

CORPORATE STRUCTURE

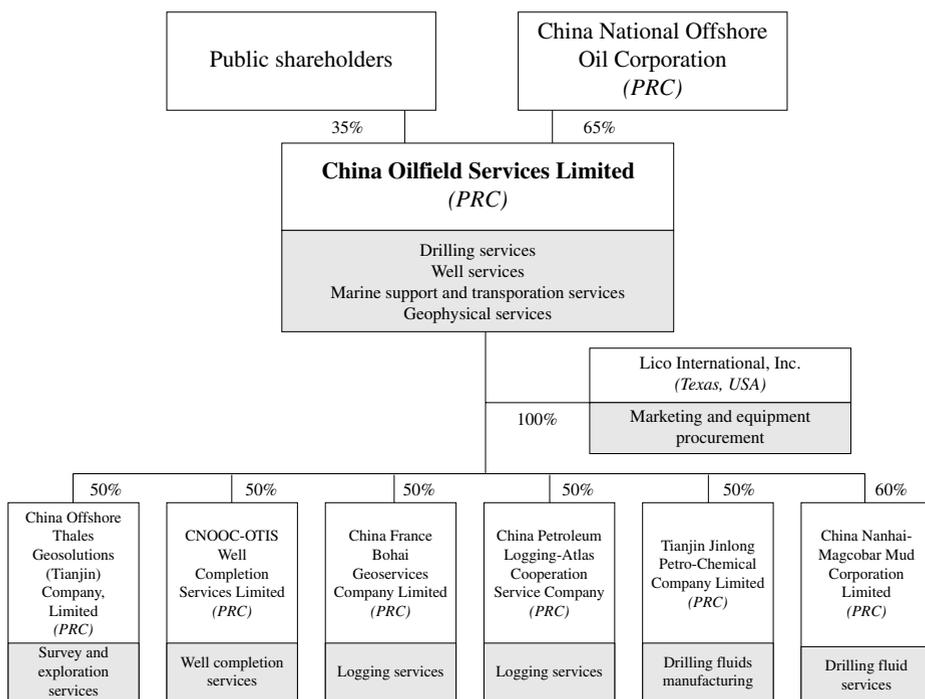
OUR COMPANY HISTORY

Prior to December 2001, CNOOC provided drilling, well and geophysical services primarily through five PRC wholly owned subsidiaries, namely China Offshore Oil Southern Drilling Company, China Offshore Oil Northern Drilling Company, China Offshore Oil Geophysical Company Limited, China Offshore Logging Company Limited and CNOOC Petrotech Services Company. CNOOC also offered marine support and transportation services through two other wholly owned subsidiaries, China Offshore Oil Southern Shipping Company and China Offshore Oil Northern Shipping Company. On December 25, 2001, CNOOC incorporated us as the operating company for the business operations of the five subsidiaries that perform drilling, well and geophysical services and, on December 29, 2001, combined the two marine support and transportation subsidiaries into one entity. In preparation for this Global Offering and as part of the Reorganization, we further consolidated our drilling, well and geophysical services operations and undertook a statutory merger with the marine support and transportation subsidiary. Our seven predecessor companies are subject to dissolution pursuant to PRC law. As part of the Reorganization, CNOOC transferred to us its interests in five joint ventures that engage in well services and one joint venture that performs geophysical services. In return for the transfer of these assets, liabilities and undertakings, CNOOC received 2.6 billion Shares in our company. After this Reorganization, we became the sole existing company within the CNOOC group to undertake these oilfield services. On September 26, 2002, with the approval of the PRC Government, we were restructured into a joint stock limited liability company.

CNOOC was established in 1982 by the PRC Government as a state-owned offshore petroleum company. By virtue of the PRC Regulations on Exploitation of Offshore Petroleum Resources in Cooperation with Foreign Enterprises, CNOOC assumed overall responsibility for the administration and development of PRC offshore petroleum operations in cooperation with foreign oil and gas companies. CNOOC is regulated and supervised by the State Economic and Trade Commission.

OUR STRUCTURE AFTER THIS GLOBAL OFFERING

The following chart sets forth our corporate structure immediately after this Global Offering, assuming that the Over-allotment Option is not exercised by the International Underwriters. We have also identified the principal business focus of our company and our subsidiaries and jointly-controlled entities.



CORPORATE STRUCTURE

Our Subsidiaries and Jointly-Controlled Entities

The following table provides information on each of our joint venture entities:

Name	Parties	Investment Structure	Investment Amount ('000)	Place and date of incorporation/establishment	Board Seats ⁽¹⁾	Nominal value of registered and Paid-Up Capital ('000)	Year Established	Term (Years) ⁽²⁾
China Offshore Thales GeoSolutions (Tianjin) Company Limited	Our company	50%	US\$860	Tianjin, PRC August 24, 1983	3	US\$1,720	1983	20
	Thales	50%	US\$860		3			
CNOOC-OTIS Well Completion Services Limited	Our company	50%	US\$1,000	Tianjin, PRC April 14, 1993	3	US\$2,000	1993	10
	Halliburton	50%	US\$1,000		3			
China France Bohai Geoservices Company Limited	Our company	50%	US\$5,825	Tianjin, PRC November 30, 1983	3	US\$11,650	1983	35
	Geoservices S.A	50%	US\$5,825					
China Petroleum Logging-Atlas Cooperation Service Company	Our company	50%	US\$1,000	Guangdong, PRC May 10, 1984	3	US\$2,000	1984	25
	Baker Hughes	50%	US\$1,000		3			
Tianjin Jinlong Petro-Chemical Company Limited	Our company	50%	Rmb 518	Tianjin, PRC September 7, 1993	9 ⁽³⁾	Rmb 1,036	1993	10
	CNOOC	50%	Rmb 518					
China Nanhai-Magcobar Corporation Limited	Our company	60%	US\$750	Shenzhen, PRC October 25, 1984	3	US\$1,250	1984	25
	M-I Drilling Fluids ⁽⁴⁾	40%	US\$500		2			

(1) Our joint venture entities do not have any directors other than those listed above.

(2) The joint venture parties can agree to extend the term of the joint venture.

(3) Under the terms of this domestic joint venture's articles of association, the directors are elected by its shareholders at a shareholders' meeting with one of the directors to be elected by the joint venture's employees.

(4) M-I Drilling Fluids Company is a joint venture between Schlumberger and Smith International.

We also have one wholly owned subsidiary, Lico International, Inc. ("Lico"). Lico was incorporated in Texas, the United States, on November 2, 1994, to market our services in North American markets and to procure advanced equipment and spare parts for our operations.

As of the Latest Practicable Date, other than described in this Prospectus, we did not have any other direct or indirect subsidiaries.

RELATIONSHIP WITH CNOOC

Prior to the Global Offering, CNOOC owned 100% of our company. Immediately after the Global Offering, CNOOC will directly own or control an aggregate of 65% of our Shares, assuming that the Over-allotment Option is not exercised by the Underwriters, or 61.6% of our Shares, assuming that the Over-allotment Option is exercised in full. Accordingly, CNOOC will continue to be able to exercise all the rights of a controlling Shareholder, including electing our Directors and voting to amend our Articles of Association. Although CNOOC retains a controlling interest in our company, the management of our business remains the responsibility of our Board of Directors.

CNOOC continues to perform administrative functions relating to our offshore oilfield services business.

CNOOC's Undertakings

CNOOC has undertaken to us that neither CNOOC nor any of its associates will engage or be interested, directly or indirectly, in offshore oilfield services in which we are currently engaged either in or outside the PRC; provided, however, that CNOOC shall be permitted to retain its 50% equity interest in a Sino-Japanese equity joint venture, China Bohai-Japan Offshore Drilling Company Limited, under the following conditions:

- we have the exclusive right to exercise the powers of CNOOC as a 50% investor pursuant to a management agreement with CNOOC;
- we have a right of first refusal with respect to all drilling business opportunities (the exercise of this right of first refusal will be decided by our independent non-executive Directors);
- we have a right to acquire all of the equity interest held by CNOOC in the joint venture at its fair market price; and
- CNOOC must notify us prior to its designation of any directors under the joint venture agreement.

CNOOC has undertaken to obtain consent for this arrangement with us from its Japanese joint venture partners and we expect to obtain the consent prior to the Listing Date.

China Bohai-Japan Offshore Drilling Company Limited was established in September 1984 with a duration of 20 years. Its total registered capital is US\$1 million. While CNOOC owns 50% of its equity, two Japanese companies, Japan Drilling Company, Limited and Itochu Corporation, own the 40% and 10% shares, respectively. The joint venture is managed by its board of directors, currently composed of six members. CNOOC has the power to designate three directors and the Japanese investors have the power to designate three. The joint venture has not been active in recent years and its continued existence is subject to discussions between the parties. The joint venture is subject to statutory expiration on August 31, 2004 unless the parties agree to extend its existence.

The undertakings from CNOOC will cease to have any effect:

- if we become a wholly owned subsidiary of CNOOC;
- if our securities cease to be listed on any stock exchange or automated trading system; or
- 12 months after CNOOC or any other PRC Government controlled entity ceases to be our controlling Shareholder.

CNOOC Finance Corporation Limited

CNOOC Finance Corporation Limited is a non-bank finance company established on June 14, 2002. Our controlling Shareholder, CNOOC, owns 100% of its equity, directly or indirectly. Pursuant to the Administrative Measures relating to Finance Companies of Enterprise Groups (中國人民銀行關於企業集團財務公司管理辦法) promulgated by the PBOC on June 30, 2000, the PBOC granted its approval for the establishment of CNOOC Finance Corporation Limited on May 13, 2002. The operations of the finance company will be subject to the on-going supervision of the PBOC.

The registered capital of CNOOC Finance Corporation Limited is Rmb 1,415.1 million. CNOOC Finance Corporation Limited is managed by its board of directors, and Mr. Wei Liucheng, President of CNOOC, is also chairman of this finance company. Our non-executive Director, Mr. Wang Zhongan, is one of the five directors of the finance company.

The business scope of CNOOC Finance Corporation Limited as set forth in its articles of association approved by the PBOC includes the following 14 items:

- to take deposits with durations over three months from CNOOC member companies;
- to issue debt securities;
- to engage in lending and borrowing between finance companies;
- to provide loans and lease financing to CNOOC member companies;
- to provide consumption credits, buyer credits and lease financing with respect to products of CNOOC member companies;
- to provide cashing and factoring services to CNOOC member companies;
- to engage in entrusted lending and investments for CNOOC member companies;
- to invest in marketable securities, in equity interests of finance companies and in equity interests of CNOOC member companies;
- to underwrite debt securities of CNOOC member companies;
- to provide financial advisory services, credit worthiness verification services and other consultancy and agency services;
- to guarantee obligations of CNOOC member companies;
- to borrow foreign currency denominated loans from overseas;
- to settle accounts among CNOOC member companies; and
- to engage in other PBOC approved businesses.

Pursuant to the relevant PBOC regulations, “CNOOC member companies” includes:

- CNOOC itself;
- any subsidiary of which CNOOC owns an equity interest of 51% or more;
- any company of which CNOOC and its subsidiaries own, individually or in the aggregate, an equity interest of over 20%; and
- any company in which CNOOC and its subsidiaries are, individually or in the aggregate, the largest equity interest holder.

The pricing policy of CNOOC Finance Corporation Limited is subject to PBOC guidelines, including base lending rates and foreign exchange rates, as well as guidelines published by PRC self-regulatory bodies, such as associations of finance companies. Based on these guidelines, CNOOC Finance Corporation Limited has limited discretion in setting its prices. Commercial banks in China are also subject to PBOC pricing guidelines. The charges by CNOOC Finance Corporation Limited for its financial services to CNOOC member companies tend to be lower than those charged by PRC banks. In addition, CNOOC Finance Corporation Limited tends to be more efficient in terms of processing transactions than PRC banks that perform similar services for us.

China Ocean Oilfields Services (Hong Kong) Limited

Three of our Directors, Yuan Guangyu, Yang Yexin and Wang Zhongan, and two of our Supervisors, Zhang Benchun and Tu Zhimin, also serve as directors and supervisors of China Ocean Oilfields Services (Hong Kong) Limited, which is a wholly owned subsidiary of CNOOC and its associates. The primary function of this company is to procure equipment and materials for the CNOOC group. This company does not have any substantial operations and we do not believe that it will interfere with such Directors and Supervisors' obligations to our company.