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CNOOC LIMITED

(中國海洋石油有限公司)

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

CONNECTED TRANSACTION

The Directors announce that CNOOC China has entered into an Equity Transfer Agreement with CNOOC. Pursuant to the Equity Transfer Agreement, CNOOC China will acquire from CNOOC a 31.80% interest in CNOOC Finance for a total consideration of RMB450,000,000 (HK\$424,528,300).

Under the Listing Rules, the acquisition of the Equity Interest constitutes a connected transaction for the Company. However, as the consideration payable by the Group for the Equity Interest represents less than 3% of the value of the consolidated net tangible assets of the Group as at 30 June 2003, the acquisition of the Equity Interest falls within the de minimis rule under Rule 14.25(1) of the Listing Rules. Accordingly, the acquisition of the Equity Interest is only subject to disclosure requirements and no independent shareholders' approval is required. Details of the acquisition of the Equity Interest will be disclosed in the annual report of the Company for the year ending 31 December 2003.

The Directors announce that on 5 September 2003, CNOOC China has entered into an Equity Transfer Agreement regarding the acquisition of a 31.80% interest in CNOOC Finance.

THE EQUITY TRANSFER AGREEMENT

Date

5 September 2003

Parties

- (1) CNOOC China; and
- (2) CNOOC.

Transfer of the Equity Interest

Pursuant to the Equity Transfer Agreement, CNOOC agrees to transfer and CNOOC China agrees to acquire the Equity Interest. The consideration payable by CNOOC China for the Equity Interest is RMB450,000,000 (approximately HK\$424,528,300), which shall be paid in cash on completion of the Equity Transfer Agreement. The consideration has been arrived at after arm's length negotiations between the parties by reference to the registered capital of CNOOC Finance and will be funded out of the Group's internal resources.

Conditions Precedent

Completion of the Equity Transfer Agreement is conditional upon, among others, the obtaining of all necessary approvals and consents required for the transaction contemplated under the Equity Transfer Agreement, including the following:

- (a) all necessary consents or approvals of regulatory or governmental authorities shall have been obtained for the Equity Transfer Agreement;
- (b) all necessary consents or approvals of third parties shall have been obtained; and
- (c) all the requirements under the PRC laws and regulations relating to the transfer of the Equity Interest shall have been complied with.

If the conditions in the Equity Transfer Agreement are not satisfied on or before 31 December 2003 (or such later date as the parties may agree), the Equity Transfer Agreement will lapse.

Completion

The transfer of the Equity Interest will be completed on the fifth business day after the satisfaction of all the conditions in the Equity Transfer Agreement, or such other date as the parties may agree. Upon completion of the Equity Transfer Agreement, CNOOC, CNOOC China, CNOOC Oil & Gas Utilization and CNOOC Engineering will each hold a 62.90%, 31.80%, 3.53% and 1.77% interest in CNOOC Finance.

INFORMATION RELATING TO CNOOC FINANCE

CNOOC Finance is a non-bank finance company established in June 2002. The operations of CNOOC Finance are subject to the on-going supervision of the relevant regulatory authorities.

The registered capital of CNOOC Finance is RMB1,415,000,000 (approximately HK\$1,334,905,700). The net assets value of CNOOC Finance as at 31 December 2002 amounted to RMB1,449,162,089 (approximately HK\$1,367,134,045). CNOOC Finance is managed by its board of directors, and Mr. Wei Liucheng, Chairman and Chief Executive Officer of the Company, is also chairman of 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 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.

REASONS FOR THE TRANSACTION

The acquisition of the Equity Interest will enable the Group to participate in the financial services industry in the PRC. The Directors (including independent non-executive Directors) consider that the transaction is fair and reasonable and in the interest of the shareholders of the Company as a whole. The Company has no current intention to expand into the financial services industry other than the acquisition of the Equity Interest or increase its interest in CNOOC Finance.

CONNECTED TRANSACTION

CNOOC is the controlling shareholder of the Company and has a beneficial interest of approximately 70.61% of the existing issued share capital of the Company. Under the Listing Rules, CNOOC China’s acquisition of the Equity Interest constitutes a connected transaction of the Company.

As the consideration payable by the Group for the Equity Interest represents less than 3% of the value of the consolidated net tangible assets of the Group as at 30 June 2003, the acquisition of the Equity Interest falls within the de minimis rule under Rule 14.25(1) of the Listing Rules. Accordingly, the acquisition of the Equity Interest is only subject to disclosure requirements and no independent shareholders’ approval is required. Details of the acquisition of the Equity Interest will be disclosed in the annual report of the Company for the year ending 31 December 2003.

The Group is principally engaged in the exploration, development, production and sales of crude oil and natural gas.

DEFINITIONS

“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 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, a non-wholly owned subsidiary of CNOOC;
“CNOOC Finance”	CNOOC Finance Corporation Limited, a limited liability company established under the Company Law of the PRC, a non-wholly owned 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, a wholly owned subsidiary of CNOOC;
“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;
“Equity Interest”	the 31.80% interest in CNOOC Finance which is currently held by CNOOC;
“Equity Transfer Agreement”	the equity transfer agreement entered into between CNOOC and CNOOC China and dated 5 September 2003;
“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;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;

CNOOC Limited

“PRC” the People’s Republic of China;

“RMB” Renminbi, the lawful currency of the PRC;

“Stock Exchange” the Stock Exchange of Hong Kong 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.

By Order of the Board
CNOOC Limited
Cao Yunshi
Company Secretary

Hong Kong, 5 September 2003

Please also refer to the published version of this announcement in South China Morning Post dated on 8-9-2003.