

FUTURE PLANS AND PROSPECTS

We intend to solidify our leading market position offshore China and selectively pursue opportunities to expand our operations outside the PRC. Our strategy to accomplish this plan includes five main components:

- expand our operating capacity;
- further integrate our service and product lines;
- increase our technical capabilities;
- strengthen and expand our client relationships; and
- selectively pursue international opportunities.

We have developed specific plans for achieving these strategies. For further details, see the section headed “Business—Our Business Strategy” in this Prospectus.

USE OF PROCEEDS

We estimate that our portion of the net proceeds of the Global Offering, after deducting underwriting fees and estimated expenses payable by us, will be approximately HK\$1,787.2 million (US\$229.0 million) (assuming an Offer Price of HK\$1.55 per H Share, being the mid-point of the estimated Offer Price range of HK\$1.40 and HK\$1.70). If the Over-allotment Option is exercised in full, our net proceeds will increase to approximately HK\$2,059.4 million (US\$263.9 million). We plan to use our net proceeds from the Global Offering principally to fund our capital expenditure program. For further details, see the section headed “Financial Information—Capital Expenditures and Investments” in this Prospectus.

To the extent that our net proceeds from the Global Offering are not immediately required for the above purposes, we intend to place them in short-term, interest-bearing, foreign currency deposits at the Bank of China, Industrial and Commercial Bank of China or other commercial banks in China.

The net proceeds from the Global Offering accruing to CNOOC (assuming that the Over-allotment Option is not exercised) after deducting underwriting fees payable by CNOOC in relation to the Global Offering and assuming an Offer Price of HK\$1.55 per H Share, being the mid-point of the estimated Offer Price range of HK\$1.40 to HK\$1.70 per H Share, are estimated to be approximately HK\$181.5 million (US\$23.3 million). CNOOC has informed us that it intends to contribute its portion of the net proceeds from the Global Offering to the national social security fund in accordance with relevant PRC Government requirements. For further details, see Appendix VII “Statutory and General Information—Particulars of CNOOC, Our Selling Shareholder” to this Prospectus.

In the event there is to be any material modification to the proposed use of proceeds as described above, we will issue an announcement of the change.

In accordance with the PRC accounting rules applicable to joint stock limited liability companies, the net proceeds from the Global Offering received by us in a currency other than the Renminbi will be converted and accounted for in our consolidated financial statements at the PBOC Rate in effect at the time when the net proceeds are received. The Hong Kong dollar and Renminbi exchange rate for the purpose of presenting the amounts for use of proceeds under this section is based on the PBOC Rate prevailing on June 30, 2002, of HK\$1.00 = Rmb 1.0606.