

UNDERWRITERS

Hong Kong Underwriters

Credit Suisse First Boston (Hong Kong) Limited

Merrill Lynch Far East Limited

BNP Paribas Peregrine Securities Limited

BOCI Asia Limited

CITIC Capital Markets Limited

ICEA Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement was entered into on November 8, 2002. As described in the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription on the terms and subject to the conditions of this Prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting the listing of, and permission to deal in, the H Shares in issue and to be issued as mentioned herein, and to certain other conditions set out in the Hong Kong Underwriting Agreement (including CSFB and Merrill Lynch (on behalf of the Underwriters), CNOOC, as a selling Shareholder, and us agreeing to the Offer Price), the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions of this Prospectus and the Application Forms.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for termination. The obligation of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares is subject to termination if, at any time prior to 8:00 a.m. on the Listing Date:

- (i) there has come to the notice of any Joint Sponsor or Hong Kong Underwriter:
 - any adverse change or prospective adverse change in our condition, financial or otherwise, or in our earnings, business affairs, business prospects or trading position; or
 - any matter or event showing any of the warranties we or CNOOC gave in the Hong Kong Underwriting Agreement to be untrue or misleading in any material respect when given or repeated; or

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- any material breach on our part or on the part of CNOOC of any of the provisions of the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
 - any matter which has arisen or has been discovered which would, had it arisen immediately before the date of this Prospectus, not having been disclosed in this Prospectus, constitute a material omission in this Prospectus; or
- (ii) there shall develop, occur, exist or come into effect:
- any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority of any relevant jurisdiction; or
 - any change or development involving a prospective change in, or any event or series of events likely to result in any change in local, national or international financial, political, military, industrial, economic, currency, market or regulatory conditions (including but not limited to a change in the system under which the value of the H.K. dollar is linked to the U.S. dollar or a devaluation of the Renminbi against any foreign currencies) in Hong Kong or the PRC or the U.S. or any other relevant jurisdiction;
 - any material adverse change in the financial markets in the U.S., Hong Kong or in the international financial markets, or any change or development involving a prospective change in local, national or international political, financial or economic conditions; or
 - a suspension or material limitation in trading generally on the New York Stock Exchange, Inc. or the Stock Exchange, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by any of the said exchanges or by such system or by order of any regulatory or governmental authority, or a material disruption has occurred in commercial banking or securities settlement or clearance services or procedures in the U.S., Hong Kong or the PRC; or
 - a change or development occurs involving a prospective change in taxation or exchange control (or the implementation of any exchange control) or currency exchange rates in Hong Kong, the PRC, the U.S. or other relevant jurisdictions; or
 - any general moratorium on commercial banking activities in Hong Kong (imposed by the Hong Kong Financial Secretary and/or the Hong Kong Monetary Authority or otherwise), New York (imposed at the U.S. federal or New York State level or otherwise) or the PRC; or
 - any outbreak of hostilities involving the U.S., the PRC or Hong Kong or any escalation thereof, or the declaration by the U.S., the PRC or Hong Kong of a national emergency or war or the occurrence of any other calamity or crisis; or
 - any event of force majeure affecting the U.S., the PRC, Hong Kong or any other relevant jurisdictions, including, without limitation, act of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, terrorism, strike or lock-out,

which, in the opinion of the Joint Sponsors (for themselves and on behalf of the Hong Kong Underwriters):

- is or may or will be materially adverse to the business, financial or other condition or prospects of our company and our subsidiaries taken as a whole; or
- has or will have or is likely to have a material adverse effect on the success of this Global Offering or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares; or
- makes it inadvisable, impracticable or inexpedient to proceed with this Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this Prospectus.

Undertakings. We have undertaken to each of the Joint Global Coordinators and the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement, and CNOOC has undertaken to procure that, except pursuant to the Global Offering (including pursuant to the Over-Allotment Option), during a period of 180 days from the date of the Hong Kong Underwriting Agreement, we will not without the Joint Global Coordinators' prior written consent and unless in compliance with the requirements of the Listing Rules offer, pledge, charge, allot, issue, sell, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any of our Share capital or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive, such Share capital or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Share capital, whether any of the foregoing transactions is to be settled by delivery of Share capital or such other securities, in cash or otherwise, and further that, in the event of a disposal of any of our Shares or any interest therein within 180 days after the date falling 12 months after the date of the Hong Kong Underwriting Agreement, we will take all reasonable steps to ensure that such an issue or disposal will not create a disorderly or false market for our Shares.

CNOOC has undertaken to us, the Joint Global Coordinators, the Hong Kong Underwriters and the Joint Sponsors that, except pursuant to the Global Offering (including pursuant to the Over-Allotment Option), it will not without the prior written consent of the Joint Global Coordinators and unless in compliance with the requirements of the Listing Rules, at any time during a period of 12 months after the Listing Date offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of our Share capital or other securities held by it that are convertible into or exercisable or exchangeable for, or that represent the right to receive any such Share capital or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Share capital, whether any of the foregoing transactions is to be settled by delivery of Share capital or such other securities, in cash or otherwise, and further agrees that, in the event of a disposal of any our Shares or any interest therein within 12 months after the date falling 12 months after the Listing Date, it will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for our H Shares.

CNOOC has undertaken to the Stock Exchange that except pursuant to the Global Offering or the Over-allotment Option, (i) it will not, without the prior written consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules, during the period of six months from the date on which dealing in the H Shares first commences on the Stock Exchange (the “First Six-month Period”), dispose of any of the Shares in respect of which CNOOC is shown by this Prospectus to be the beneficial owner (the “Parent Shares”); (ii) it will not, without the prior written consent of the Stock Exchange, in the six month period commencing from the expiry of the First Six-month Period (the “Second Six-month Period”) dispose of any of the Parent Shares and to such extent that immediately following such disposal, CNOOC would then cease to be a controlling shareholder (as defined in the Listing Rules) of our Company; and (iii) it will, on any disposal of such Parent Shares during the Second Six-month Period, take all reasonable steps to ensure that any such disposal will not create a disorderly or false market.

CNOOC has further undertaken to us, the Joint Global Coordinators, the Hong Kong Underwriters and the Joint Sponsors and the Stock Exchange that it will, at any time after the date of this Prospectus up to and including the date falling 12 months from the date on which dealings in the H Shares on the Stock Exchange commence, immediately inform us, the Joint Global Coordinators and the Joint Sponsors of the instituting of any pledges or charges of any of our Shares or of our other Share capital beneficially owned by it and the number of such Shares or other securities so pledged or charged and of any indication received by it, either verbal or written, from any pledgee or chargee of any of our Shares or other of our Share capital pledged or charged that such Shares or other Share capital of our company will be disposed of.

We agree and undertake that upon receiving such information in writing from CNOOC, we shall comply with all requirements of the Listing Rules (including informing the Stock Exchange and issuing announcements) and other applicable laws and regulations including without limitation the Securities (Disclosure) of Interests Ordinance.

Commission and expenses. The Hong Kong Underwriters will receive a commission of 2.50% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commissions. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay to the International Underwriters an underwriting commission at the rate applicable to the International Offering Shares. We will pay such fee and commission in connection with the Hong Kong Public Offering and the International Offering, together with the Stock Exchange listing fees, the Stock Exchange transaction levy, legal and other professional fees, printing, and other expenses relating to the Global Offering, which are estimated to amount to approximately HK\$93.5 million in aggregate (based on the mid-point of the Offer Price range and assuming the Over-allotment Option is not exercised).

We have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

International Offering

In connection with the International Offering, it is expected that we and CNOOC, as a selling Shareholder, will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will be, subject to certain conditions, severally agree to purchase the International Offering Shares being offered pursuant to the International Offering or procure purchasers for such International Offering Shares.

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We and CNOOC, as a selling Shareholder, will grant to the International Underwriters the Over-allotment Option, exercisable by Credit Suisse First Boston (Hong Kong) Limited and Merrill Lynch, Pierce, Fenner & Smith Incorporated on behalf of the International Underwriters within 30 days after the Listing Date, to require us and CNOOC to allot and issue up to an aggregate of 200,200,000 additional H Shares at the Offer Price solely to cover any over-allotment in the International Offering.

We and CNOOC, as a selling Shareholder, will agree to jointly and severally indemnify the International Underwriters against certain liabilities, including liabilities under the U.S. Securities Act, subject to certain limitations with respect to CNOOC.