

Edgar Filing: CNOOC LTD - Form 6-K

[COMPANY LOGO OMITTED]
CNOOC Limited
(Translation of registrant's name into English)
(Incorporated in Hong Kong with limited liability under the
Companies Ordinance)

(Stock Code: 883)

ANNOUNCEMENT OF 2004 INTERIM RESULTS (UNAUDITED)

FINANCIAL AND BUSINESS SUMMARY

	First half of 2004	% change first half
Total net production of oil and gas	365,771 barrels-of-oil-equivalent per day	
Consolidated turnover	RMB24.32 billion	
Consolidated net profit	RMB7.04 billion	
Basic and diluted earnings per share*	RMB0.17	
Interim dividend*	HK\$0.03 per share	
Special interim dividend*	HK\$0.05 per share	

* Adjusted for subdivision effected on 17 March 2004

Chairman's Statement

During the first half of 2004, we continued to maintain our momentum with an increase in oil and gas production. Benefiting from the strong international oil prices, we saw a significant growth in oil and gas revenues, leading to a record-high level of interim unaudited net profit. In May, we continued to implement our natural gas strategy by completing the acquisition of additional equity interests in the Tangguh LNG Project in Indonesia. From May to July, we repurchased some of our listed shares. By doing so, we hope it helped some of our shareholders to realize the value of their investments as well as helped increase our shareholder's value generally. In addition, we maintained an active exploration program during the period, resulting in a number of successful discoveries and appraisals. Our oil and gas development projects also proceeded on schedule.

Operations Review

For the six months ended 30 June 2004, we maintained a stable production growth. Our oil and gas production reached 365,771 barrels-of-oil-equivalent (BOE) per day, representing an increase of 3.7% over the same period in 2003.

Net crude oil production reached 306,730 barrels per day, roughly the same as the first half of last year; net natural gas production amounted to 341.5

Edgar Filing: CNOOC LTD - Form 6-K

million cubic feet per day, representing an increase of 29.8% over the same period in 2003, which reflected an accelerating growth rate for our natural gas production.

During the first half of 2004, our total net oil and gas production reached 58.2 million BOE offshore China, representing an increase of 9.0% over the same period last year. Due to high oil prices our net entitlement production in Indonesia recorded lower volume, amounting to 8.4 million BOE. Overall, we achieved a total net oil and gas production of 66.6 million BOE in the first half of 2004.

Our realized oil price in the first half of 2004 was US\$32.18 per barrel, up 12.7% from the corresponding period last year. Our realized natural gas price in the first half of 2004 was US\$2.87 per thousand cubic feet.

Owing to the stable production growth and strong oil prices, our oil and gas sales reached RMB16.03 billion during the first half of this year, representing an increase of 13.0% compared to RMB14.18 billion during the same period last year. Coupled with revenues from trading and other activities, we achieved total revenue of RMB24.32 billion during the first half of 2004, representing a significant increase of 35.8% from the RMB17.90 billion achieved during the first half of last year. Our profit before tax for the first half of 2004 was RMB10.26 billion, up 17.4% from RMB8.74 billion for the first half of 2003, and our net profit was RMB7.04 billion during the first half of 2004, representing an increase of 11.2% compared to RMB6.33 billion during the first half of 2003. Our basic and diluted earnings per share for the first half of 2004 were RMB0.17. According to our dividend policy and considering the future trend of the oil prices, current cash position and future needs of capital investment, the board of directors has decided to declare and pay an interim dividend of HK\$0.03 per share and a special interim dividend of HK\$0.05 per share.

During the first half of 2004, we recorded three oil discoveries through our successful exploration activities, all of which were independent crude oil discoveries, namely Bozhong 34-1 (No. 4), Bozhong 34-1 (No. 5) and Huizhou 26-3. It is worth noting that Bozhong 34-1 (No. 4) was both discovered and appraised during the same period. In addition, we completed appraisals of eight discoveries during the first half of 2004. These eight discoveries were Jinzhou 25-1S (oil and gas), Bozhong 34-1-3, Bozhong 34-1 (No. 4), Qinhuangdao 33-1, Weizhou 12-1 and Liuhua 19-5 (gas) (all of which were our independent discoveries), Penglai 14-3 and Weizhou 12-8 (both of which were discoveries made by our PSC partners).

During this period, we continued to focus on the development of our oil and gas fields. Oilfields WZ12-1N, Qikou 18-2 and Caofeidian 11-1/2 are already on stream. The Bonan gas fields were on trial run and are expected to be on stream soon. Bozhong 25-1S and Huizhou 19-3/2 oilfields will be on stream in the second half of 2004. In addition, Luda 10-1, Nanbao 35-2 and Xihu Trough Chunxiao projects are also proceeding on schedule.

Health, safety and environmental protection have always been of high priority on our agenda. During the first half of 2004, we managed to keep our recordable accident rate and our work hours lost rate at very low levels, which were 0.21 and 0.07, respectively.

Outlook

Edgar Filing: CNOOC LTD - Form 6-K

At present, international and local environment as well as the market conditions are having a positive impact on our operations. During the second half of 2004, we will continue to work hard and maximize shareholders' return. We will also continue to implement our development strategy to achieve production and operations targets for the year. Our key tasks in the second half of the year include:

- Keep our focus steady on attaining our oil and gas production targets for the year, while strengthening cost control on our exploration, production and other operations to maintain our competitive cost structure.
- Continue our active exploration program in offshore China and optimize our exploration plans and targets, to increase our reserves.
- Closely monitor the progress and quality of our existing exploration and production projects, notably the Bozhong 25-1/S and Huizhou 19-3/2 projects which will be on stream during the second half of the year, to meet our development targets.
- Continue to keep health, safety and environmental protection our top priorities.

Fu Chengyu
Chairman and Chief Executive Officer

Hong Kong, 25 August 2004

4

INTERIM RESULTS

The Board of Directors of CNOOC Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2004 (the "Period") as follows:

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2004

(All amounts expressed in thousands of Renminbi, except per share data)

	Notes	Six months ended 2004 (unaudited)
REVENUE		
Oil and gas sales		16,027,545
Marketing revenue		8,223,351
Other income		69,742

		24,320,638

EXPENSES		
Operating expenses		(2,094,917)
Production taxes		(726,667)
Exploration expenses		(550,671)
Depreciation, depletion and amortization		(2,647,826)
Dismantlement		(99,542)
Crude oil and product purchases		(8,122,807)

Edgar Filing: CNOOC LTD - Form 6-K

Selling and administrative expenses		(464,758)
Others		(4,827)

		14,712,015)

PROFIT FROM OPERATING ACTIVITIES		9,608,623
Interest income		92,569
Interest expenses		(219,823)
Exchange gains, net		56,866
Short term investments (loss)/gain, net		(1,863)
Share of profits of associates		185,301
Non-operating income/(expense), net		541,683

PROFIT BEFORE TAX		10,263,356
Tax	4	(3,221,429)

NET PROFIT		7,041,927
		=====

5

		Six months ended

	Notes	2004
		(unaudited)
EARNINGS PER SHARE		
Basic	5	RMB0.17
		=====
Diluted	5	RMB0.17
		=====
DIVIDENDS		
Interim dividend declared	7	1,308,225
Special interim dividend declared	7	2,180,375
Special interim dividend declared in place of 2003 final dividend	7	2,617,526

		6,106,126
		=====
CONSOLIDATED BALANCE SHEET		
30 June 2004		
(All amounts expressed in thousands of Renminbi)		
		30 June
	Notes	2004
		(unaudited)
NON-CURRENT ASSETS		
Property, plant and equipment, net		50,721,167
Investment in associates		1,212,941

		51,934,108

CURRENT ASSETS		
Accounts receivable, net		3,969,846
Inventories and supplies		1,344,373
Due from related companies		951,308
Other current assets		1,051,066

Edgar Filing: CNOOC LTD - Form 6-K

Short term investments		5,770,854
Time deposits with maturities over three months		7,830,000
Cash and cash equivalents		5,075,886

		25,993,333

TOTAL ASSETS		77,927,441
		=====
NON-CURRENT LIABILITIES		
Long term bank loans		870,123
Long term guaranteed notes		8,148,267
Provision for dismantlement		2,750,135
Deferred tax liabilities		5,574,922

		17,343,447

	6	
	Notes	30 June 2004 (unaudited)
CURRENT LIABILITIES		
Accounts payable		3,996,736
Other payables and accrued liabilities		2,755,472
Current portion of long term bank loans		20,731
Due to related companies		112,639
Due to the parent company		42,102
Tax payable		2,548,808

		9,476,488

CAPITAL AND RESERVES		
Issued capital	6	876,619
Reserves		50,230,887

		51,107,506

TOTAL EQUITY AND LIABILITIES		77,927,441
		=====

Statement of Changes in Equity
30 June 2004
(All amounts expressed in thousands of Renminbi)

Issued share capital	Share premium & capital redemption reserve	Revaluation reserve	Cumulative translation reserve	Statutory non-distribu res
----------------------------	--	------------------------	--------------------------------------	----------------------------------

(Unaudited)

Edgar Filing: CNOOC LTD - Form 6-K

Balance at 1 January 2003	876,978	20,761,205	274,671	(13,596)	2,23
Net profit for the period	-	-	-	-	
Dividends	-	-	-	-	
Foreign currency translation differences	-	-	-	103	
	-----	-----	-----	-----	-----
Balance at 30 June 2003	876,978	20,761,205	274,671	(13,493)	2,23
	=====	=====	=====	=====	=====
 (Unaudited)					
Balance at 1 January 2004	876,978	20,761,205	274,671	22,647	8,05
Repurchases of shares (Note 6)	(359)	-	-	-	
Transfer of reserve upon shares repurchases (Note 6)	-	359	-	-	
Net profit for the period	-	-	-	-	
Dividends (Note 7)	-	-	-	-	
Foreign currency translation differences	-	-	-	2,269	
	-----	-----	-----	-----	-----
Balance at 30 June 2004	876,619	20,761,564	274,671	24,916	8,05
	=====	=====	=====	=====	=====

7

NOTES TO INTERIM FINANCIAL STATEMENTS

(All amounts expressed in Renminbi, except numbers of shares and unless otherwise stated)

1. ORGANISATION AND PRINCIPAL ACTIVITIES

CNOOC Limited (the "Company") was incorporated in Hong Kong Special Administrative Region ("Hong Kong"), the People's Republic of China (the "PRC") on 20 August 1999 to hold its interests in certain entities whereby creating a group comprising the Company and its subsidiaries. During the period ended 30 June 2004, the Company and its subsidiaries (hereinafter collectively referred to as the "Group") were principally engaged in the exploration, development, production and sale of crude oil, natural gas and other petroleum products.

In the opinion of directors, the ultimate holding company is China National Offshore Oil Corporation ("CNOOC"), a company established in the PRC.

2. PRINCIPAL ACCOUNTING POLICIES

The accompanying interim financial statements are prepared under the historical cost convention as modified by the revaluation of land and buildings and short term investments, and in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim financial reporting."

The principal accounting policies and basis of presentation used in the preparation of the interim financial statements are the same as those used in the annual audited financial statements for the year ended 31 December 2003, except for the followings:

On 16 March 2004, the Company's shareholders approved a five-for-one stock split of the Company's shares (the "Stock Split"). The Stock Split

Edgar Filing: CNOOC LTD - Form 6-K

was effected by dividing each of the Company's issued and unissued shares of HK\$0.10 each into five shares of HK\$0.02 each, and to increase the board lot size for trading on The Stock Exchange of Hong Kong Limited (the "HKSE") from 500 shares of HK\$0.10 each to 1,000 subdivided shares of HK\$0.02 each. The ratio of the Company's American Depository Receipt ("ADR") listed on the New York Stock Exchange also changed such that each ADR now represents 100 subdivided common shares of HK\$0.02 each, as opposed to 20 common shares of HK\$0.10 each prior to the Stock Split. All references in the consolidated financial statements referring to share, share option and per share amounts of the shares of the Company have been adjusted retroactively for the Stock Split.

3. ACQUISITION

During the period, the Company acquired from British Gas International Limited ("BG" Group) a 20.767% interest in the Muturi Production Sharing Contract ("Muturi PSC") for a consideration of US\$105.1 million (equivalent to approximately RMB869,881,000), subject to a final price adjustment. The purchase increased the Company's interest in the Muturi PSC to 64.767% and its interest in the Tangguh LNG Project increased from 12.5% to 16.96%. The Company completed the acquisition on 13 May 2004.

4. TAX

(i) Income tax

The Company and its subsidiaries are subject to income taxes on an entity basis on profit arising in or derived from the tax jurisdictions in which they are domiciled and operated. The Company is not liable for profits tax in Hong Kong as it does not have any assessable income currently sourced from Hong Kong.

The Company's subsidiary, CNOOC China Limited, is a wholly foreign-owned enterprise established in the PRC. It is exempted from the 3% local surcharge and is subject to an enterprise income tax of 30% under the prevailing tax rules and regulations.

8

The Company's subsidiary in Singapore, China Offshore Oil (Singapore) International Pte. Ltd., is subject to income tax at rates of 10% and 22%, for its oil trading activities and other income-generating activities, respectively. The Company's subsidiaries owning interests in oil and gas properties in Indonesia along the Malacca Strait are subject to corporate and dividend tax at the rate of 44%. The Company's subsidiaries owning interests in oil and gas properties in Indonesia acquired from Repsol YPF, S.A. are subject to corporate and dividend tax at the rate of 43.125% instead of the standard rate of 48% after the application of the Malaysian Tax Treaty as recognised by the Indonesian tax authorities. All of the Company's other subsidiaries are not subject to any income taxes in their respective jurisdictions for the period presented.

(ii) Other

CNOOC China Limited is required to pay the following taxes:

-- production taxes equal to 5% of independent production and

Edgar Filing: CNOOC LTD - Form 6-K

production under production sharing contracts; and

-- business tax of 3% to 5% on other income.

5. EARNINGS PER SHARE

	Six months ended	
	2004	
	(unaudited)	
Earnings:		
Net profit for the period and earnings for the purpose of basic and diluted earnings per share	RMB7,041,927,000	RM
Number of shares (after Stock Split):		
Weighted average number of ordinary shares for the purpose of basic earnings per share before effects of shares repurchased	41,070,828,275	
Effect of shares repurchased	(2,644,243)	
Weighted average number of ordinary shares for the purpose of basic earnings per share	41,068,184,032	
Effect of dilutive potential ordinary shares under the share option scheme	56,093,679	
Weighted average number of ordinary shares for the purpose of diluted earnings per share	41,124,277,711	
Earnings per share		
-- Basic	RMB0.17	
-- Diluted	RMB0.17	

9

6. SHARE CAPITAL

	Number of shares	
Shares (after Stock Split)		
Authorised:		
Ordinary shares of HK\$0.02 each		
As at 30 June 2004 and 31 December 2003	75,000,000,000	1

Edgar Filing: CNOOC LTD - Form 6-K

Issued and fully paid:

Ordinary shares of HK\$0.02 each	
As at 1 January 2003 and 1 January 2004	41,070,828,275
Repurchased and cancelled	(16,893,000)
As at 30 June 2004 (unaudited)	41,053,935,275
	41,053,935,275

The repurchases of the Company's shares during the period were effected by the directors, pursuant to the mandate from shareholders received at the last annual general meeting.

7. DIVIDENDS

On 28 April 2004, the board of directors declared a special interim dividend in place of 2003 final dividend of HK\$0.06 per share, totaling HK\$2,464,249,697 (equivalent to approximately RMB2,617,526,000) (2003: nil). The board of directors also withdrew its recommendation that the Company declare any final or special dividend for the year ended 31 December 2003.

Subsequent to 30 June 2004, on 25 August 2004, the board of directors declared an interim dividend of HK\$0.03 per share (2003: HK\$0.028 per share), totaling HK\$1,231,618,058 (equivalent to approximately RMB1,308,225,000) (2003: RMB1,220,132,166) and a special interim dividend of HK\$0.05 per share (2003: HK\$0.036 per share), totaling HK\$2,052,696,764 (equivalent to approximately RMB2,180,375,000) (2003: RMB1,568,741,357).

8. SEGMENT INFORMATION

The Group is involved in the upstream operating activities of the petroleum industry which comprises production sharing contracts with foreign partners, and independent operations and trading business. These segments are determined primarily because the senior management makes key operating decisions and assesses performance of the segments separately.

The following table presents revenue and profit information for the Group's business segments.

	Independent operations		Production sharing contracts	
	Six months ended 30 June		Six months ended 30 June	
	2004 (Unaudited) RMB'000	2003 (Unaudited) RMB'000	2004 (Unaudited) RMB'000	2003 (Unaudited) RMB'000
Segment revenue				

Sales to external customers:				
Oil and gas sales	6,820,277	5,610,606	9,207,268	8,574,167
Marketing revenues	-	-	-	-
Other income	6,387	5,941	63,355	131,428
	6,826,664	5,616,547	9,270,623	8,705,595

Edgar Filing: CNOOC LTD - Form 6-K

Total	6,826,664	5,616,547	9,270,623	8,705,595
	-----	-----	-----	-----
Segment results				

Net profit	4,081,059	3,576,018	5,275,654	4,913,990
	=====	=====	=====	=====

	Unallocated		Consolidated	
	Six months ended		Six months ended	
	30 June		30 June	
	2004	2003	2004	2003
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue				

Sales to external customers:				
Oil and gas sales	-	-	16,027,545	14,184,773
Marketing revenues	-	-	8,223,351	3,582,015
Other income	-	-	69,742	137,369
	-----	-----	-----	-----
Total	-	-	24,320,638	17,904,157
	-----	-----	-----	-----
Segment results				

Net profit	(2,415,330)	(2,194,409)	7,041,927	6,334,476
	=====	=====	=====	=====

Approximately 66% of the total revenue of the Group is contributed by the PRC customers. The Group's activities are conducted primarily in the PRC and Indonesia.

10

9. SUBSEQUENT EVENTS

Subsequent to 30 June 2004, the Company repurchased and cancelled 1,560,000 ordinary shares on the Stock Exchange of Hong Kong in July 2004, for a total consideration of HK\$5,122,992, equivalent to RMB5,434,982).

AUDIT COMMITTEE

The audit committee has reviewed together with the management the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters. The interim results for the six months ended 30 June 2004 are unaudited, but have been reviewed by Ernst & Young in accordance with Statement of Auditing Standards 700 "Engagement to review interim financial reports," issued by the Hong Kong Society of Accountants. The interim financial report has been reviewed by the audit committee.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Edgar Filing: CNOOC LTD - Form 6-K

During the six months ended 30 June 2004, the Company purchased listed securities of the Company on the Stock Exchange of Hong Kong as follows:

Date of purchase	Aggregate number of shares purchased	Aggregate price paid by the Company for the purchase (HK\$)
18 May 2004	5,427,000	15,529,360.50
24 May 2004	3,450,000	10,682,580.00
17 June 2004	7,140,000	23,328,522.00
21 June 2004	876,000	2,744,420.40

All the shares purchased by the Company have been cancelled.

Save as described above, there was no other purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

CODE OF BEST PRACTICE

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not, for any part of the six months ended 30 June 2004, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities of the HKSE (the "Listing Rules"), except that the non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the Company's articles of association.

CODE FOR DEALING IN THE COMPANY'S SECURITIES BY DIRECTORS

11

The Company has adopted a code of ethics ("Code of Ethics") incorporating the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules and that having made specific enquiry of all directors, the directors have confirmed that they complied with, during the six months ended 30 June 2004, its Code of Ethics and the required standard set out in the Model Code.

REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 17 September 2004 to 23 September 2004 (both days inclusive) during which no transfer of shares can be registered. In order to qualify for the interim dividend and the special interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's registrar, Hong Kong Registrars Limited, Room 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4.00 p.m. on 16 September 2004.

The Board comprises of:

Executive Directors
Fu Chengyu (Chairman)
Jiang Longsheng
Zhou Shouwei

Edgar Filing: CNOOC LTD - Form 6-K

Luo Han

Independent Non-executive Directors:

Chiu Sung Hong

Evert Henkes

Kenneth S. Curtis

Erwin Schurtenberger

By Order of the Board

Cao Yunshi

Company Secretary

Hong Kong, 25th August 2004

FORWARD-LOOKING STATEMENTS

Certain statements contained in this announcement may be viewed as "forward-looking statements." Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual performance, financial condition or results of operations of the Company to be materially different from any future performance, financial condition or results of operations implied by such forward-looking statements.

12

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report on Form 6-K to be signed on its behalf by the undersigned, thereunto duly authorized.

CNOOC Limited

By: /s/ Cao Yunshi

Name: Cao Yunshi

Title: Company Secretary

Dated: August 26, 2004

13