香港交易所

THE STOCK EXCHANGE OF HONG KONG LIMITED

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

6 October 2005

The Listing Committee of The Stock Exchange of Hong Kong Limited censures CNOOC Limited (the Company) for breaching paragraph 2 of the then Listing Agreement and the then Rule 14.26(6) of the Exchange Listing Rules

At a disciplinary hearing held on 19 April 2005, the Listing Committee conducted a hearing into possible breaches by, among others, the Company of its obligations under, inter alia, paragraph 2 of the then Listing Agreement and the then Rule 14.26(6) of the Exchange Listing Rules.

Facts

The First Statement

During a teleconference with fund managers and the financial media on 25 October 2002, the then CFO made a statement that *"the profit for the first nine months of 2002 is US$700 million odd"* (the First Statement). The teleconference was held after the distribution of a press release which contained information on the 2002 third quarter financial and operational highlights of the Company. The First Statement was reported in the newspapers on 26 and 28 October 2002 and the Company's share price rose after the statement was reported. The Company published an announcement dated 29 October 2002 clarifying that the net profit of more than US$700 million disclosed at the teleconference held on 25 October 2002 was not a definitive figure and should not be taken as a representation of the audited results of the Company for the first nine months of 2002.

The Second Statement

During a teleconference held on 28 July 2003 with about 30 analysts, the then CFO made a statement that *"…Investors can expect upside on the dividend. We stated our dividend policy in the past. We have this normal dividend payout of roughly 20 per cent and if oil prices stay on the high end we will give out in the form of special dividend. Last year we did it at year-end and this year, with current strong oil prices, investors probably can expect an upside dividend in the form of special dividend"* (the Second Statement).

There were research reports published on 28 and 29 July 2003 by analysts who had attended the teleconference. The Second Statement was also reported in newspapers on 29 July 2003. The Company's share price rose by 3.25 per cent on 28 July 2003 and another 8.2 per cent on 29 July 2003. The Company published an announcement dated 29 July 2003 stating that no decision had been made by the management of the Company or the Board on whether to pay any interim or special dividend for the interim results of the Group for the six months ended 30 June 2003.

Granting of Financial Assistance to CNOOC Finance

CNOOC Finance was a subsidiary of the controlling shareholder of the Company and a connected person of the Company under the Exchange Listing Rules. Between June 2002 and March 2004, the Company placed cash deposits with CNOOC Finance and received interest. The maximum outstanding balance for deposits (including interest receipts in respect of these deposits) was RMB6,600 million representing 16.6 per cent of the net tangible assets of the Group at the relevant time.

Relevant Provisions of the Exchange Listing Rules

Paragraph 2 of the then Listing Agreement imposed an obligation on the issuers to keep the Exchange, members of the issuers and other holders of its listed securities informed as soon as reasonably practicable of any information relating to the group which met the following conditions:

(a) information which is necessary to enable them and the public to appraise the position of the group;

(b) information which is necessary to avoid the establishment of a false market in its securities; and

(c) information which might be reasonably expected materially to affect market activity in and the price of its securities.

The then Rule 14.26(6) of the Exchange Listing Rules required the Company to obtain prior independent shareholders' approval in a general meeting in respect of continuing and connected transactions.

Conclusion of the Listing Committee

The Listing Committee concluded that, among other things, the Company was in breach of:

- paragraph 2 of the then Listing Agreement in relation to the First Statement;
- paragraph 2 of the then Listing Agreement in relation to the Second Statement; and
- the then Rule 14.26(6) of the Exchange Listing Rules in relation to the granting of financial assistance by the Company to CNOOC Finance.

The Listing Committee decided to impose a public censure on the Company for its breaches mentioned above.

For the avoidance of doubt, the Exchange confirms that this public censure applies only to the Company and not to any other past or present members of the Board of Directors of the Company.

Richard Williams, Head of Listing, commented: “The Listing Committee’s decisions in this case provide a suitable opportunity for me to comment on two significant regulatory concerns. The first relates to the proper dissemination of price sensitive information into the market.

The timely and accurate flow of information to all shareholders and investors is of vital importance to the market. Our requirements are that any price sensitive information must be disclosed to the market in a fair, timely and structured way. There is nothing more corrosive of market confidence than the feeling that some investors are excluded from an inner circle of privileged counter-parties. In addition to the positive benefits of a well informed market, a rule of this kind helps to reduce the scope for insider dealing by getting price sensitive information quickly into the public domain.

The Exchange Listing Rules make it clear that any information which might be price sensitive must be announced to the market as a whole without delay and in the prescribed manner. The facts of this case demonstrate a further example of apparently selective briefing of analysts or in some cases the media. In some cases we may see sloppy or careless practices, rather than deliberately selective briefings. However, loose practices can be just as damaging to market confidence as the deliberate leaking of information.

Our rules also reinforce the need for issuers and those authorised to communicate with analysts, investors and the press to take all reasonable care to avoid misleading, deceptive or materially incomplete disclosure. In the context of conducting press or analyst briefing the Exchange recommends that Company executives should exercise great caution and should decline to answer questions which could elicit information alone or cumulatively which may represent unpublished price sensitive information. If a Company executive errs and there is a risk of a false market or there is otherwise a leak of price sensitive information the Company is under an obligation to correct the position with a clear and unambiguous announcement to the market without delay.

The second regulatory message to emerge from this case is that once again that the Exchange views the failure to disclose and obtain prior independent shareholder approval of connected party transactions very seriously. The case is another example of the granting of financial assistance by a listed issuer to a connected party over a lengthy period of time without proper approval. Such conduct prejudices the interests of independent shareholders in that they are not being given information on a timely basis or invited to approve the transactions before they are implemented. This is an area where it is critical that issuers ensure that they have adequate internal controls in place to secure compliance with these obligations.”