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CNOOC LIMITED

(中國海洋石油有限公司)

(Incorporated in Hong Kong with limited liability)

(Stock code: 883)

DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS

Independent financial adviser

CAZENOVE

Cazenove Asia Limited

The Directors announce that the Company has entered into the Framework Agreement with CNOOC Finance, pursuant to which the Group will from time to time utilize the financial services available from CNOOC Finance.

Such transactions between the Group and CNOOC Finance pursuant to the Framework Agreement will constitute discloseable and continuing connected transactions for the Company under the Listing Rules, and pursuant to the Listing Rules the Continuing Connected Transactions require the approval of the Independent Shareholders.

A circular containing information relating to the discloseable and Continuing Connected Transactions, a letter from the Independent Board Committee, the opinion of Cazenove Asia Limited, the independent financial adviser, together with a notice to convene the EGM to approve the Continuing Connected Transactions will be issued to Shareholders as soon as practicable.

A. DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS WITH CNOOC FINANCE

Framework Agreement

The Directors announce that the Company entered into the Framework Agreement with CNOOC Finance on 8 April 2004.

Pursuant to the Framework Agreement, the Group will from time to time utilize the financial services available from CNOOC Finance. Such services include placing of the Group's cash deposits with CNOOC Finance, and settlement services for transactions between the Group and other entities including CNOOC and its subsidiaries. The Group and CNOOC Finance will enter into separate written agreement in relation to the provision of specific financial services as necessary, pursuant to the Framework Agreement. The Company will comply with the Listing Rules for the transactions entered into pursuant to such separate written agreement.

Such financial services will be provided to the Group based on the pricing policies of CNOOC Finance. Such pricing policies are subject to PBOC guidelines, including the interest 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 has limited discretion in setting its prices.

The Framework Agreement is for a term of 3 years, renewable for a further term of 3 years. Upon the renewal of the Framework Agreement, the Company must comply with all applicable discloseable and connected transaction requirements of the Listing Rules, including the approval of the Independent Shareholders.

Information relating to CNOOC Finance

CNOOC Finance is a non-bank finance company established in June 2002. Before its establishment, the services provided by CNOOC Finance to the Group were provided by other financial institutions in the PRC. The operations of CNOOC Finance are subject to the on-going supervision of the PBOC.

The registered capital of CNOOC Finance is RMB1,415,000,000 (approximately HK\$1,334,905,700). CNOOC Finance is managed by its board of directors, and Mr. Fu Chengyu, Chairman and Chief Executive Officer of the Company, is also chairman of CNOOC Finance. CNOOC, CNOOC China, CNOOC Oil & Gas Utilization and CNOOC Engineering respectively hold a 62.90%, 31.80%, 3.53% and 1.77% interest in CNOOC Finance.

The business scope of CNOOC Finance includes taking deposits with durations over three months from CNOOC member companies, issuing debt securities, engaging in lending and borrowing between finance companies, providing loans and lease financing to CNOOC member companies, providing cashing and factoring services to CNOOC member companies, investing in marketable securities, in equity interests of finance companies and in equity interests of CNOOC member companies, providing financial advisory services, credit worthiness verification services and other consultancy and agency service, and settling accounts among CNOOC member companies.

Pursuant to the relevant PBOC regulations, "CNOOC member companies" includes CNOOC, 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.

Discloseable and Continuing Connected Transactions with CNOOC Finance

CNOOC is the indirect controlling shareholder of the Company with a beneficial interest of approximately 70.61% of the existing issued share capital of the Company.

CNOOC Finance is a subsidiary of CNOOC and is a connected person of the Company under the Listing Rules. Accordingly, the transactions with CNOOC Finance contemplated by the Framework Agreement constitute continuing connected transactions for the purposes of the Listing Rules, and are subject to the approval of the Independent Shareholders.

The Continuing Connected Transactions also constitute discloseable transactions under Chapter 14 of the Listing Rules.

Reasons for and benefits of the discloseable and Continuing Connected Transactions with CNOOC Finance

The pricing policy of CNOOC Finance and commercial banks in China are subject to PBOC guidelines. Therefore, the charges by CNOOC Finance for its financial services to CNOOC member companies are comparable to those charged by PRC banks for similar services.

In addition, CNOOC Finance tends to be more efficient in terms of processing transactions than PRC banks that perform similar services for the Group as less time is required to settle funds between the accounts of members of the Group held with CNOOC Finance.

The Board considers (a) the discloseable and Continuing Connected Transactions to be on normal commercial terms and in the ordinary and usual course of the business of the Company and (b) it to be beneficial to the Group to enter into the discloseable and Continuing Connected Transactions with CNOOC Finance as these transactions will facilitate the operations of the Group.

B. APPROVAL BY INDEPENDENT SHAREHOLDERS**Approval by Independent Shareholders**

The Continuing Connected Transactions constitute continuing connected transactions for the purposes of the Listing Rules, and are subject to the approval of the Independent Shareholders by poll.

In view of the interests of CNOOC held indirectly through CNOOC BVI, CNOOC BVI and its associates will abstain from voting in relation to the resolutions to approve the Continuing Connected Transactions. An Independent Board Committee of the Company has been appointed to advise the Independent Shareholders on whether or not the terms of the Continuing Connected Transactions are in the interest of the Company and are fair and reasonable so far as the Independent Shareholders are concerned. An independent financial adviser, Cazenove Asia Limited, has been appointed to advise the Independent Board Committee of the Company regarding the terms of the Continuing Connected Transactions.

Cap for Continuing Connected Transactions

The Company proposes that the maximum outstanding balance for deposits (including interest receipts in respect of these deposits) (“cap”) placed with CNOOC Finance for the Continuing Connected Transactions, during the term of the Framework Agreement, will not exceed RMB6,800 million from time to time.

CNOOC Finance was established in June 2002. Between June 2002 and March 2004, the maximum outstanding balance for deposits (including interest receipts in respect of these deposits) was RMB6,600 million from time to time, close to the proposed cap. The Company foresees that during the term of the Framework Agreement, the Group may continue to maintain similar level of deposits with CNOOC Finance.

The proposed cap was determined by reference to the Group’s historical cash flow movements and level of deposits. The average month-end RMB deposits of the Group during 2003 were approximately RMB10 billion. On average, around half of the Group’s total cash outflows for the three year ended 31 December 2003 were applied for settlements between the Group and other group companies of CNOOC. Such settlements relate to the Company’s ongoing connected transactions which were disclosed in the announcement of the Company dated 5 December 2002 and were approved by the Shareholders at the extraordinary general meeting held on 23 December 2002. The Company considers that intra-group settlements and other banking services are more efficiently executed by CNOOC Finance than other financial institutions. With the remaining cash deposited with a number of other independent financial institutions, the Company is of the view that the proposed cap could help diversify the Group’s risks in relation to its deposits. CNOOC Finance does not charge a fee for the settlement services provided to the Group. The Directors (including the independent non-executive Directors) are of the opinion that the proposed cap above is fair and reasonable.

The Independent Shareholders will be asked to approve by poll the proposed cap at the EGM.

C. GENERAL**Circular**

A circular containing particulars of the discloseable and Continuing Connected Transactions, a letter from the Independent Board Committee, an opinion of Cazenove Asia Limited, the independent financial adviser, together with a notice to convene the EGM to approve the Continuing Connected Transactions will be issued to the Shareholders as soon as practicable. The Independent Board Committee, having taken into account the advice of Cazenove Asia Limited, considers that the terms of the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned and that the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole.

Information about the Group

The principal activity of the Company is investment holding of its subsidiaries comprising the Group. The Group is principally engaged in offshore oil and natural gas exploration, development, production and sales. It is China’s largest producer of offshore crude oil and natural gas and one of the largest independent oil and gas exploration and production companies in the world.

D. DEFINITIONS

“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Cazenove Asia Limited”	a deemed licensed corporation under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the independent financial adviser to the Independent Board Committee
“CNOOC”	中國海洋石油總公司(China National Offshore Oil Corporation), a PRC State-owned enterprise and the indirect controlling shareholder of the Company
“CNOOC BVI”	CNOOC (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly-owned indirect subsidiary of CNOOC and the controlling shareholder of the Company
“CNOOC China”	CNOOC China Limited, a wholly foreign-owned enterprise established under the laws of the PRC, which is wholly owned by the Company
“CNOOC Engineering”	海洋石油工程股份有限公司(Offshore Oil Engineering Company Limited) a joint stock limited company established under the Company Law of the PRC
“CNOOC Finance”	CNOOC Finance Corporation Limited, a limited liability company established under the Company Law of the PRC and a subsidiary of CNOOC
“CNOOC Oil & Gas Utilization”	中海油氣開發利用公司(CNOOC Oil & Gas Development and Utilization Company), a PRC State-owned enterprise
“Continuing Connected Transactions”	the continuing connected transactions which will be entered into between the Group and CNOOC Finance pursuant to the Framework Agreement
“Company”	CNOOC Limited, a limited company incorporated in Hong Kong whose shares are listed on the Stock Exchange
“Director(s)”	director(s) of the Company, being Fu Chengyu, Jiang Longsheng, Zhou Shouwei, Luo Han, Chiu Sung Hong, Dr. Kenneth Courtis, Dr. Erwin Schurtenberger and Evert Henkes as at the date of this announcement
“EGM”	an extraordinary general meeting of the Company to be held to approve the discloseable and Continuing Connected Transactions
“Framework Agreement”	the Framework Agreement dated 8 April 2004 between the Company and CNOOC Finance
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprised of Chiu Sung Hong, Dr. Kenneth S. Courtis and Dr. Erwin Schurtenberger, being the independent non-executive Directors, established to advise the Independent Shareholders in respect of the Continuing Connected Transactions
“Independent Shareholders”	Shareholders other than CNOOC BVI and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PBOC”	the People’s Bank of China, the central bank of the PRC
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the holder(s) of shares in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

CNOOC Limited

For the purpose of this announcement, unless otherwise indicated, the exchange rate at HK\$1 = RMB 1.06 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount have been, could have been or may be exchanged.

The Board comprises of:

Executive Directors

Fu Chengyu (*Chairman*)
Jiang Longsheng
Zhou Shouwei
Luo Han

Independent non-executive Directors:

Chiu Sung Hong
Dr. Kenneth S. Courtis
Dr. Erwin Schurtenberger
Evert Henkes

By Order of the Board
CNOOC Limited
Cao Yunshi
Company Secretary

Hong Kong, 8 April 2004

Please also refer to the published version of this announcement in South China Morning Post dated 8 April 2004.