

QUALITY, HEALTH, SAFETY AND ENVIRONMENT (QHSE)



Prioritizing safety and prevention;
 Valuing humanity and life;
 Honoring quality and credibility;
 Respecting our nature and environment;

Our QHSE system focuses on the following:

- Establishing a systematic approach to ensure quality, health, safety, and protection;
- Clearly identifying responsibilities of our management and employees;
- Investing resources to ensure that all items we develop are lawful, technologically driven and of superior quality.

In 2005, on the basis of our "people-oriented" management concept, accountability to the country as well as to shareholders, staff and the community at large, the Company enhanced its QHSE management. The establishment of the SMS and QHSE systems was proactively promoted while sustainable improvement was insisted upon. Standardised management was conducted through the setting up of systems. QHSE activities became the shield for production and operation, which completed the annual operating targets and safety management targets in an improved manner.

The Company's management placed great emphasis on QHSE activities, which ultimately treated safety in production as the foundation for the survival and development of the enterprise. A meeting of the safety committee is periodically convened at

the beginning of each year, this year's meeting finalized the Company's QHSE management activities to a large extent, and established annual operating targets. It was emphasized that QHSE activities were the control gateways to determine the responsibilities of managers at various levels. With the complicated professional divisions, numerous application technologies, extensive operating areas and numerous new staff at the front line, the Company comprehensively enhanced staff quality and improved efficiency of the operation of the SMS and QHSE systems in production and operating activities through consolidating safety education, skills training, strengthening staff's concept of responsibility, safety, environmental protection, compliance and discipline. Emphasis was placed on seasonal change and prevention of personal injuries and major mechanical events. The identification and control of substantial risks was focussed upon in safety management. More efforts were devoted to specifically examine well control, fire protection, explosion protection and handling of dangerous chemicals, ropes and equipment. Various laws, rules and regulations for safety production were put in place. Under the collective effort of the Company's management and all staff, the Company fulfilled its annual QHSE management targets. Safety conditions were steady as a whole without the occurrence of significant events. The occurrence of safety issues was basically controlled within an acceptable range. In particular the occurrence of marine safety issues was lower than the previous year. With a downward trend as a whole, no fatalities resulted from marine safety issues during the year.

In 2005, in accordance with the OHS statistical method, the occurrence of safety issues during the year was 0.29, which was lower than the international standard of 0.75. (The occurrence of every safety issue per 200,000 man-hours equivalent to 1 for the parameter. 1 represents a normal parameter and lower than 0.75 is regarded as excellent.)

COSL's Occupational Incident Statistics from 2002 to 2005 (in OHS standard)

	2005	2004	2003	2002
Incident Rate	0.29	0.27	0.22	0.45