

Supplementary Information on Oil and Gas Producing Activities (Unaudited)

(All amounts expressed in Renminbi unless otherwise stated)

146

The following disclosures are included in accordance with the United States Statement of Financial Accounting Standards No. 69, "Disclosures about Oil and Gas Producing Activities". The disclosures are categorized by the geographical areas in which the Group conducts oil and gas activities. Except for PRC and Indonesia, the information on the other geographical areas, such as Australia, Myanmar and Morocco, etc., are combined in the following disclosures as "Others", among which all the other projects are still in exploration or joint study stage except that the North West Shelf Project in Australia is in development stage.

(a) Reserve quantity information

Crude oil and natural gas reserve estimates are determined through analysis of geological and engineering data which appear, with reasonable certainty, to be recoverable at commercial rates in the future from known oil and natural gas reservoirs under existing economic and operating conditions.

Estimates of crude oil and natural gas reserves have been made by independent engineers. The Group's net proved reserves consist of its percentage interest in reserves, comprised of a 100% interest in its independent oil and gas properties and its participating interest in the properties covered under the production sharing contracts in PRC, less (a) an adjustment for the Group's share of royalties payable by the Group to the PRC government and the Group's participating interest in share oil payable to the PRC government under the production sharing contracts, and less (b) an adjustment for production allocable to foreign partners under the PRC production sharing contracts as reimbursement for exploration expenses attributable to the Group's participating interest, and plus (a) its participating interest in the properties in Australia, and (b) the participating interest in the properties covered under the production sharing contracts in Indonesia less an adjustment of share oil attributable to the Indonesian government and the domestic market obligation.



(a) Reserve quantity information (continued)

Proved developed and undeveloped reserves (net of royalties and PRC government share oil):

	PRC		Indonesia		Others		Total	
	Oil	Natural gas	Oil	Natural gas	Oil	Natural gas	Oil	Natural gas
	(mmbls)	(bcf)	(mmbls)	(bcf)	(mmbls)	(bcf)	(mmbls)	(bcf)
31 December 2002	1,287	3,333	138	215	—	—	1,425	3,548
Purchase of reserves	53	142	—	—	—	—	53	142
Discoveries and extensions	114	506	1	2	—	—	115	508
Production	(97)	(69)	(15)	(37)	—	—	(112)	(106)
Revisions of prior estimates	(24)	42	(21)	20	—	—	(45)	62
31 December 2003	1,333	3,954	103	200	—	—	1,436	4,154
Purchase of reserves	6	161	—	—	—	—	6	161
Discoveries and extensions	129	414	4	157	—	—	133	571
Production	(106)	(103)	(11)	(31)	—	—	(117)	(134)
Revisions of prior estimates	(8)	(101)	5	(5)	—	—	(3)	(106)
31 December 2004	1,354	4,325	101	321	—	—	1,455	4,646
Purchase of reserves	—	—	—	—	25	603	25	603
Discoveries and extensions	133	314	—	17	—	—	133	331
Production	(122)	(108)	(9)	(34)	—	—	(131)	(142)
Revisions of prior estimates	(7)	—	(19)	(7)	—	—	(26)	(7)
31 December 2005	1,358	4,531	73	297	25	603	1,456	5,431

Proved developed reserves:

	PRC		Indonesia		Others		Total	
	Oil	Natural gas	Oil	Natural gas	Oil	Natural gas	Oil	Natural gas
	(mmbls)	(bcf)	(mmbls)	(bcf)	(mmbls)	(bcf)	(mmbls)	(bcf)
31 December 2003	459	2,054	91	135	—	—	550	2,189
31 December 2004	617	2,134	85	138	—	—	702	2,272
31 December 2005	644	2,098	63	155	14	378	721	2,631

Supplementary Information on Oil and Gas Producing Activities (Unaudited)

(All amounts expressed in Renminbi unless otherwise stated)

(b) Results of operations

	2003				2004				2005			
	PRC RMB'000	Indonesia RMB'000	Others RMB'000	Total RMB'000	PRC RMB'000	Indonesia RMB'000	Others RMB'000	Total RMB'000	PRC RMB'000	Indonesia RMB'000	Others RMB'000	Total RMB'000
Net sales to customers	23,644,659	4,472,172	—	28,116,831	32,723,277	4,162,742	—	36,886,019	48,778,934	4,638,735	—	53,417,669
Operating expenses	(2,903,094)	(1,609,715)	—	(4,512,809)	(3,643,182)	(1,427,162)	—	(5,070,344)	(4,507,915)	(1,426,683)	—	(5,934,598)
Production taxes	(1,238,598)	—	—	(1,238,598)	(1,725,674)	—	—	(1,725,674)	(2,596,543)	—	—	(2,596,543)
Exploration	(764,165)	(83,907)	—	(848,072)	(1,202,203)	(113,957)	—	(1,316,160)	(1,169,067)	(77,842)	(46,779)	(1,293,688)
Accretion expense	(93,246)	—	—	(93,246)	(119,707)	—	—	(119,707)	(198,945)	—	—	(198,945)
Depreciation, depletion and amortisation (including dismantlement)	(3,700,349)	(1,109,730)	—	(4,810,079)	(4,670,988)	(985,711)	—	(5,656,699)	(5,360,745)	(856,775)	—	(6,217,520)
	14,945,207	1,668,820	—	16,614,027	21,361,523	1,635,912	—	22,997,435	34,945,719	2,277,435	(46,779)	37,176,375
Income tax expenses	(4,483,562)	(719,695)	—	(5,203,257)	(6,408,457)	(705,487)	—	(7,113,944)	(10,483,716)	(995,885)	—	(11,479,601)
Result of operations	10,461,645	949,125	—	11,410,770	14,953,066	930,425	—	15,883,491	24,462,003	1,281,550	(46,779)	25,696,774

(c) Capitalised costs

	2003				2004				2005			
	PRC RMB'000	Indonesia RMB'000	Others RMB'000	Total RMB'000	PRC RMB'000	Indonesia RMB'000	Others RMB'000	Total RMB'000	PRC RMB'000	Indonesia RMB'000	Others RMB'000	Total RMB'000
Proved oil and gas Properties	57,537,676	9,440,843	—	66,978,519	70,931,798	10,100,116	—	81,031,914	85,960,339	11,241,345	3,129,662	100,331,346
Unproved oil and gas Properties	713,594	—	—	713,594	437,513	4,696,237	—	5,133,750	267,432	5,529,450	—	5,796,882
Accumulated depreciation, depletion and amortization	(25,740,836)	(2,098,269)	—	(27,839,105)	(30,462,658)	(3,083,933)	—	(33,546,591)	(35,875,926)	(3,850,293)	—	(39,726,219)
Net capitalised costs	32,510,434	7,342,574	—	39,853,008	40,906,653	11,712,420	—	52,619,073	50,351,845	12,920,502	3,129,662	66,402,009

(d) Costs incurred

	2003				2004				2005			
	PRC RMB'000	Indonesia RMB'000	Others RMB'000	Total RMB'000	PRC RMB'000	Indonesia RMB'000	Others RMB'000	Total RMB'000	PRC RMB'000	Indonesia RMB'000	Others** RMB'000	Total RMB'000
Acquisition costs	1,579,726	—	—	1,579,726	—	3,531,046	—	3,531,046	—	—	4,546,285	4,546,285
Exploration costs	1,225,926	102,067	—	1,327,993	1,806,556	137,361	—	1,943,917	1,878,931	111,219	46,779	2,036,929
Development costs*	7,489,472	512,064	—	8,001,536	11,693,183	645,501	—	12,338,684	14,423,266	2,328,200	—	16,751,466
Total costs incurred	10,295,124	614,131	—	10,909,255	13,499,739	4,313,908	—	17,813,647	16,302,197	2,439,419	4,593,064	23,334,680

* The development costs include estimated future dismantlement costs of dismantling offshore oil platforms and gas properties.

** The amounts include prepayments made in 2004 for the NWS Project of RMB 4,693,809,000 and a tax refund of RMB 152,993,000 related to the acquisition of the NWS Project received in 2005.



(e) **Standardised measure of discounted future net cash flows and changes therein**

In calculating the standardised measure of discounted future net cash flows, year-end constant price and cost assumptions were applied to the Group's estimated annual future production from proven reserves to determine future cash inflows. Year end average realised oil prices used in the estimation of proved reserves and calculation of the standardised measure were US\$48 as at 31 December 2005 (2004: US\$32; 2003: US\$30). Future development costs are estimated based upon constant price assumptions and assume the continuation of existing economic, operating and regulatory conditions. Future income taxes are calculated by applying the year-end statutory rate to estimate future pre-tax cash flows after provision for the tax cost of the oil and natural gas properties based upon existing laws and regulations. The discount was computed by application of a 10% discount factor to the estimated future net cash flows.

Management believes that this information does not represent the fair market value of the oil and natural gas reserves or the present value of estimated cash flows since no economic value is attributed to potential reserves, the use of a 10% discount rate is arbitrary, and prices change constantly from year-end levels.

Present value of estimated future net cash flows:

Notes	2003				2004				2005				
	PRC RMB'000	Indonesia RMB'000	Others RMB'000	Total RMB'000	PRC RMB'000	Indonesia RMB'000	Others RMB'000	Total RMB'000	PRC RMB'000	Indonesia RMB'000	Others RMB'000	Total RMB'000	
Future cash inflows	(1)	422,329,692	30,135,721	—	452,465,413	467,336,822	37,198,784	—	504,535,606	661,693,176	40,919,470	21,855,452	724,468,098
Future production													
Costs		(106,854,167)	(17,532,095)	—	(124,386,262)	(115,267,250)	(20,472,914)	—	(135,740,164)	(156,122,249)	(19,370,535)	(3,742,250)	(179,235,034)
Future development													
Costs	(2)	(52,917,280)	(4,114,091)	—	(57,031,371)	(60,319,348)	(6,709,341)	—	(67,028,689)	(69,918,424)	(7,481,211)	(4,497,517)	(81,897,152)
Future income taxes		(72,124,755)	(3,346,547)	—	(75,471,302)	(78,717,296)	(4,001,019)	—	(82,718,315)	(119,326,469)	(5,678,110)	(2,759,755)	(127,764,334)
Future net cash flows	(3)	190,433,490	5,142,988	—	195,576,478	213,032,928	6,015,510	—	219,048,438	316,326,034	8,389,614	10,855,930	335,571,578
10% discount factor		(84,550,531)	(1,226,300)	—	(85,776,831)	(91,755,987)	(1,905,679)	—	(93,661,666)	(128,177,514)	(2,494,083)	(5,472,748)	(136,144,345)
Standardised measure		105,882,959	3,916,688	—	109,799,647	121,276,941	4,109,831	—	125,386,772	188,148,520	5,895,531	5,383,182	199,427,233

- (1) Future cash flows consist of the Group's 100% interest in the independent oil and gas properties and the Group's participating interest in the properties under production sharing contracts in PRC less (a) an adjustment for the royalties payable to the PRC government and share oil payable to the PRC government under production sharing contracts and (b) an adjustment for production allocable to foreign partners under the PRC production sharing contracts for exploration costs attributable to the Group's participating interest, plus (a) its participating interest in the properties in Australia, and (b) the participating interest in the properties covered under the production sharing contracts in Indonesia, less an adjustment of share oil attributable to Indonesian government and the domestic market obligation.
- (2) Future development costs include the estimated costs of drilling future development wells and building the production platforms.
- (3) Future net cash flows have been prepared taking into consideration estimated future dismantlement costs of dismantling offshore oil platforms and gas properties.

Supplementary Information on Oil and Gas Producing Activities (Unaudited)

(All amounts expressed in Renminbi unless otherwise stated)

(e) Standardised measure of discounted future net cash flows and changes therein (continued)

Changes in the standardised measure of discounted future net cash flows:

	2003 RMB'000	2004 RMB'000	2005 RMB'000
Standardised measure, beginning of year	100,141,049	109,799,647	125,386,772
Sales of production, net of royalties and production costs	(22,345,781)	(30,090,001)	(44,886,528)
Net change in prices, net of royalties and production costs	22,321,949	17,826,421	99,412,030
Extensions discoveries and improved recovery, net of related future costs	13,790,936	20,772,271	26,693,961
Change in estimated future development costs	(14,673,054)	(21,766,234)	(18,500,061)
Development costs incurred during the year	7,718,863	11,768,916	15,592,789
Revisions in quantity estimates	(2,942,902)	(1,954,130)	(3,087,240)
Accretion of discount	13,428,654	14,202,072	17,132,630
Net change in income taxes	(6,290,099)	(5,515,547)	(29,228,637)
Purchase of properties	5,363,142	2,352,004	8,981,882
Changes in timing and other	(6,713,110)	7,991,353	1,929,635
Standardised measure, end of year	109,799,647	125,386,772	199,427,233