

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This Prospectus includes particulars given in compliance with the Companies Ordinance, the Securities (Stock Exchange Listing) Rules 1989 (as amended) and the Listing Rules for the purpose of giving information with regard to us. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this Prospectus misleading.

CSRC APPROVAL

The CSRC has given its approval for the Global Offering and the making of an application to list our Offer Shares on the Stock Exchange. In granting such approval, the CSRC has not accepted any responsibility for our financial soundness nor the accuracy of any of the statements made or opinions expressed in this Prospectus or in the Application Forms.

UNDERWRITING

The Global Offering comprises the Hong Kong Public Offering of initially 133,466,000 Hong Kong Offer Shares and the International Offering (including the Offer for Sale) of initially 1,079,854,000 New Placing Shares and 121,332,000 Sale Shares, subject, in each case, to reallocation on the basis as described in the section headed "Structure of the Global Offering" in this Prospectus.

This Prospectus is published solely in connection with the Hong Kong Public Offering. The listing of our Offer Shares on the Stock Exchange is sponsored by CSFB and Merrill Lynch. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. One of the conditions is that the Offer Price must be agreed among the Joint Global Coordinators, on behalf of the Underwriters, CNOOC, as a selling Shareholder, and us. For applicants applying under the Hong Kong Public Offering, this Prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The International Offering (including the Offer for Sale) will be fully underwritten by the International Underwriters under the terms of the International Underwriting Agreement. If, for any reason, the Offer Price is not agreed among the Joint Global Coordinators, on behalf of the Underwriters, CNOOC, as a selling Shareholder, and us, the Global Offering will not proceed. For information about the Underwriters and the underwriting arrangements, see the section headed "Underwriting" in this Prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this Prospectus and the related Application Forms, and on the terms and subject to the conditions set out herein and therein. Each person acquiring Hong Kong Offer Shares will be required to confirm, or by his acquisition of Hong Kong Offer Shares be deemed to confirm, that he is aware of the restrictions on offers of the Offer Shares described in this Prospectus.

No action has been taken to permit a public offering of the Offer Shares or the distribution of this Prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

United States

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged or transferred within the United States, except to QIBs in accordance with Rule 144A, or outside the United States in accordance with Rule 903 or Rule 904 of Regulation S.

The Offer Shares are being offered and sold outside the United States in reliance on Regulation S and within the United States to QIBs in reliance on Rule 144A. In addition, until 40 days after the later of the commencement of this Global Offering and the completion of the distribution of the Offer Shares, an offer or sale of Offer Shares within the United States by any dealer (whether or not participating in this Global Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from, or in a transaction not subject to, such requirements or in accordance with Rule 144A.

The Offer Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Global Offering or the accuracy or adequacy of this Prospectus or the offering circular relating to the International Offering. Any representation to the contrary is a criminal offence in the United States.

Canada

The Offer Shares may not be offered or sold, directly or indirectly, in any province or territory of Canada in contravention of the securities laws thereof and, without limiting the generality of the foregoing, any offer or sale of Offer Shares in any province or territory of Canada will be made only pursuant to an exemption from the requirements to file a prospectus in the province or territory of Canada in which such offer or sale is made and only by a dealer duly registered under the applicable securities laws of that province or territory in circumstances where an exemption from the applicable registered dealer requirements is available.

United Kingdom

This Prospectus has not been approved by an authorized person in the United Kingdom and has not been registered with the Registrar of Companies in the United Kingdom. The Offer Shares may not be offered or sold in the United Kingdom except to persons whose ordinary activities involve acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses, or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995. In addition, no person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 received by it in connection with the issue or sale of any Shares except in circumstances in which section 21(1) of the Financial Services and Markets Act 2000 does not apply to us.

The Netherlands

The Offer Shares may not be offered, sold, transferred or delivered in or from within the Netherlands as part of their initial distribution or at any time thereafter, directly or indirectly, and neither this Prospectus nor any other document in respect of the Global Offering may be distributed or circulated in the Netherlands, other than to individuals or legal entities who or which trade or invest in securities in the conduct of a profession or business within the meaning of the Netherlands Securities Transactions Supervision Act 1995 (*Vrijstellingsregeling wet toezicht effectenverkeer 1995*) and its

implementing regulations (which includes banks, brokers, securities institutions, insurance companies, pension funds, investment institutions, other institutional investors and other parties including treasury departments of commercial enterprises and finance companies of groups which are regularly active in the financial markets in a professional manner).

Japan

The Offer Shares have not been and will not be, registered under the Securities and Exchange Law of Japan. Accordingly, the Offer Shares may not, directly or indirectly, be offered or sold in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law of Japan and other applicable laws and regulations of Japan. As used in this paragraph, a “resident of Japan” means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

Singapore

This Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore and the Offer Shares will be offered in Singapore pursuant to exemptions invoked under Sections 274 and 275 of the Securities and Futures Act (Act 42 of 2001) of Singapore (the “Singapore Securities and Futures Act”). Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Offer Shares may not be circulated or distributed, nor may the Offer Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than: (i) to an institutional investor or other person specified in Section 274 of the Singapore Securities and Futures Act; (ii) to a sophisticated investor, and in accordance with the conditions, specified in Section 275 of the Singapore Securities and Futures Act; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other provision of the Singapore Securities and Futures Act.

China

This Prospectus does not constitute an offer of the Offer Shares, whether by sale or subscription, in the PRC. The Offer Shares are not being offered and may not be offered or sold directly or indirectly within the PRC to or for the benefit of legal or natural persons of the PRC, by means of this Prospectus or any other document. According to the PRC laws and regulatory requirements, our H Shares may only be offered and sold to natural and legal persons outside China by means of this Prospectus or otherwise.

Each person acquiring the Offer Shares will be required to, or be deemed by his or her acquisition of Offer Shares, to confirm that he or she is aware of the restrictions on offers of the Offer Shares described in this Prospectus.

France

This Prospectus has not been prepared in the context of a public offering of securities in France within the meaning of Article L.411-1 of the French *Code monétaire et financier* and Regulations no. 98-01 and 98-08 of the *Commission des opérations de bourse* (“COB”) and has therefore not been submitted to the COB for prior approval.

It is made available only to qualified investors and/or to a limited circle of investors (as defined in Article L.411-2 of the French *Code monétaire et financier* and in the Decree n° 98-880 dated 1 October 1998), on the condition that it shall not be passed on to any person nor reproduced (in whole or in part), that investors act for their own account in accordance with the terms set out by the said decree and undertake not to retransfer, directly or indirectly, the securities in France, other than in compliance with

applicable laws and regulations (Articles L.411-1, L.412-1, L.412-1 and L.621-8 of the French *Code monétaire et financier*) and that, in the case of an offering to a limited circle of investors, comprising more than 100 investors, such investors have testified that they have personal family or personal business ties to a member of the governing body of the issuer.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for listing of, and permission to deal in, the Offer Shares, including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option.

Save as disclosed in this Prospectus, no part of our share or loan capital is listed or dealt in on any other stock exchange. We are not seeking or proposing to seek a listing of, or permission to list, our share or loan capital on any other stock exchange.

OUR OFFER SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Offer Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, our H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second trading day after any trading day. You should seek the advice of your stockbroker or other professional advisor for details of those settlement arrangements as such arrangements will affect your rights and interests.

All necessary arrangements have been made for our H Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscription for, purchasing, holding or disposing of, and dealing in, the Shares (or exercising rights attaching to them) under the laws of the place of your operations, domicile, residence, citizenship or incorporation. We emphasize that none of CNOOC, as a selling Shareholder, the Joint Global Coordinators, the Joint Sponsors, the Underwriters or us, any of our or their respective directors, supervisors or any other person or party involved in the Global Offering accepts responsibility for your tax effects or liabilities resulting from your subscription for, purchase, holding or disposing of, or dealing in, the H Shares or your exercise of any rights attaching to the H Shares.

H SHARE REGISTER AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Global Offering and the Over-allotment Option, if exercised, will be registered on our H Share register of members (which will contain all holders of H Shares) to be maintained in Hong Kong by our H Share Registrar. Our principal register of members will be maintained at CNOOC Plaza, No. 6 Dong Zhi Men Wai Xiao Jie, Beijing 100027, China.

Dealings in the H Shares registered on our H Share register will be subject to Hong Kong stamp duty. See Appendix IV “Taxation” to this Prospectus.

Unless we determine otherwise, dividends will be paid to our Shareholders as recorded on our register of members, by ordinary post at the Shareholders' risk to the registered address of each Shareholder.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF OUR OFFER SHARES

We have instructed Computershare Hong Kong Investor Services Limited, our H Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any H Shares in your name unless and until you have delivered a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that you:

- agree with us and each of our Shareholders, and we agree with each of our Shareholders, to observe and comply with the PRC Company Law, the Special Regulations and our Articles of Association;
- agree with us, each of our Shareholders, Directors, Supervisors, managers and officers and we acting for ourself and for each of our Directors, Supervisors, managers and officers agree with each of our Shareholders to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which arbitration shall be final and conclusive. For further details, see Appendix V "Summary of Principal Legal and Regulatory Provisions" and Appendix VI "Articles of Association;"
- agree with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and
- authorize us to enter into a contract on your behalf with each of our Directors and officers whereby our Directors and officers undertake to observe and comply with their obligations to our Shareholders, including you, as stipulated in our Articles of Association.

OVER-ALLOTMENT AND STABILIZATION

In connection with the Global Offering, the Joint Global Coordinators, on behalf of the International Underwriters, may over-allocate and cover such over-allotment (i) by exercising the Over-allotment Option in full or in part no later than 30 days after the Listing Date, or (ii) by making purchases in the secondary market. Any such purchases will be made in compliance with all applicable laws and regulatory requirements. The number of H Shares which can be over-allocated will not exceed the number of H Shares which may be issued upon exercise of the Over-allotment Option, being 200,200,000 H Shares, which is approximately 15% of the H Shares initially available under the Global Offering.

In connection with the Global Offering, the Joint Global Coordinators may also, on behalf of the International Underwriters, effect transactions which stabilize or maintain the market price of the H Shares at levels above those which might otherwise prevail in the open market. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. Such transactions, if commenced, may be discontinued at any time. Should stabilizing transactions be effected in connection with the distribution of the H Shares, they will be done at the absolute discretion of the Joint Global Coordinators.

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, with the intention to retard and, if possible, prevent a decline in the initial public offer prices of the securities. In Hong Kong and certain other jurisdictions, the stabilization price is not permitted to exceed the Offer Price.

Stabilization is not a practice commonly associated with the distribution of securities in Hong Kong. In Hong Kong, such stabilization activities on the Stock Exchange are currently restricted to cases where underwriters genuinely purchase securities in the secondary market solely for the purpose of covering over-allocations in an offering. The relevant provisions of the Securities Ordinance prohibit market manipulation in the form of pegging or stabilizing the price of securities in certain circumstances.

PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES

The application procedure for the Hong Kong Offer Shares is set out in the section headed “How to Apply for Hong Kong Offer Shares” in this Prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this Prospectus.

EXCHANGE RATE CONVERSION

Unless otherwise specified, the translations in this Prospectus of Renminbi into Hong Kong dollars and into U.S. dollars are made at the average PBOC Rates for the periods indicated in the following table and such translations are for reference only.

<u>Period</u>	<u>Average PBOC Rates</u>	
	<u>HK\$</u>	<u>US\$</u>
1997.....	1.0705	8.2897
1998.....	1.0686	8.2788
1999.....	1.0667	8.2784
2000.....	1.0619	8.2785
2001.....	1.0611	8.2771

We calculated the average PBOC Rates by averaging the exchange rates published by PBOC for Hong Kong dollars and U.S. dollars against Renminbi on the last business day of each month during the relevant period. For financial data relating to 2002, unless otherwise specified, we have used the PBOC Rates of HK\$1.00 and US\$1.00 equaling Rmb 1.0606 and Rmb 8.2771, respectively, each being the PBOC Rate on June 30, 2002. For financial data relating to June 30, 2001, we have used the above PBOC Rate for 2001. The PBOC Rates for the Hong Kong dollar and U.S. dollar on November 5, 2002 were HK\$1.00 = Rmb 1.0610 and US\$1.00 = Rmb 8.2772, respectively. We make no representation, and none should be construed as being made, that any Renminbi amount set out in this Prospectus could have been or could be converted into Hong Kong dollars or U.S. dollars, as the case may be, at any particular rate or at all on such date or any other date.