

CORPORATE GOVERNANCE

(I) Overview of the Company's Corporate Governance

Adhering to the principle of protecting the interests of the investing public, the Company has further improved its governance structure based on its characteristics and needs and with reference to the Rules for the Governance of Listed Companies. The details are as follows:

1. Treating all shareholders equally and protecting their legal interests

(1) The Company treats all shareholders, especially the small and medium shareholders, equally; and it has been our policy that the shareholders and the internal staff of the Company shall not engage in any insider trading or maintain any relationship that is prejudicial to the interests of the Company and the shareholders.

(2) The legal interests of the shareholders are protected, and any matter that is material under the laws and administrative regulations will, in a timely, accurate and complete manner, be disclosed in the newspapers and on the websites designated by the relevant regulatory bodies for the purpose of ensuring the shareholders' rights to know and to participate.

The Company maintains regular contacts with the institutional and private investors. A corporate presentation will be held at the time when the annual and interim results are announced. All shareholders are encouraged to attend the annual general meetings, for which a 45-day notice will be given and at which the Directors will respond to any question that the shareholders may have and discuss past performance and future plans of the Company. The shareholders may vote according to the agenda prepared by the

company secretary in accordance with the relevant adopting Board of Directors' resolutions.

(3) It is specifically stated in the Articles of Association of the Company that the general meeting of the shareholders is the supreme authority of the Company; the Company shall ensure the legality and effectiveness of the convening of and deliberation at the meeting.

(4) The relationship between the shareholders and the Company is under constant review. The controlling shareholders shall exercise their rights as fund contributors in accordance with the laws, and shall not exploit their special status for extra benefits. All major decisions of the Company shall be made at the general meetings. The election of Directors and Supervisors of the Company and the recruitment and dismissal of any senior management staff shall be conducted strictly in compliance with the procedures stipulated by the laws, administrative regulations and the Articles of Association of the Company. A separation of personnel, assets and finance is maintained between the Company and the controlling shareholders, with each responsible for carrying out its own audit and bearing its own liabilities and risks.

2. The Board of Directors discharges its obligations and responsibilities by acting in good faith and with due diligence

(1) Consistently adhering to the policy of being responsible to the general meeting of the shareholders, the Board of Directors of the Company performs its functions in strict compliance with the laws, the administrative regulations and the Articles of Association of the Company and treats all shareholders equally.

(2) In accordance with the Articles of Association of the Company, the Board of Directors is the executive body of the general meeting of the shareholders, performs decision-making in relation to the operations, investment and internal control of the Company, sets standards for and advises on the daily activities of the Board and the convening of meetings, thus ensuring work efficiency and scientific decision-making.

(3) In compliance with requirements of relevant laws, regulations, rules and the Articles of Association of the Company, the Board of Directors of the Company shall put into effect any decision by the general meeting of the shareholders and the undertakings made in the prospectus or otherwise;

(4) Two special committees have been established under the Board of Directors, namely, the Audit Committee and the Remuneration Committee, whose seats are held by independent directors. The Audit Committee is mainly responsible for supervising and examining the effectiveness of the financial reporting and internal control procedures of the Company. The Remuneration Committee is mainly responsible for advising the Board of Directors on the remuneration packages of the executives, and deciding on behalf of the Board of Directors the salary and terms of appointment of the executive directors and the management. No director shall participate in discussions regarding his/her remuneration package.

(5) By monitoring the work of the Secretary to the Board of Directors, the Company ensures that the Secretary to the Board of Directors will make active contribution in maintaining smooth communication between the Company and the regulatory bodies, and in ensuring the legality and

effectiveness of the work of the Board of Directors and the Company's operation in compliance with the relevant laws and regulations;

(6) The Secretary to the Board of Directors maintains proper records of all matters discussed by the Board, collects signatures of the directors attending the Board meetings on the minutes, and maintains the minutes properly.

3. Supervisory Committee plays its supervisory role

(1) The Supervisory Committee is responsible to all the shareholders. Its core function is to supervise the finance of the Company. It also monitors the work of the Directors, Managers and other senior management staff, whereby ensuring the security of the assets of the Company, reducing the financial and operating risks of the Company and safeguarding the legal interests of the Company and the shareholders.

(2) To carry carried out the supervisory work smoothly, the members of the Supervisory Committee are all knowledgeable in law and finance, and are able to communicate with the shareholders, staff and other interested parties on a broad basis.

(3) The Supervisors attending a meeting and the recorder of the minutes of the meeting shall sign the minutes, which will be properly maintained.

(4) In strict compliance with the requirements of the laws, regulations and the Articles of Association of the Company in respect of the content and format in which information is to be disclosed, the Company truly, accurately and completely discloses information that may have a material impact on the decisions of the investing public, to ensure that all shareholders have equal access to the

relevant information and enhance the transparency of the Company.

(II) Functions of Independent Directors

To meet the appointment requirement of the Listing Rules of SEHK, there are two independent directors on the Company's Board of Directors. In accordance with the relevant laws and regulations and the Articles of Association of the Company, the independent directors are to act in good faith and with due diligence to safeguard the overall interests of the Company, and, in particular, the legal interests of the small and medium shareholders, and to act independently when advising on any connected transactions and major events of the Company.

GENERAL MEETING OF THE SHAREHOLDERS

(I) Annual General Meeting 2002

The Annual General Meeting 2002 was held at Conference Room 308, CNOOC Plaza at 6 Dongzhimenwai Xiao Street, Beijing, China, on May 27, 2003. The shareholders attending in person and by proxy considered and voted to approve the following by way of ordinary resolutions:

- The audited financial statements for the year ended December 31, 2002 and the Report of the Auditors;
- Declaration of a final dividend of RMB0.0131 (tax included) per share was for 2002, payment of which was to be made on June 18, 2003;
- The budget of the Company for 2003;
- The Report of the Directors for the year ended December 31, 2002;
- The Report of the Supervisory Committee for the year ended December 31, 2002;

- Election of Mr. Zhang Dunjie be elected as independent supervisor for a term of three years;

- Re-appointment of Ernst & Young Huaming CPA and Ernst & Young as auditors respectively for domestic and international auditors of the Company for 2003.

(II) Extra-Ordinary General Meeting in 2003 was held in the multi-function conference room at CNOOC Plaza at 6 Dongzhimenwai Xiao Street, Beijing, China, on October 22, 2003. The extraordinary general meeting examined, voted on and passed ordinary resolutions to approve: (1) Declaration of a special dividend as a result of a tax refund for the fourth quarter of 2002, with the dividend payment, amounting to a total of RMB49.026 million, being RMB0.0123 per share, to be paid on November 21, 2003; and (2) Election of Mr. Yang Yexin, executive director of the Company, to be General Manager of CNOOC Petrochemical Company. The Board of Directors has approved Mr Yang's application to resign from the post of Executive Director of China Oilfield Services Limited, and has expressed appreciation to the work and contribution that Mr. Yang made during his office to the Company and the shareholders. As a result of this, and in accordance with the Articles of Association of the Company, the general meeting examined, voted on and passed an ordinary resolution to approve the appointment of Mr Li Wenxiang (nominated by China National Offshore Oil Corporation, the Company's shareholder) as Executive Director and to authorize him to complete the relevant procedures with the SEHK.