

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2006

	Notes	Attributable to equity holders of the parent			
		Paid-up capital	Statutory surplus reserves	Capital reserve	Retained
					profits/ (accumulated losses)
		RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2006		2,394,044	273,136	-	(91,848)
Changes in fair value of available-for-sale equity investments		-	-	-	-
Net profit for the year		-	-	-	1,645,819
Total income and expense for the year		-	-	-	1,645,819
Acquisition of a subsidiary	39(e)	-	-	-	-
Acquisition of minority interests		-	-	-	-
Dividends paid to minority shareholders		-	-	-	-
Capital contribution by a minority shareholder	(a)	-	-	-	-
Capital contribution	(b)	-	-	7,607	-
Capitalisation as a result of the Reorganisation	(c)	605,956	(273,136)	(220,308)	-
Special Dividend declared	13	-	-	-	-
Pre-establishment Distribution declared	13	-	-	-	(264,538)
Pre-IPO Profit declared	13	-	-	-	(302,142)
Proposed 2006 final dividend	13	-	-	-	(69,150)
Transfer from retained profits	31	-	68,732	-	(68,732)
Issue of H shares	30	1,610,000	-	-	-
Share premium arising from the issuance of H shares	30	-	-	1,496,494	-
Share issue expenses	30	-	-	(174,158)	-
As at 31 December 2006		4,610,000	68,732*	1,109,635*	849,409*

* These reserve accounts comprise the consolidated reserves of RMB2,029,717,000 (2005: RMB181,288,000) in the consolidated balance sheet.

Proposed dividend	Investment revaluation reserve	Total	Minority interests	Total equity
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
1,210,801	-	3,786,133	291,460	4,077,593
-	1,941	1,941	736	2,677
-	-	1,645,819	29,403	1,675,222
-	1,941	1,647,760	30,139	1,677,899
-	-	-	173,716	173,716
-	-	-	(5,656)	(5,656)
-	-	-	(64,262)	(64,262)
-	-	-	27,160	27,160
-	-	7,607	-	7,607
-	-	112,512	(112,512)	-
(1,210,801)	-	(1,210,801)	-	(1,210,801)
-	-	(264,538)	-	(264,538)
-	-	(302,142)	-	(302,142)
69,150	-	-	-	-
-	-	-	-	-
-	-	1,610,000	-	1,610,000
-	-	1,496,494	-	1,496,494
-	-	(174,158)	-	(174,158)
69,150	1,941*	6,708,867	340,045	7,048,912

Notes:

(a) During the year, the registered and paid-up capital of Hainan Basuo Port Limited ("Hainan Basuo"), the Company's 72.5%-owned subsidiary, increased from RMB419,596,000 to RMB518,356,000. Out of the increase in paid-up capital of RMB98,760,000, 72.5% was contributed by the Company by a cash amount of RMB57,299,000 and the transfer of its entire 90% equity interest in Hainan CNOOC Transportation Co., Ltd. ("Transportation Co.") to Hainan Basuo. The remaining 27.5% was contributed by the minority shareholder of Hainan Basuo in cash.

(b) In February and March 2006, the Company obtained unsecured entrusted loans with an aggregate contract amount of RMB1,410,000,000 from China National Offshore Oil Corporation ("CNOOC"), the ultimate holding company, which were unsecured, bore interest at a contract rate of 2.07% per annum and were repayable within six months from the respective dates of drawdown.

The entrusted loans were initially recorded at their aggregate fair value of RMB1,394,281,000 and were subsequently measured at amortised cost using the effective interest method at a rate of 5.22% per annum. The difference of RMB15,719,000 between the fair value of the entrusted loans at initial recognition and the total cash amounts of RMB1,410,000,000 payable to CNOOC by the Company on the respective dates of repayment was accounted for as a capital contribution to the Company by CNOOC at initial recognition and was recorded by the Company as capital reserve.

The entrusted loans obtained from CNOOC were early repaid in full in June 2006. As at the repayment date, there was a difference, amounting to RMB8,112,000, between the cash repaid to CNOOC and the estimated net present value of the entrusted loans, which was computed at the loans' original effective interest rate and their remaining period to maturity. As at the repayment date, the difference of RMB8,112,000 was adjusted against the capital reserve of RMB15,719,000 that was initially recognised, resulting in a net capital contribution from CNOOC of RMB7,607,000 for the year ended 31 December 2006.

(c) Upon the reorganisation of the Company into a joint stock limited company, its net assets were converted into the share capital of the joint stock limited company of RMB3,000,000,000 at RMB1 each with the capitalisation of the then existing reserves. The resulting difference was dealt with in the capital reserve.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2006

	Attributable to equity holders of the parent						
	Paid-up capital	Statutory surplus reserves	Retained profits/ (accumulated losses)	Proposed dividend	Total	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2005	2,079,910	135,291	523,187	-	2,738,388	145,918	2,884,306
Net profit for the year	-	-	943,830	-	943,830	39,325	983,155
Acquisition of minority interests	-	-	-	-	-	(2,469)	(2,469)
Arising from formation of a subsidiary (note 39(a))	-	-	-	-	-	115,400	115,400
Transfer of a subsidiary to a CNOOC group company * (note 39(b))	(2,449)	-	-	-	(2,449)	(482)	(2,931)
Transfer of available- for-sale equity investments (note 39(c))	(42,874)	-	-	-	(42,874)	-	(42,874)
Deregistration of a subsidiary	-	-	-	-	-	(5,979)	(5,979)
Dividends paid to minority shareholders	-	-	-	-	-	(253)	(253)
Capital contributions (note a)	150,250	-	-	-	150,250	-	150,250
Dividends declared (note 13)	-	-	(1,012)	-	(1,012)	-	(1,012)
Proposed Special Dividend (note 13)	-	-	(1,210,801)	1,210,801	-	-	-
Transfer from retained profits	-	137,845	(137,845)	-	-	-	-
On capitalisation of retained profits (note b)	209,207	-	(209,207)	-	-	-	-
As at 31 December 2005	2,394,044	273,136	(91,848)	1,210,801	3,786,133	291,460	4,077,593

* A CNOOC group company is defined as the Group's related company over which CNOOC is able to exert control or significant influence.

Notes:

(a) CNOOC made additional cash contributions of RMB150,250,000 to the Company for the year ended 31 December 2005.

(b) Pursuant to a notice issued by CNOOC, certain amounts of the Company's retained profits were capitalised as additional capital contributions to the Company from CNOOC for the year ended 31 December 2005.