of the Company's total.

During the year, the Company continued to conduct exploration work overseas. 2 wildcats were drilled in Indonesia and 324 kilometers of 2D seismic data were acquired in Block M in Myanmar.

Table of major exploration blocks

Blocks	Block Area (km <sup>2</sup> )	Exploration License (Commencement- Expiration)
Middle of Bohai Bay	4,974	26.4.04~26.4.06
Southern Bohai Bay	3,679	8.6.04~8.6.06
Western Bohai Bay	1,895	8.6.04~8.6.06
Western Liaodong Bay	3,344	31.3.00~8.4.06
Eastern Liaodong Bay	2,829	2.7.01~2.7.06
Eastern Bozhong	1,861	30.5.04~30.5.06
Bohai Block 09/11	843	5.4.04~5.4.06
Bohai Block 06/17	2,586	20.2.03~20.2.07
Bohai Block 02/31	4,990	29.5.03~29.5.07
Bohai Block 11/19	3,068	8.6.04~8.6.06
Bohai Block 05/36	2,721	7.4.05~10.2.07
Eastern Bohai Block 11/05	3,601	10.2.04~10.2.06
Western Bohai Block 11/05	2,897	1.2.04~1.2.06
Bohai Block 09/18	2,234	4.2.05~4.2.07
Bohai Block 04/36	1,691	23.9.05~23.9.07
<b>Bohai Total</b>	<b>43,213</b>	
North Yellow Sea	6,471	25.5.01~25.5.06
Northern Trough (Northern South Yellow Sea)	912	30.8.00~30.8.07
Xihu Hangzhou 26 (East China Sea)	3,642	31.3.03~31.3.07
Xihu Hangzhou 17 (East China Sea)	4,227	28.8.01~28.8.08
Xihu Huangyan 04 (East China Sea)	2,848	28.8.01~28.8.08
Xihu Zhenhai 01 (East China Sea)	1,536	28.8.01~28.8.08
Lishui 33 (East China Sea)	2,999	05.12.05~01.7.09
Wenzhou 21 (East China Sea)	1,437	05.12.05~01.7.07
East China Sea 25/34	7,017	05.12.05~05.12.07
Kunshan Block 02 (East China Sea)	2,628	11.5.01~11.5.06
Jinhua Block 12 (East China Sea)	6,931	11.5.01~11.5.06
Tiantai 32 (East China Sea)	5,400	17.7.01~17.7.06
Fuzhou Block 02 (East China Sea)	3,064	11.5.01~11.5.06
Taipei Block 27 (East China Sea)	7,379	9.7.01~9.7.06
Taoyuan 07 (East China Sea)	6,457	9.7.01~9.7.06
Jilong 25 (East China Sea)	5,692	9.7.01~9.7.06
<b>East China Sea Total</b>	<b>68,640</b>	
Xijiang 04 (Pearl River Mouth Basin)	7,969	11.5.01~11.5.06
Xijiang 33 (Pearl River Mouth Basin)	4,983	12.5.05~12.5.07
Lufeng 06 (Pearl River Mouth Basin)	4,457	11.5.01~11.5.06
Huizhou 31 (Pearl River Mouth Basin)	3,074	11.5.01~11.5.06
Enping 15 (Pearl River Mouth Basin)	5,833	11.5.01~11.5.06
Enping 10 (Pearl River Mouth Basin)	6,547	11.5.01~11.5.06
Panyu 33 (Pearl River Mouth Basin)	4,830	11.5.01~11.5.06
Liuhua 07 (Pearl River Mouth Basin)	4,172	11.5.01~11.5.06
Dongsha 04 (Pearl River Mouth Basin)	5,295	11.5.01~11.5.06
Kaiping 14 (Pearl River Mouth Basin)	7,753	11.5.01~11.5.06
Kaiping 32 (Pearl River Mouth Basin)	8,104	11.5.01~11.5.06
Dongsha 32 (Pearl River Mouth Basin)	7,350	5.11.03~5.11.10

Table of major exploration blocks (continued)

Blocks	Block Area (km <sup>2</sup> )	Exploration License (Commencement- Expiration)
Liwan 14 (Pearl River Mouth Basin)	7,752	11.5.01~11.5.06
Zijin 27 (Pearl River Mouth Basin)	5,396	11.5.01~11.5.06
15/20 (Pearl River Mouth Basin)	1,895	11.5.00~16.10.06
16/02 (Pearl River Mouth Basin)	3,495	3.31.01~31.3.07
Baiyun 15 (Pearl River Mouth Basin)	6,463	11.5.01~11.5.06
Huizhou 30 (Pearl River Mouth Basin)	5,862	11.5.01~11.5.06
Lufeng o8 (Pearl River Mouth Basin)	4,684	6.6.05~6.6.07
16/05 (Pearl River Mouth Basin)	3,007	31.3.00~31.3.07
<b>Eastern South China Sea Total</b>	<b>108,921</b>	
Weizhou 12 (Beibu Gulf)	6,980	11.5.01~11.5.06
Yulin 35 (Beibu Gulf)	6,050	11.5.01~11.5.06
Weizhou 26 (Beibu Gulf)	4,358	5.11.03~11.5.06
Ledong 01 (Yinggehai)	6,543	3.12.03~3.12.05
Lingtou 20 (Yinggehai)	2,692	30.8.00~30.8.07
Lingao 11 (Yinggehai)	4,117	11.5.01~11.5.06
Songtao 22 (Qiongdongnan)	4,063	11.5.01~11.5.06
Songtao 31 (Qiongdongnan)	5,264	11.5.01~11.5.06
Lingshui 18 (Qiongdongnan)	7,738	6.8.02~6.8.07
Yangjiang 31 (Pearl River Mouth Basin)	6,003	3.12.03~3.12.05
Qionghai 28 (Pearl River Mouth Basin)	5,208	11.5.01~11.5.06
Wenchang 11 (Pearl River Mouth Basin)	4,901	11.5.01~11.5.06
North Wanan-21 A	6,801	30.9.05~30.9.07
North Wanan-21 B	6,118	30.9.05~30.9.07
North Wanan-21 C	6,372	30.9.05~30.9.07
North Wanan-21 D	6,126	30.9.05~30.9.07
<b>Western South China Sea</b>	<b>89,334</b>	
<b>Offshore China Subtotal</b>	<b>310,108</b>	
<b>Indonesia</b>		
MALACCA STRAIT	11,865	4.8.00~4.8.20
SES	8,276	1968~2018
ONWJ	13,582	1967~2010
WEST MADURA	1,615	1981~2011
POLENG TAC	41	1993~2013
BLORA	3,431	1996~2006
<b>Myanmar</b>		
M	7,786	19.10.05~18.4.07
C1	16,988	24.01.06~23.1.08
C2	26,506	24.01.06~23.1.08
A4	8,493	13.03.06~12.3.08
M2	9,653	25.01.05~23.4.06
M10	13,379	13.03.06~12.3.08
<b>Morocco</b>		
RAS TAFELNEY	14,000	20.4.05~20.1.07
<b>Overseas Subtotal</b>	<b>135,615</b>	
<b>Total</b>	<b>445,723</b>	

As at 31 December, 2005