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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)

**PLACING OF EXISTING SHARES
AND SUBSCRIPTION OF NEW SHARES
AND
RESUMPTION OF TRADING**

Joint Global Coordinators and Bookrunners

CREDIT SUISSE 
Credit Suisse (Hong Kong) Limited

**Goldman
Sachs**
Goldman Sachs (Asia) L.L.C.

JPMorgan 
J.P. Morgan Securities Ltd.

PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES

On 27 April 2006, the Vendor, a wholly-owned subsidiary of CNOOC, entered into the Placing Agreement with the Joint Bookrunners and the Company. The Vendor and the Company also entered into the Subscription Agreement on the same day. The Vendor presently holds 28,999,999,995 of the issued shares of the Company and pursuant to the Placing Agreement, the Vendor has agreed to place, through the Joint Bookrunners, 2,500,000,000 Shares in the share capital of the Company to independent investors at a price of HK\$6.15 per Share. Within 14 days of the Placing Agreement, the Vendor will, pursuant to the Subscription Agreement, subscribe for 2,272,727,273 new Shares at a price of HK\$6.15 per Share, being the same as the Placing Price.

The Placing is fully underwritten by the Joint Bookrunners on a several and not joint basis. Completion of the Placing and the Subscription is subject to the satisfaction of certain conditions as described below. If these conditions are not fulfilled, the Placing and Subscription will not proceed.

The Placing Shares represent approximately 6.09% of the existing issued share capital of the Company of 41,054,675,375 Shares and approximately 5.77% of the Company's issued share capital as enlarged by the Subscription. The net proceeds from the Subscription of approximately HK\$13.78 billion will be used by the Group to finance continuing capital expenditure requirements in relation to the OML 130 in offshore Nigeria, as well as general working capital for the Group's operating activities.

In accordance with applicable laws and regulations of the PRC, CNOOC has an obligation to procure the Vendor to sell 227,272,727 Sale Shares as part of the Placing pursuant to the approval of SASAC dated 26 April 2006. SASAC has approved the allocation of the Sale Shares to NSSF, and pursuant to the NSSF's authorization given to the Company, the Sale Shares are being sold by the Vendor (acting through the Company) on behalf of NSSF.

The Vendor has an approximately 70.64% interest in the Company as at the date of this announcement, which will be reduced to approximately 64.55% immediately upon completion of the Placing, and will then be increased to approximately 66.41% immediately upon completion of the Subscription.

The Subscription is conditional upon, amongst other things, the Stock Exchange granting listing of, and permission to deal in, the Subscription Shares. The Subscription Shares are proposed to be issued pursuant to the existing general mandate given to the Directors to allot and issue Shares.

SUSPENSION AND RESUMPTION OF TRADING

Trading in the Shares of the Company was suspended at the request of the Company from 9:30 a.m. on 27 April 2006 pending the release of this announcement. The Company has applied for the resumption of trading in the Shares of the Company with effect from 9:30 a.m. on 28 April 2006. Trading in the Company's American Depositary Shares on the New York Stock Exchange was also suspended with effect from 9:30 a.m. (New York time) on 27 April 2006 at the request of the Company, and trading of the Company's American Depositary Shares is expected to resume at 9:30 a.m. (New York time) on 28 April 2006.

PLACING OF EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES

Agreement to place 2,500,000,000 existing Shares dated 27 April 2006

- Parties:** The Vendor, the Company and the Joint Bookrunners
- Joint Bookrunners:** Each of the Joint Bookrunners is independent of and not connected with the directors, chief executive or substantial shareholders of the Vendor, each member of the Group or any of their respective associates.
- Placees:** The Placing Shares will be placed with not less than six placees, who will be independent of and not connected with the directors, chief executive or substantial shareholders of the Vendor, each member of the Group or any of their respective associates. It is expected that no placee will become a substantial shareholder of the Company as a result of the Placing.
- Number of Placing Shares:** 2,500,000,000 Shares to be placed, representing approximately 6.09% of the existing issued share capital of the Company of 41,054,675,375 Shares, and approximately 5.77% of the issued capital of the Company as enlarged by the issue of 2,272,727,273 new Shares under the Subscription. The Placing is fully underwritten by the Joint Bookrunners on a several and not joint basis.
- Placing Price:** HK\$6.15 per Placing Share (exclusive of stamp duty, brokerage (if any), Stock Exchange trading fees and SFC transaction levies). This price was agreed after arm's length negotiations and represents:
- (i) a discount of approximately 5.38% to the closing price of HK\$6.50 per Share as quoted on the Stock Exchange on 26 April 2006, being the last trading day of the Shares immediately before and including the date of this announcement; and
 - (ii) a discount of approximately 7.10% to the average closing price of approximately HK\$6.62 per Share as quoted on the Stock Exchange for the last five trading days of the Shares immediately before and including the date of this announcement.
- The Placing Price, net of placing commission and other costs and expenses, is approximately HK\$6.06 per Placing Share.

Rights: The Placing Shares will rank equally with the existing Shares, will be free and clear of encumbrances and will carry the right to dividends declared, made or paid after the date of the Placing Agreement.

Completion: Completion of the Placing is expected to take place on or before 3 May 2006 or such other date as may be agreed by the Vendor and the Joint Bookrunners. Completion of the Placing is conditional upon:

- (a) the Subscription Agreement having been entered into by the parties thereto; and
- (b) there not having come to the attention of the Joint Bookrunners at any time prior to completion of the Placing any breach of, or failure to perform, any of the other obligations of the Company or the Vendor required to be performed at or before completion of the Placing.

Lock-up: Pursuant to the Placing Agreement, the Vendor has undertaken to the Joint Bookrunners that (except for the sale of the Placing Shares pursuant to the Placing Agreement and for the transfer of Shares to NSSF in accordance with applicable PRC laws and regulations as a result of the transactions contemplated under the Placing Agreement and the Subscription Agreement) from the date of the Placing Agreement and on or prior to the date being ninety (90) days after the date of the Placing Agreement, it will not and will procure that none of its nominees, companies controlled by it or trusts associated with it (whether individually or together and whether directly or indirectly) will (without the prior written consent of the Joint Bookrunners) (i) offer, lend, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares (including the new Shares to be issued under the Subscription Agreement but excluding the Placing Shares) or any interests therein or any securities convertible into or exercisable or exchangeable for or substantially similar to any such Shares or interests or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.

Pursuant to the Placing Agreement, the Company has undertaken to the Joint Bookrunners that (except for (i) the new Shares to be allotted and issued to the subscribers named in the Subscription Agreement or their respective nominees, (ii) any new Shares or options to be issued pursuant to the existing or previous employee share option schemes of the Company (iii) any Shares or other securities or rights issued or granted to shareholders by way of bonus or under any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company or on the exercise of rights existing at the date of the Placing Agreement and (iv) any new Shares to be issued pursuant to the conversion of the US\$1,000,000,000 convertible notes issued by the Company in December 2004) from the date of the Placing Agreement and on and prior to the date being ninety (90) days after the date of the Placing Agreement it will not (without the prior written consent of the Joint Bookrunners) (i) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares or (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transaction described in (i) above or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above.

Force Majeure:

The Joint Bookrunners are entitled, on the occurrence of certain events (including a material breach of any of the undertakings, representations and warranties set out in the Placing Agreement, and material adverse change in the financial position of the Company), to terminate the Placing Agreement by giving notice to the Company and the Vendor at any time prior to completion of the Placing.

Agreement to subscribe for 2,272,727,273 new Shares dated 27 April 2006

- Parties:** The Vendor, as subscriber, and the Company.
- Number of Subscription Shares:** The Company will issue 2,272,727,273 new Shares to the Vendor representing approximately 5.54% of the existing issued share capital of the Company and approximately 5.25% of the issued share capital of the Company as enlarged by the issue of 2,272,727,273 new Shares under the Subscription. The number of shares to be issued by the Company pursuant to the Subscription Agreement will not exceed the number of shares placed by the Joint Bookrunners pursuant to the Placing Agreement.
- Subscription Price:** HK\$6.15 per Subscription Share (exclusive of stamp duty, brokerage (if any), Stock Exchange trading fees and SFC transaction levies) which is the same as the Placing Price. Subject to the Subscription being completed, the Company will bear the costs and expenses in connection with the Placing and the Subscription which are estimated to be approximately HK\$202 million. Any interest earned by the Vendor on the moneys raised by the Placing, between the date of completion of the Placing and the date of completion of the Subscription, will be paid to the Company.
- General Mandate:** The Subscription Shares will be issued pursuant to the general mandate to allot, issue and deal with Shares granted to the Directors by resolution of its shareholders passed at the Company's general meeting held on 25 May 2005, which authorised the Directors to allot and issue a maximum of 8,210,935,075 Shares.
- The general mandate has not been utilised prior to entering into of the Subscription Agreement and the Company has not undertaken any equity fund raising activities in the 12 months immediately before the date of this announcement.
- Ranking of Subscription Shares:** The Subscription Shares will rank equally with Shares in issue at the time of issue and allotment of the Subscription Shares.
- Conditions:** The Subscription is conditional upon:
- (a) completion of the Placing in accordance with the Placing Agreement; and
 - (b) the Listing Committee of the Stock Exchange granting or agreeing to grant listing of and permission to deal in the Subscription Shares.

Application will be made to the Stock Exchange to grant the listing of, and permission to deal in, the Subscription Shares.

Completion:

Pursuant to the Placing Agreement and the Subscription Agreement, and in accordance with the Listing Rules, the Subscription must be completed within 14 days after the date of the Placing Agreement, that is, on or before 11 May 2006 (or such other date as the Company and the Vendor may agree, subject to compliance with the Listing Rules), failing which the Subscription shall cease and terminate.

Reason for the Placing and Subscription and Use of Proceeds

In view of the current market conditions, the Board consider that the Placing and Subscription represents a good opportunity to raise further funds for the Company, while at the same time broadening its shareholder and capital base. The net proceeds from the Subscription, of approximately HK\$13.78 billion, will be used by the Group to finance continuing capital expenditure requirements in relation to the OML 130 in offshore Nigeria, as well as general working capital for the Group's operating activities. Therefore, the Board considers the terms of the Placing Agreement and the Subscription Agreement to be fair and reasonable and in the interests of the Company and its shareholders as a whole. The net proceeds from the sale of the Sale Shares is approximately HK\$1.38 billion. The entire net proceeds from the sale of the Sale Shares will be remitted to the NSSF.

Sale by NSSF

In accordance with applicable laws and regulations of the PRC, CNOOC has an obligation to procure the Vendor to sell 227,272,727 Sale Shares as part of the Placing pursuant to the approval of SASAC dated 26 April 2006. SASAC has approved the allocation of the Sale Shares to NSSF, and pursuant to the NSSF's authorization given to the Company, the Sale Shares are being sold by the Vendor (acting through the Company) on behalf of NSSF.

EFFECTS ON SHAREHOLDING STRUCTURE

The existing shareholding structure of the Company and the shareholding structure of the Company immediately upon completion of the Placing and the Subscription are set out below:

	Existing		Immediately after the Placing		Immediately after the Placing and the Subscription	
	Shares	%	Shares	%	Shares	%
Vendor	28,999,999,995	70.64%	26,499,999,995	64.55%	28,772,727,268	66.41%
Overseas Oil Gas Corporation	5	0%	5	0%	5	0%
Places of the Placing Shares	—	—	2,500,000,000	6.09%	2,500,000,000	5.77%
Other public shareholders of the Company	12,054,675,375	29.36%	12,054,675,375	29.36%	12,054,675,375	27.82%
Total	<u>41,054,675,375</u>	<u>100.00%</u>	<u>41,054,675,375</u>	<u>100.00%</u>	<u>43,327,402,648</u>	<u>100.00%</u>

Note:

The above figures assume that other than the Subscription Shares, no further Shares are issued or repurchased by the Company and no Share Options are exercised, and other than the Placing Shares, no Shares are sold or purchased by the Vendor, in each case on or after the date of this announcement and up to the date of the completion of the Placing and Subscription.

ADDITIONAL DIVIDENDS PAYABLE

As the Subscription is expected to be completed before the record date of 16 May 2006 for the 2005 final dividends of HK\$0.10 per Share declared by the Board on 24 March 2006, the Subscription Shares will be entitled to the final dividends. The Company will therefore be required to pay an amount of additional dividends of HK\$227,272,727 if the Subscription completes. As a result, the aggregate final dividends payable by the Company for the year ended 31 December 2005 will be HK\$4,332,740,265.

SUSPENSION AND RESUMPTION OF TRADING

Trading in the Shares of the Company was suspended at the request of the Company from 9:30 a.m. on 27 April 2006. The Company has applied for the resumption of trading in the shares of the Company with effect from 9:30 a.m. on 28 April 2006. Trading in the Company's American Depositary Shares on the New York Stock Exchange was also suspended with effect from 9:30 a.m. (New York time) on 27 April 2006 at the request of the Company, and trading of the Company's American Depositary Shares is expected to resume at 9:30 a.m. (New York time) on 28 April 2006.

GENERAL

The principal business activity of the Company is investment holding. The Group principally engages in the exploration, development, production and sales of crude oil and natural gas and other petroleum products.

No adjustment to the conversion price of the convertible bonds issued by CNOOC Finance (2004) Limited due December 2009 (convertible into Shares of the Company) will be required as a result of the Subscription.

DEFINITIONS

The following defined terms are used in this announcement:

“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	board of directors of the Company
“CNOOC”	China National Offshore Oil Corporation, a company incorporated under PRC laws and the controlling shareholder of the Company
“Company”	CNOOC Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Hong Kong Stock Exchange and whose American Depository Shares are listed on the New York Stock Exchange
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Joint Bookrunners”	Credit Suisse (Hong Kong) Limited, Goldman Sachs (Asia) L.L.C. and J.P. Morgan Securities Ltd.
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“NSSF”	The National Social Security Fund Council of the PRC (全國社會保障基金理事會), an organisation authorised by the State Council of the PRC (中華人民共和國國務院) which is responsible for the administration of the PRC national social security fund
“Placing”	the placing of the Placing Shares pursuant to the Placing Agreement
“Placing Agreement”	placing agreement between the Vendor, the Company and the Joint Bookrunners dated 27 April 2006
“Placing Price”	HK\$6.15 per Placing Share
“Placing Shares”	a total of 2,500,000,000 Shares, comprising 2,272,727,273 Shares offered by the Vendor for sale on its own behalf and the Sale Shares offered by the Vendor for sale on behalf of NSSF, which are to be placed by the Joint Bookrunners pursuant to the Placing Agreement at the Placing Price

“PRC”	The People’s Republic of China
“SASAC”	The State-owned Asset Supervision and Administration Commission of the State Council
“Share Options”	share options granted under the current and previous share option schemes of the Company adopted on 4 February 2001, 6 June 2002 and 31 December 2005 respectively
“Sale Shares”	227,272,727 Shares held by the Vendor to be offered for sale by the Vendor on behalf of NSSF (pursuant to relevant PRC government requirements, and acting through the Joint Bookrunners) as part of the Placing Shares at the Placing Price under the Placing
“SFC”	the Securities and Futures Commission of Hong Kong
“Shares”	ordinary shares of HK\$0.02 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	subscription agreement between the Vendor and the Company dated 27 April 2006
“Subscription Shares”	2,272,727,273 Shares to be subscribed for by the Vendor pursuant to the Subscription Agreement
“Subscription”	the subscription for the Subscription Shares pursuant to the Subscription Agreement
“Vendor”	CNOOC (BVI) Limited, a company incorporated in the British Virgin Islands, the controlling shareholder of the Company and a wholly-owned subsidiary of CNOOC

As at the date of this announcement, the Board comprises:

Executive Directors

Fu Chengyu (*Chairman*)

Luo Han

Zhou Shouwei

Cao Xinghe

Wu Zhenfang

Wu Guangqi

Yang Hua

Independent non-executive Directors:

Sung Hong Chiu

Kenneth S. Curtis

Evert Henkes

Tse Hau Yin, Aloysius

Lawrence J. Lau

By Order of the Board
CNOOC Limited
Victor Zhikai Gao
Company Secretary

Hong Kong, 27 April 2006

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