COSL
CHINA OILFIELD SERVICES LIMITED
中海油田服務股份有限公司

(incorporated in the People's Republic of China as a joint stock limited liability company)
(Stock Code: 2883)

CONNECTED TRANSACTION
ACQUISITION OF ASSETS

The Directors announce that the Company and the Vendor entered into the Agreement on 12 December 2005 in relation to the acquisition of the Assets in a total consideration of approximately RMB11.7 million (approximately HK$11.25 million).

The Company and the Vendor are both subsidiaries of CNOOC. Accordingly, the Vendor is a connected person of the Company and the Acquisition constitutes a connected transaction under the Listing Rules. As each of the percentage ratios (other than the profits ratio) in relation to the Acquisition is less than 2.5% under Chapter 14A of the Listing Rules, the Acquisition is only subject to the reporting and announcement requirement set out in Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

The terms of the Agreement were negotiated on an arm's length basis and were made on normal commercial terms. The Directors (including the independent non-executive Directors) consider that the terms of the Agreement are fair and reasonable and the Acquisition is in the interest of the Company and its Shareholders as a whole.

1. THE AGREEMENT

Date : 12 December 2005

Parties : Purchaser : the Company
Vendor : the Vendor

Assets to be acquired : The Office Equipment, the Machinery, the Properties and the Vehicles

Consideration : The Acquisition was negotiated and entered into between the Company and the Vendor on an arm's length basis and on normal commercial terms. An aggregate cash consideration of RMB11.7 million (approximately HK$11.25 million), would be payable by the Company to the designated accounts of the Vendor within 45 days after the title of the Assets has been transferred to the Company.

The above consideration was determined on the basis of the results of a valuation report (the "**Valuation Report**") dated 15 November 2005 prepared by an independent valuer not being a connected person (as defined in the Listing Rules) of the Company, 中華財務會計諮詢有限公司 (China Consultants of Accounting and Finance Management Co., Ltd), adopting the replacement cost method and/or the market comparison method with reference to the market price of comparables based on the valuation reference date of 31 December 2004. According to the valuation report, the total value of the Assets was approximately RMB13 million (approximately HK$12.50 million) and the book value of the Assets was approximately RMB10 million (approximately HK$9.62 million). The original purchase cost of the Assets by the Vendor was approximately RMB31 million (approximately HK$29.81 million). The consideration of the Assets represents a 9% discount of the valuation amount of the Assets as determined by the independent valuer. The Directors are of the view that the valuation methods adopted by the independent valuer are fair and reasonable.

Conditions Precedent to the First Acquisition : Completion of the First Acquisition is conditional upon fulfilment of all the following conditions:

(a) the Vendor having paid the land premium for the land at which the relevant Properties are situated (the "**Relevant Land**") and obtained the land use right of the Relevant Land, the building ownership certificates of the relevant Properties and the registration documents of the relevant Vehicles;

(b) the Company having received a legal opinion issued by the PRC lawyer confirming the Vendor's ownership in the Relevant Land the relevant Properties and the relevant Vehicles to the satisfaction of the Company; and

(c) all necessary approvals and consents in relation to the acquisition of the Properties and the Vehicles having been obtained.

If any of the conditions set out above is not fulfilled (or waived by the Company) before 31 December 2006 (or such other date as the parties to the Agreement may agree) (the "**Long Stop Date**"), the relevant provisions in the Agreement relating to the First Acquisition will terminate and cease to be of any effect. Although the above conditions precedent to the First Acquisition are waivable pursuant to the terms of the Agreement, the Company has no present intention to waive any of them. The Company will publish an announcement in the event if any of the conditions precedent to the First Acquisition has been waived by the Company.

The Company and the Vendor further agree that the Company is entitled to use the Assets free of charge as from 1 January 2005, however should the Vendor fail to complete the transfer of the Assets or part of the Assets to the Company according to the terms of the Agreement, the Company will pay a reasonable leasing fee to the Vendor for its use of the Assets from 1 January 2005 to the Long Stop Date. As far as the Directors are aware, the Vendor is still in the stage of applying for the ownership certificates for the purpose of ratifying its ownership in the Relevant Land, the relevant Properties and the relevant Vehicles. However, the Directors are of the view that there will not be any obstacles for the Vendor in obtaining such ownership certificates.

The Company will comply with the relevant requirements under the Listing Rules if the Company is required to pay the leasing fee to the Vendor from 1 January 2005 to the Long Stop Date.

The Directors are of the view that it is not necessary to have conditions precedent for the Second Acquisition as such acquisition relates to the Machinery and the Office Equipment only.

2. BRIEF DESCRIPTION OF THE COMPANY AND THE VENDOR

The Company is a leading oilfield services provider in offshore China market. The Company's services cover each phase of offshore oil and gas exploration, development and production. The Company's four business segments are: drilling services, well services, marine support and transportation services and geophysical services.

The Vendor is a wholly-owned subsidiary of CNOOC established in the PRC. The Vendor is principally engaged in the provision of support services to CNOOC and its subsidiaries.

3. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company has been leasing the Assets from the Vendor since 2003 pursuant to two lease agreements dated 8 December 2003 and 20 February 2004 respectively under which the Company was entitled to use the Properties from 1 January 2003 to 31 December 2004. All the Properties are currently occupied by the Company and the Company has complied with the relevant requirements of the Listing Rules in relation to the leasing of the Assets since then. The cost of leasing incurred by the Company was approximately RMB2.8 million (approximately HK$2.69 million) and approximately RMB2.8 million (approximately HK$2.69 million) for the years ended 31 December 2003 and 2004 respectively. The Company anticipates that the total leasing cost of the Assets for the year ending 31 December 2005 is approximately RMB3.4 million (approximately HK$3.27 million) representing an approximately 21% increment of the leasing cost of the Assets incurred by the Company for the year ended 31 December 2004 and the total depreciation cost of such Assets is approximately RMB2.3 million (approximately HK$2.21 million). Although the reference date of the Valuation Report for the purpose of determining the consideration of the Machinery, the Office Equipment and the Vehicles is 31 December 2004, taking into account the fact that the different depreciation rate of the Machinery and the Vehicles adopted by the independent valuer in the Valuation Report which is generally lower than the one adopted by the Vendor pursuant to the generally accepted accounting principles in the PRC and the good repair and maintenance condition of the Machinery, the Office Equipment and the Vehicles, the Directors are of the view that the consideration of the Machinery, the Office Equipment and the Vehicles is fair and reasonable. With respect to the current operational developments of the Company and in anticipation of the rising leasing cost of the Assets, the Directors are of the view that the Acquisition will reduce the amount of connected transactions between the Company and CNOOC Group and it will also reduce the operating costs of the Company in the long run and it is beneficial for the Company and its Shareholders as a whole to acquire the Assets.

The terms of the Agreement were negotiated on an arm's length basis and were made on normal commercial terms. The Directors (including the independent non-executive Directors) consider that the terms of the Agreement are fair and reasonable and the Acquisition is in the interest of the Company and its Shareholders as a whole.

4. CONNECTED TRANSACTION

The Company and the Vendor are both subsidiaries of CNOOC. Accordingly, the Vendor is a connected person of the Company and the Acquisition constitutes a connected transaction under the Listing Rules. As each of the percentage ratios (other than the profits ratio) in relation to the Acquisition is less than 2.5% under Chapter 14A of the Listing Rules, the Acquisition is only subject to the reporting and announcement requirement set out in Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

5. DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

"Acquisition"	the First Acquisition and the Second Acquisition;
"Agreement"	sale and purchase agreement dated 12 December 2005 entered into between the Company and the Vendor in relation to the Assets;
"Assets"	various fixed assets including the Office Equipment, the Machinery, the Properties and the Vehicles;
"CNOOC"	中國海洋石油總公司 (China National Offshore Oil Corp.), a State-owned enterprise established in the PRC and the holding company of the Company;
"CNOOC Group"	CNOOC and its subsidiaries (excluding the Company);
"Company"	中海油田服務股份有限公司 (China Oilfield Services Limited), a joint-stock limited liability company incorporated in the PRC, whose shares are listed on the main board of the Stock Exchange;
"Directors"	the directors of the Company;
"First Acquisition"	acquisition of the Properties and the Vehicles pursuant to the terms of the Agreement;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Machinery"	18 machines consisting mainly of lathes and cutters;
"Office Equipment"	62 sets of office equipment consisting mainly of air conditioners, computers, printers, fax machines, televisions and other office equipment;
"PRC"	the People's Republic of China;
"Properties"	23 properties consisting of offices, residential properties, factories, plants, garages, etc. located in Tanggu District, Tianjin Municipality, Kuerle City, Xinjiang Uygur Autonomous Region and Zhanjiang, Guandong Province, the PRC with an approximate gross construction area of 10,861 sq.m.;
"RMB"	Renminbi, the lawful currency of the PRC;
"Second Acquisition"	acquisition of the Office Equipment and the Machinery pursuant to the terms of the Agreement;
"Shareholders"	the holders of the shares of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Vehicles"	51 vehicles consisting of vans, limousines, trucks, forklifts, etc.; and
"Vendor"	中海國際石油工程有限責任公司 (China Offshore Oil International Engineering Company), a company established in the PRC and a wholly-owned subsidiary of CNOOC.

In this announcement, except as otherwise indicated, RMB has been translated into HK$ at the rate of HK$1 = RMB1.04 for reference purpose only.

By Order of the board of Directors
China Oilfield Services Limited
Chen Weidong
Company Secretary

Hong Kong, 14 December 2005

As at the date of this announcement, the executive Directors of the Company are Mr. Yuan Guangyu and Mr. Wu Mengfei; the non-executive Director is Mr. Fu Chengyu; and the independent non-executive Directors are Mr. Gordon Che Keung Kwong, Mr. Andrew Y. Yan and Mr. Simon X. Jiang.