An investment in our H Shares involves a number of risks, including certain risks that are not usually associated with an investment in equity securities of companies from Hong Kong or other jurisdictions. Our business, financial condition or results of operations could be adversely affected by any of these risks. You should carefully consider the following information about these risks, together with the other information in this Prospectus, before making an investment in our H Shares.

There are risks involved in our operations and in your investment in our Offer Shares. These risks may be categorized as: (i) risks relating to our business, (ii) risks relating to the offshore oilfield services industry, (iii) risks relating to the PRC, and (iv) risks relating to our Global Offering. Additional risks and uncertainties currently unknown to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial condition and operating results.

Risks Relating to Our Business

Demand for our services, the prices we charge for our services and our profit margins and cash flow depend on oil and gas industry activity and expenditure levels that are directly affected by trends in oil and natural gas prices.

Demand for our products and services is particularly sensitive to oil and gas exploration, development and production activity offshore China and the corresponding capital spending by oil and gas companies such as CNOOC Limited. Prices for oil and gas may be subject to wide fluctuations in response to relatively minor changes in the supply and demand for oil and natural gas, market uncertainty and various other factors that are beyond our control. A prolonged downturn in oil and natural gas prices could depress the level of exploration, development and production activity offshore China, which would likely reduce the demand for our services and products, place pressure on the prices that we charge for our services and reduce our profit margins and cash flow. Our profit margins and cash flow have fluctuated and may continue to fluctuate due to these circumstances. For additional information on factors affecting our results of operations, see the section headed "Financial Information—Management's Discussion and Analysis of Results of Operations and Financial Condition—Factors Affecting Our Results of Operations."

Our business, results of operations and financial condition depend in large part on our relationship with CNOOC Limited.

A large portion of our turnover comes from the provision of services and sale of products to CNOOC Limited. In 1999, 2000 and 2001, for example, CNOOC Limited accounted for approximately 47.1%, 49.4% and 52.8%, respectively, of our total turnover. At present, CNOOC Limited, by virtue of PRC law and undertakings provided by CNOOC, is the only company permitted to conduct exploration and production activities with international oil and gas companies offshore China. Although CNOOC Limited is affiliated with us, there can be no assurance that CNOOC Limited will necessarily continue to use our services and products. In addition, because of CNOOC Limited's dominant position in our principal market offshore China, we cannot assure you that we will be able to negotiate higher prices for services provided to CNOOC Limited. We anticipate that our future prices for services provided to CNOOC Limited will continue to reflect its volume of work, package of services, our customer relationship and our bargaining position. If CNOOC Limited significantly reduces its use of our services and products for whatever reason, and we are unable to find comparable alternative customers, our business, results of operations and financial condition would be adversely affected. For further details, see the sections headed "Connected Transactions" and "Business—Pricing Policy" in this Prospectus.

As our controlling shareholder, CNOOC will continue to have substantial influence over our company, including our dividend policy.

After the Global Offering, CNOOC will beneficially own approximately 65% of our Shares assuming the Over-allotment Option is not exercised. As a result, CNOOC will be in a position to influence our policies and affairs, and to influence the outcome of corporate actions requiring Shareholder approval. In particular, CNOOC will have the power to determine the composition of our Board of Directors, which appoints our senior management. CNOOC is required to comply with our Articles of Association as well as the applicable PRC law and provisions in the Listing Rules relating to the protection of minority shareholders. There can be no assurance that CNOOC will act in a manner that benefits all of our Shareholders. If CNOOC takes actions that favor its interests over ours, our results of operations and financial position may be adversely affected. For further details, see the sections headed "Corporate Structure" and "Substantial Shareholder" in this Prospectus.

CNOOC is obligated to provide benefits and services to its employees and employees of its associates. CNOOC may have to rely on dividend revenues from its subsidiaries, including us, to pay for these expenses. Subject to the relevant provisions of our Articles of Association as well as the PRC Company Law and the Listing Rules, CNOOC may seek to influence our dividend payouts to satisfy its cash flow requirements. Any increase in dividend distribution as a result of this pressure could reduce funds available to us for reinvestment purposes and adversely affect our results of operations and financial condition. For our dividend policy and information on our past distributions, see the section headed "Financial Information—Dividend Policy and Distributable Reserves."

We will continue to engage in connected transactions with CNOOC and its associates, including CNOOC Limited and CNOOC Finance Corporation Limited.

In the past we have engaged in a variety of transactions with our parent company, CNOOC, and its associates, including CNOOC Limited and CNOOC Finance Corporation Limited, and we will enter into additional transactions with them in the future. For further details, see the section headed "Connected Transactions" in this Prospectus.

Our connected transactions with CNOOC Finance Corporation Limited will include deposits of our funds and, from time to time, its provision of financing and settlement services for transactions between us and our customers. This non-bank finance company has the authority to engage in a variety of finance and investment activities including investments in equity securities, debt securities and real estate as well as borrowings and guarantees. It may also engage in CNOOC intra-group lending. Our deposits will not have the protection of any security interest or guaranty from CNOOC. For more information about CNOOC Finance Corporation Limited, see the section headed "Corporate Structure—Relationship with CNOOC—CNOOC Finance Corporation Limited."

We have received a waiver from the Stock Exchange to continue our commercial relationship with these entities after the Global Offering. This waiver requires us to negotiate all future transactions with CNOOC, CNOOC Limited and CNOOC Finance Corporation Limited on an arm's length basis. The future annual limits under this waiver for the oilfield services that we provide to CNOOC and its associates, including CNOOC Limited, for the three years ending December 31, 2004, are Rmb 2.10 billion, Rmb 2.94 billion and Rmb 4.12 billion, respectively. After the Global Offering, these connected transactions must comply with the relevant provisions of the Listing Rules governing connected transactions, and may require the prior approval of our independent Shareholders. If we do not obtain this approval, we will not be able to execute these transactions, and our business operations and financial condition could be adversely affected.

Since we have only recently been consolidated into a single operating entity, our business operations are subject to some measure of uncertainty.

We were established as the operating company for our present business lines on December 25, 2001 and were restructured into a joint stock limited liability company under the PRC law on September 26, 2002. Prior to our Reorganization, all of our business divisions were controlled by CNOOC as separate subsidiaries. Our management team has been assembled from these former companies, and our new corporate structure and business model may require further adjustment and development. Our future results of operations and financial condition will depend in part on our ability to successfully integrate our various business divisions. We cannot assure you that our Reorganization will create synergies or that we will be able to successfully integrate our business segments.

In addition, since we have only recently been reorganized as an independent entity, the financial information included in this Prospectus may not necessarily reflect what our results of operations, financial condition and cash flows would have been had we actually been a separate, independent entity during the periods presented. Our combined financial statements have been prepared on the basis of our Reorganization as a reorganization of companies under common control similar to a pooling/merger of interests. Although we did not complete our Reorganization until April 30, 2002, our combined balance sheets have been prepared to present our assets and liabilities as if our Reorganization had been completed on January 1, 1999. Similarly, our combined statements of income and cash flow include our results of operations and cash flow as if our business and operations had been transferred to us on January 1, 1999. For further details, see the section headed "Corporate Structure—Our Company History" in this Prospectus.

We face an increasingly competitive oilfield services market offshore China.

The market for oilfield services offshore China has become more competitive in recent years. We expect this trend to continue and to accelerate as a result of China's entry into the World Trade Organization. Our principal competitors consist of both small and medium size domestic companies and large multinational corporations. The leading global oilfield service and product providers in our market have significantly more resources than we do and frequently possess technological advantages over us. Our ability to succeed in the oilfield services market offshore China will depend on many factors, including our pricing, quality of service and product, equipment suitability and our technology. If we cannot compete effectively, our results of operations will suffer. For further details, see the section headed "Business—Competition" in this Prospectus.

Our business requires us to make significant capital expenditures, which depend on our ability to secure financing that is acceptable to us.

As an offshore oilfield services company, we own and operate a large fleet of drilling rigs and marine support and transportation vessels. We also invest in various high-tech instruments and equipment. Our competitiveness depends in part on our ability to make large capital expenditures on these items from time to time. As of June 30, 2002, the average age of our 12 drilling rigs was approximately 22 years, the average age of our 61 marine support and transportation vessels was approximately 19 years, and the average age of our six seismic vessels was approximately 14.5 years. These averages are an indication of our future capital spending requirements because older rigs and ships are more likely to require costly refurbishments or replacements or may cause potential asset impairments.

We generally formulate and update our capital expenditure and investment plans on an annual basis. These plans are based on the condition of our rigs, vessels and equipment, our projected cash flows and the anticipated demand for our oilfield services and products. Our capital expenditure plans, however, are subject to a number of risks, contingencies and other factors, some of which are beyond our control, including our ability to generate sufficient cash flows from our operations and the availability and terms of external financing. If we are unable to obtain acceptable financing to fund necessary capital expenditures in the future, the results of our operations and our financial condition could be adversely affected.

The execution of our capital expenditure plan is subject to some uncertainty.

We have committed and expect to commit a significant amount of capital to purchase drilling rigs and marine support and transportation vessels and to modify, refurbish and upgrade our existing fleet. These ongoing projects are subject to delays and cost overruns inherent in large construction and refurbishment projects, including shipyard availability, shortages of materials or skilled labor, unforeseen engineering problems, work stoppages, weather interference, unavailability of necessary equipment and the inability to obtain any required permits or approvals. Significant cost overruns or delays could adversely affect our financial condition and results of operations. Significant delays could also adversely affect our marketing plans and jeopardize the short- and long-term contracts under which we plan to operate our drilling rigs and vessels. In addition, construction of a new offshore support vessel typically takes 18 months, during which time market conditions and customer requirements may change. Such circumstances could affect the marketability of our newbuild vessels.

Our well services and geophysical businesses rely heavily on technology that is subject to rapid and significant change and some of this technology may be owned by our competitors.

Our competitiveness in the well services and geophysical markets depends in large part on our ability to keep up with the leading technology in these sectors. This technology is subject to rapid and significant change. Moreover, some of this technology is controlled by some of our competitors. In the past, foreign export restrictions have prohibited these companies from selling us sophisticated geophysical instruments. These competitors may also attempt to restrict our use of any technology that they sell or license to us. If we are unable to develop or acquire technology that enables us to remain competitive in the well services and geophysical markets, our results of operations and financial condition could be adversely affected.

Our operations are subject to seasonal variations.

Our oilfield service operations are affected by seasonal variations offshore China. In particular, winter conditions frequently limit our operations that service exploration and development activities in parts of the Bohai Bay during the months of November to February. Similarly, our activities in the South China Sea occasionally are affected by typhoons during the months of May to October; we are required to evacuate our staff from our drilling rigs whenever there is a typhoon warning. We cannot predict the impact seasonal variations will have upon our operating results in any given year. Such impact could be material.

Our drilling and marine support and transportation businesses are subject to significant operational risks that may not be fully covered by our insurance policies.

Our drilling and marine support and transportation operations involve many risks which, even through a combination of experience, knowledge and careful evaluation, may not be overcome. The operational risks that we most commonly face in our drilling operations include loss or damage to drilling equipment, riser ruptures, spills, fires, explosions, encountering formations with abnormal pressures, blowouts, cratering and natural disasters. We also face risks associated with raising and lowering the legs of jackup rigs, ballasting semi-submersible units and drilling into high-pressure formations. In our marine support and transportation operations, the risks we most commonly face include groundings, collision and damage from severe weather conditions. Any of these events could result in costly delays or cancellations of drilling operations, serious damage to or destruction of equipment, personal injury or loss of life, property damage, suspension of operations or substantial environmental damage through oil spillage or extensive, uncontrolled fires.

Our insurance covers only some of the risks that we face and may not be sufficient to cover all our potential losses or liabilities. Moreover, our insurance coverage is based on PRC insurance standards, which provide significantly lower levels of compensation than international standards. We do not maintain business interruption insurance for any of our business lines. Because of the relatively small size of our drilling rig and marine support and transportation fleets, an uninsured loss could be much more detrimental to our operations and future prospects than it would be to one of our larger multinational competitors. For further information on our insurance coverage, see the section headed "Business—Operating Hazards and Uninsured Risks" in this Prospectus.

We may encounter unexpected difficulties in implementing our strategy to compete in offshore oilfield services markets outside China.

We intend to expand our business activities in offshore oilfield markets outside the PRC. In particular, we intend to target drilling and marine support and transportation market opportunities in Southeast Asia, West Africa and the Middle East. Many of our competitors in these markets are large multinational companies that possess significantly greater resources and experience operating in these regions. Moreover, we will be a relatively late entrant to these markets and may be required to commit substantial capital resources to gain entry and market share. There can be no assurance that our strategy to expand overseas will be successful.

Our plans to expand internationally are also subject to the risks associated with conducting our business overseas, such as uncertain political, legal and economic environments, local market disruptions, restrictions on the movement of funds, deprivation of contract rights or the seizing of property without fair compensation. Local laws or policies may require oil and gas companies to favor companies that are majority-owned by local nationals. As a result of such laws and policies, we may need to rely on joint ventures, licensing or agency agreements or other business arrangements with local nationals in these countries. In addition, political considerations may disrupt the commercial relationship between us and foreign governments or their state-owned petroleum companies. Although we have not experienced any significant problems in foreign countries arising from protectionist policies, political instability, economic volatility or currency restrictions, there can be no assurance that such conditions or events will not develop in the future.

We face increased competition for qualified personnel.

Our oilfield services operations require a large number of employees with highly specialized skills and abilities. Although we have not experienced significant problems with hiring and retaining skilled personnel, we expect increased competition for such employees from other oilfield service companies. If we are unable to attract and retain a sufficient number of qualified personnel, our business operations could be adversely affected. A general shortage of qualified personnel and the generally higher compensation offered by international firms in our markets may also require us to raise employee salaries and benefits, which could affect our profitability.

Our rights and interests as lessee of certain real property are subject to some uncertainty.

We lease certain properties used in our operations from CNOOC. Of the properties we lease from CNOOC, three of them consisting of two office units and 29 buildings and a total gross floor area of approximately 25,283 square meters, are located on State allocated land. Our joint ventures with foreign parties also lease five properties with a total gross floor area of approximately 4,896 square meters and site areas of approximately 4,144 square meters in aggregate from CNOOC. These properties are also located on State allocated land. CNOOC holds entitlement certificates, which are substitute title documents issued by competent PRC Government authorities, to these properties. Under relevant PRC regulations, CNOOC must obtain an approval from land administration authorities within a specified time period to enter into lease agreements for these properties. Moreover, CNOOC must remit a portion of the rental payments for such properties to the PRC Government as land use fees. We consider the above risks when negotiating and concluding our lease agreements. However, if CNOOC is unable to obtain the necessary approvals, our rights and interests as lessee of such properties could be adversely affected.

RISKS RELATING TO THE OFFSHORE OILFIELD SERVICES INDUSTRY

Failure to comply with existing or future environmental laws and regulations could adversely affect us.

The well services industry uses radioactive substances in its logging operations, explosives for perforating reservoir surfaces and chemicals in its drilling fluids. In addition, oilfield services operations emit some pollutants. We are subject to PRC environmental protection laws and regulations which:

- impose fees for the discharge of waste substances;
- require the payment of fines and damages for serious environmental pollution; and
- provide that the PRC Government may, at its discretion, close or suspend any facility which fails to comply with orders requiring it to cease or cure operations causing environmental damage.

We are subject to similar laws and regulations in foreign markets where we have or will have operations.

We believe that our current operations both in China and overseas are in substantial compliance with the requirements of the relevant environmental protection laws and regulations. However, we cannot assure you that breaches will not occur in the future or that the PRC authorities and foreign governments will not impose additional or more stringent environmental requirements that would require us to incur significant expense or expend a considerable amount of management and other resources. For a further discussion of the environmental regulations in the PRC, see the section headed "Industry Overview— Regulatory Framework—Environmental Regulation" in this Prospectus.

RISKS RELATING TO THE PRC

Our Shareholders may not receive the same level of shareholder protection and access to information as shareholders of companies incorporated in other countries.

As a joint stock limited liability company organized under the PRC Company Law, our Shareholders' rights are primarily contained in our Articles of Association, which include certain provisions required by PRC law and the Listing Rules. The rights of our Shareholders may differ from the rights of shareholders of companies incorporated in other jurisdictions. For example, our Shareholders do not have the right to bring an action against us or our Directors, Supervisors, officers and other Shareholders to enforce a claim that we have failed to pursue ourselves. In addition, our

Articles of Association require any general disputes between our Shareholders and us or our Directors, Supervisors, officers and other Shareholders arising under our Articles of Association to be resolved through arbitration in either Hong Kong or China rather than by a court of law. For further details, see Appendix VI "Articles of Association" and Appendix V "Summary of Principal Legal and Regulatory Provisions." As far as we are aware, no action has been brought in China by any shareholder to enforce an arbitral award, and we are uncertain as to the possible outcome of any action that a shareholder might bring in China to enforce such an award. There can be no assurance that our Shareholders will enjoy the same level of shareholder protection and rights customary in other countries.

PRC economic and political conditions may adversely affect our operations.

We are incorporated in the PRC as a joint stock limited liability company, and most of our businesses, assets and operations are located in the PRC. The economic system of the PRC differs from the economies of most developed countries in many respects, including:

- government investment;
- level of development;
- control of capital investment;
- control of foreign exchange; and
- allocation of resources.

The economy of the PRC has been undergoing a transformation from a planned economy to a market-oriented economy. In recent years, the PRC Government has implemented economic reform measures emphasizing decentralization, utilization of market forces in the development of the PRC economy and a high level of management autonomy. These economic reform measures have and will continue to subject our oilfield services market to some measure of uncertainty. In the future, our operating results could be adversely affected by changes to the laws and regulations that govern our industry and changes in the PRC political and economic systems.

Our business operations require substantial foreign currency, which makes us vulnerable to a devaluation of the Renminbi and other exchange rate fluctuations.

We require substantial foreign currency to purchase our drilling rigs, marine support and transportation vessels and other assets used in our operations. In the future, we will also need foreign currency to pay any declared dividends to the holders of our H Shares. During the three years ended December 31, 1999, 2000 and 2001 and the six-month period ended June 30, 2002, approximately 49%, 68%, 66% and 73%, respectively, of our total turnover were denominated in Renminbi. Since a majority of our present turnover is denominated in Renminbi, we may have to convert a large amount of Renminbi into foreign currencies to meet these obligations.

Because of our present and anticipated foreign currency denominated debts, expenses and other requirements, a devaluation of the Renminbi and exchange rate fluctuations could adversely affect our results of operations and financial condition. Depreciation of the Renminbi and exchange rate movements could also adversely affect the value, translated or converted into U.S. dollars or Hong Kong dollars, of our net assets, earnings and any declared dividends. There can be no assurance that we will be able to increase the Renminbi prices of our domestic services and products to fully offset any devaluation of the Renminbi.

We do not hedge exchange rate fluctuations between the Renminbi and foreign currencies and currently have no plans to do so. For further information on our foreign exchange risks, see the section headed "Financial Information—Market Risks" in this Prospectus.

We must obtain the PRC Government's permission to convert Renminbi into other currencies.

The Renminbi is not a freely convertible currency. Under the existing foreign exchange regulations in China, we may undertake current account foreign exchange transactions, including the payment of dividends, without obtaining the prior approval of SAFE, which is the PRC Government body responsible for regulating foreign currency. We are only required to produce commercial documents evidencing the nature of such transactions and process these transactions through designated banks in China. However, foreign exchange transactions for capital account purposes, which include purchasing the assets used in our operations, require the prior approval of SAFE. If we are unable to obtain SAFE's consent to convert Renminbi into foreign currencies for such purposes, our capital expenditure plan and, consequently, our results of operations and financial condition could be adversely affected.

The interpretation and enforcement of PRC laws and regulations is subject to some uncertainty.

The PRC legal system is based on statutory law. Under this system, prior court decisions may be cited as persuasive authority but do not have binding precedential effect. Since 1979, the PRC Government has been developing a comprehensive system of commercial laws and considerable progress has been made in the promulgation of laws and regulations dealing with economic matters, such as corporate organization and governance, foreign investments, commerce, taxation and trade. In particular, the regulatory framework for the securities industry in China is at an early stage of development. The CSRC is responsible for administering and regulating the national securities markets and drafting regulations for the regulation of the national securities markets. Regulations of the State Council and the relevant implementing measures of the CSRC, such as provisions dealing with acquisitions of listed PRC companies and disclosure of information, apply to listed companies in general without being confined to companies listed on any particular stock exchange. Hence these provisions apply to us. Because these laws, regulations and legal requirements are relatively new, and because of the limited volume of published cases and judicial interpretations and the non-binding nature of prior court decisions, the interpretation and enforcement of these laws, regulations and legal requirements involve some uncertainty.

RISKS RELATING TO OUR GLOBAL OFFERING

There has been no prior public market for our Shares; the liquidity and market price of our Offer Shares may be volatile.

Prior to the Global Offering, there was no public market for our Shares. We, along with CNOOC, as a selling Shareholder, and the Joint Global Coordinators, on behalf of the Underwriters, have determined the price range for our Global Offering. The market price for our H Shares following the Global Offering may differ significantly from our Offer Price. We have applied for the listing of, and permission to deal in, our H Shares on the Stock Exchange. However, we cannot assure you that the listing of our H Shares on the Stock Exchange will ensure that an active trading market for our H Shares will develop, or if it does develop, will be sustained following the Global Offering. Moreover, there can be no assurance that the market price of our H Shares will not decline following the Global Offering.

The price and trading volume of our H Shares may be highly volatile. The price of our H shares will be determined in the marketplace and may be influenced by many factors, including the depth and liquidity of the market for our H shares, investor perceptions of us and of Hong Kong and the PRC, general economic and market conditions in Hong Kong and the PRC, conditions in the offshore oilfield services industry in the PRC and other markets in which we operate. Variations in our revenue, earnings and cash flow, and announcements of new investments or new acquisitions could also cause the market price of our H Shares to change substantially.

Sales of substantial amounts of our Shares in the public market after the Global Offering could adversely affect the prevailing market price of our Offer Shares.

Immediately after completion of the Global Offering, we will have 3,813,320,000 Shares outstanding, of which 1,334,652,000 H Shares, or 35%, will be publicly held by investors participating in the Global Offering and 2,478,668,000 Domestic Shares, or 65%, will be privately held by CNOOC assuming the Over-allotment Option is not exercised. Our Offer Shares sold in the Global Offering will be eligible for immediate resale in the public market in Hong Kong without restriction, while our Domestic Shares held by CNOOC may be sold in the public market subject to approval by the PRC Government and other regulatory restrictions in China and Hong Kong and subject to a contractual lockup of 12 months following the Listing Date. If CNOOC sells a substantial amount of its Shares, the prevailing market price for our Offer Shares could be adversely affected.

We cannot guarantee the accuracy of facts and statistics with respect to certain information in the Industry Overview section contained in this Prospectus.

Facts and statistics in this Prospectus relating to China, its economy, its offshore petroleum industry and its offshore oilfield services industry are derived from various official and unofficial sources generally believed to be reliable. CNOOC, our controlling Shareholder and a selling Shareholder, and other associates of ours have also provided certain information and data relating to our industry sector. However, we cannot guarantee the quality and reliability of such material. These facts and figures have not been independently verified by us or the Underwriters and, therefore, we make no representation as to their accuracy or completeness. Further, there can be no assurance that these sources, including CNOOC and other associates of ours, have stated or compiled such facts and figures on the same basis or with the same degree of accuracy or completeness as may be the case elsewhere. In all cases, you should not unduly rely on these facts and statistics.