

# Corporate Governance

## (1) 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 Code on Corporate Governance Practices. Details are as follows:

### 1 Treating all shareholders equally and protecting their legal interests

(1) The Company treats all shareholders, especially small and medium shareholders, equally. It has been our policy that the shareholders and 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 shareholders.

(2) The legal interests of the shareholders are protected, and any matter that is required to be disclosed material under the laws and administrative regulations has been disclosed in the newspapers and on websites designated by relevant regulatory bodies completely and accurately in a timely manner for the purpose of ensuring the shareholders' rights to know and to participate. The Company maintains regular contact with institutional and private investors. Corporate presentations are held at the time when the annual and interim results are announced. All shareholders are encouraged to attend the general meetings, for which a 45-day notice is given and at which the Directors respond to any question that the shareholders may have and discuss past performance and future plans of the Company during the meetings. The shareholders may vote according to the agenda in accordance with the relevant 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 status for extra benefits. All major decisions of the Company shall be made

at the general meetings in accordance with the Company's articles and applicable laws. 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 in good faith and with 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, The Company 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 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 the 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 comprising the independent directors have been established under the Board of the Directors, namely, the Audit Committee and the Remuneration Committee. The Audit Committee is mainly responsible for supervising and examining the effectiveness of the financial reporting and internal control procedures of the Company. The primary duties for the Remuneration Committee are to make recommendation to the Board of Directors on the framework of remuneration, and to provide recommendation to the board of directors on the salary

and conditions of appointment of the executive directors and senior management. Director shall abstain from voting in respect of his or her own remuneration.

(5) By monitoring the work of the Secretary to the Board of Directors, the Company ensures that the secretary to maintain smooth communication between the Company and 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 relevant laws and regulations.

(6) The Secretary to the Board of Directors maintains proper records of all matters discussed by the Board.

### 3 Supervisory Committee plays its supervisory role

(1) The Supervisory Committee reports to all shareholders. It is primarily responsible for monitoring the Company's financial matters and overseeing actions of the Board of Directors and management personnel, whereby ensuring the security of the Company's assets, reducing financial and operating risks of the Company and safeguarding legal interests of the Company and shareholders.

(2) To carry out supervisory work smoothly, the members of the Supervisory Committee have professional knowledge,

and are able to communicate with shareholders, staff and other related parties on a broad basis.

(3) The Supervisors meeting minutes are properly maintained.

(4) In strict compliance with the requirements of the law, regulations and the Articles of Association of the company in respect of the content and format in which information is to be disclose, the Company, truly, accurately and completely discloses information that may have material impact on the decision of the investing public, to ensure that all shareholders have equal access to relevant information, so as to enhance the Company's transparency.

### (2) Functions of Independent Directors

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



From left: Tu Zhimin, Zhang Dunjie, Wang Zhongan, Gordon C. k. kwong, Simon X.jiang, Yuan Guangyu, Fu Chengyu, Andrew Y.Yan, Wu Mengfei, Zhang Benchun, Liu Shoude

# General Meetings of the Shareholders

## (1)

The Annual General Meeting 2003 was held at conference room 308, CNOOC Plaza at 6 Dongzhimenwai Xiao Street Beijing, China, on May 27, 2004. The shareholders attending in person and by proxy approved the following by way of ordinary resolutions:

- The audited financial statements for the year ended December 31, 2003 and the Report of the Auditors;
- Declaration of a final dividend of RMB0.0227 (tax included) per share was for 2003, payment of which was to be made on June 16, 2004;
- The Company's budget for 2004;
- The Report of the Directors for the year ended December 31, 2003;
- The Report of the Supervisory Committee for the year ended December 31, 2003;
- Election of Mr. Wu Mengfei as the Company's Executive Director for a term of three years, and the election of Mr. Simon X. Jiang as Independent non-executive Director for a term of three years;
- Re-appointment of Ernest & Young Huaming CPA and Ernst & Young as auditors respectively for domestic and international auditors of the Company for 2004

## (2)

The Extraordinary General Meeting of 2004 ("EGM") was held in the multi-function conference room at CNOOC Plaza at 6 Dongzhimenwai Xiaojie, Beijing, China on November 5, 2004. The EGM considered, voted on and passed ordinary resolutions to approve: (1) Declaration of a special interim dividend amounting to RMB0.0123 (tax included) per share, to be paid on November 25, 2004; and (2) The amendment of the Articles of Association of China Oilfield Services Limited.

It was also announced at the meeting that, as the shareholders in attendance either in person or by proxy at the EGM represented less than 50% of the shares carrying voting rights, Article 63 of the Company's Articles of Association stipulates the postponement of "the consideration and approval of the

resolution regarding the cap amount of connected transactions for January 1, 2005 until December 31, 2007, which would be re-considered at the adjourned EGM to be held on November 29, 2004 (Monday)

## (3)

According to the "Results of the EGM and Notice of the adjourned EGM" dated November 8, 2004, the adjourned EGM is to be held at conference room 403, CNOOC Plaza, 6 Dongzhimenwai Xiaojie, Beijing at 4 p.m on November 29, 2004. Holders of 533,216,800 H Shares attended the EGM either in person or by proxy, representing 34.74% of the Company's 1,534,852,000 total issued and outstanding H shares entitled to vote at the EGM. The shareholders in attendance considered the following resolutions regarding and the Non-Exempt Continuing Connected Transactions and the related agreement:

- 1 Provision by the Group (including COSL and its subsidiaries) of offshore oilfield services to CNOOC Group;
- 2 Provision by Magcobar, in which COSL has a 60% interest, of offshore oilfield services to CNOOC Group;
- 3 Provision by CNOOC Group of materials, utilities, labor and ancillary support services to the Group;
- 4 Provision by CNOOC Group of materials, utilities, labor and ancillary support services to Magcobar;
- 5 Provision by CNOOC Group of office and production premises and related property management services to the Group (including Magcobar); and
- 6 Provision of depositary and transaction settlement services by CNOOC Finance Corporation Limited to the Group.

As more than 50% of the votes present at the adjourned EGM either in person or by proxy were cast in favor to 1 to 5, the above five resolutions were duly passed as ordinary resolutions.

As more than 50% of the votes present at the EGM either in person or by proxy were cast against resolution 6, this resolution was vetoed at the adjourned EGM.