

# STRUCTURE OF THE GLOBAL OFFERING

## PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$1.70 and is expected to be not less than HK\$1.40. If you apply for the Offer Shares under the Hong Kong Public Offering, you must pay the maximum Offer Price of HK\$1.70 per Offer Share plus a 1.0% brokerage fee, 0.005% Stock Exchange trading fee and 0.007% SFC transaction levy. This means that for every board lot of 2,000 Offer Shares, you should pay HK\$3,434.41 at the time of your application.

If the Offer Price, as finally determined in the manner described below, is lower than HK\$1.70, we will refund the respective difference, including the brokerage fee, Stock Exchange trading fee and SFC transaction levy attributable to the surplus application monies. We will not pay interest on any refunded amounts. Further details are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this Prospectus.

## DETERMINING THE OFFER PRICE

The Offer Price is expected to be fixed by agreement between CSFB and Merrill Lynch, on behalf of the Underwriters, CNOOC, as a selling Shareholder, and us on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or about Friday, November 15, 2002 and in any event, no later than Monday, November 18, 2002.

The Offer Price will not be more than HK\$1.70 per Offer Share and is currently expected to be not less than HK\$1.40 per Offer Share unless otherwise announced as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

CSFB and Merrill Lynch, on behalf of the Underwriters, may, where considered appropriate based on the level of interest expressed by prospective professional, institutional, corporate and other investors during the book-building process, and with the consent of CNOOC, as a selling Shareholder, and us, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this Prospectus on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notice of the reduction in the number of Offer Shares and/or the indicative Offer Price range. **Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering.**

In such notice, we will also confirm or revise, as appropriate, the working capital statement and the offer statistics as currently set out in the section headed “Summary” in this Prospectus, and any other financial information which may change as a result of such reduction. **If you have already submitted an application for Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offering, you will not be allowed to subsequently withdraw your application, even if the number of Offer Shares and/or Offer Price range is reduced.** If we do not publish a notice in the South China Morning Post and the Hong Kong Economic Times of a reduction in the number of Offer Shares and/or the indicative Offer Price range stated in this Prospectus on the morning of the last day for lodging applications under the Hong Kong Offering, the number of Offer Shares and the Offer Price, if agreed upon by CNOOC and us, will be within the Offer Price range as stated in this Prospectus.

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We expect to publish an announcement in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) of the applicable Offer Price, together with the level of applications in the Hong Kong Public Offering and the basis of allotment of the Hong Kong Offer Shares, on Monday, November 18, 2002.

### CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Hong Kong Public Offering will be conditional on, among other things:

- the Listing Committee granting the listing of, and permission to deal in, the H Shares in issue and to be issued as mentioned herein (including any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option), and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;
- the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by CSFB and Merrill Lynch, on behalf of the Underwriters) and such obligations not being terminated in accordance with the terms of the respective agreements,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this Prospectus.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Global Offering in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day after such lapse.

In the above situation, we will return all application monies to the applicants, without interest and on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares” in this Prospectus. In the meantime, we will hold all application monies in a separate bank account or separate bank accounts with the receiving banker or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong, as amended).

**We expect to issue H Share certificates for the Offer Shares on Tuesday, November 19, 2002. However, these H Share certificates will only become valid certificates of title at 8:00 a.m. on Wednesday, November 20, 2002, provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting” in this Prospectus has not been exercised.**

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## THE GLOBAL OFFERING

Our Global Offering consists of the Hong Kong Public Offering and the International Offering. We intend to initially offer 1,334,652,000 Offer Shares (subject to adjustment) under the Global Offering, of which 1,201,186,000 Offer Shares will be conditionally placed pursuant to the International Offering and the remaining 133,466,000 Offer Shares will be offered to the public in Hong Kong at the Offer Price under the Hong Kong Public Offering (subject, in each case, to reallocation on the basis described below under “The Hong Kong Public Offering”). The Offer Shares conditionally placed pursuant to the International Offering will initially include 1,079,854,000 New Placing Shares and 121,332,000 Sale Shares.

You may apply for Offer Shares under the Hong Kong Public Offering or indicate an interest for Offer Shares under the International Offering, but you may not apply under both of these methods for the Offer Shares. In other words, you may only receive H Shares under either the International Offering or the Hong Kong Public Offering, but not under both of these methods. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The International Offering will involve selective marketing of the Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for our Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional and other investors will be required to specify the number of the Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to the Price Determination Date.

Allocation of the Offer Shares pursuant to the Global Offering will be determined by CSFB and Merrill Lynch and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell, H Shares after the listing of the H Shares on the Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of the H Shares on a basis which would lead to the establishment of a solid Shareholder base to the benefit of us and our Shareholders as a whole.

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. We intend to make the allocation strictly on a pro-rata basis, although we may, if necessary, allocate the Hong Kong Offer Shares on the basis of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

In connection with the Global Offering, we and CNOOC intend to grant the Over-allotment Option to CSFB and Merrill Lynch on behalf of the International Underwriters. The Over-allotment Option gives CSFB and Merrill Lynch the right 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 representing approximately 15% of the initial size of the Global Offering at the Offer Price solely to cover over-allocations in the International Offering, if any. CSFB and Merrill Lynch may also cover such over-allocation by purchasing the Offer Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations. If CSFB and Merrill Lynch exercise

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the Over-allotment Option in full, the additional Offer Shares will represent approximately 5.0% of our enlarged Share capital following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

The 1,334,652,000 Offer Shares initially being offered in the Global Offering will represent approximately 35% of our enlarged Share capital immediately after completion of the Global Offering, without taking into account the exercise of the Over-allotment Option. If CSFB and Merrill Lynch exercise the Over-allotment Option in full, the Offer Shares will represent approximately 38.4% of our enlarged Share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters and the International Offering is expected to be fully underwritten by the International Underwriters. The Hong Kong Public Offering and the International Offering are subject to the conditions set out in the section headed “Underwriting—Underwriting Arrangements and Expenses” in this Prospectus. In particular, CSFB and Merrill Lynch (on behalf of the Hong Kong Underwriters), CNOOC (as a selling Shareholder) and us must agree on the Offer Price. The Hong Kong Underwriting Agreement was entered into on Friday, November 8, 2002 and, subject to an agreement on the Offer Price between CSFB and Merrill Lynch (on behalf of the Underwriters), CNOOC, as a selling Shareholder, and us, the International Underwriting Agreement is expected to be entered into on Friday, November 15, 2002. The Hong Kong Underwriting Agreement and the International Underwriting Agreement are inter-conditional upon each other.

### THE HONG KONG PUBLIC OFFERING

The Hong Kong Public Offering is a fully underwritten public offer (subject to agreement as to pricing and satisfaction or waiver of the other conditions set out in the Hong Kong Underwriting Agreement and described in the section headed “Conditions of the Global Offering” in this Prospectus) for the subscription in Hong Kong of, initially, 133,466,000 Offer Shares at the Offer Price (representing approximately 10% of the total number of the Offer Shares initially available under the Global Offering). Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 3.5% of our enlarged issued share capital immediately after completion of the Global Offering assuming that the Over-allotment Option is not exercised.

The total number of the Offer Shares available under the Hong Kong Public Offering is to be divided equally into two pools for allocation purposes:

- Pool A: The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Offer Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) or less; and
- Pool B: The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) and up to the value of pool B.

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Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in the other pool and be allocated accordingly. For the purpose of this subsection only, the “subscription price” for the Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants can only receive an allocation of the Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 50% of the 133,466,000 Hong Kong Offer Shares initially included in the Hong Kong Public Offering (that is, 66,733,000 Hong Kong Offer Shares) are liable to be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Offering, and such applicant’s application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to the following adjustments:

- If the number of the Hong Kong Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offering, then New Placing Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Hong Kong Offer Shares available under the Hong Kong Public Offering will be 400,396,000 Hong Kong Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering;
- If the number of the Hong Kong Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of New Placing Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the Hong Kong Offer Shares available under the Hong Kong Public Offering will be 533,860,000 Hong Kong Offer Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering; and
- If the number of the Hong Kong Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of New Placing Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Hong Kong Offer Shares available under the Hong Kong Public Offering will be 667,326,000 Hong Kong Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

We will reject multiple applications within pool A or pool B, and between the two pools. Our Directors, the Joint Sponsors (on behalf of the Hong Kong Underwriters) and us will take reasonable steps to identify and reject applicants under the Hong Kong Public Offering from investors who have received Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Shares in the Hong Kong Public Offering.

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In addition, if the Hong Kong Public Offering is not fully subscribed, CSFB and Merrill Lynch will have the discretion to reallocate to the International Offering all or any unsubscribed Hong Kong Offer Shares in such numbers as they deem appropriate.

References in this Prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate solely to the Hong Kong Public Offering.

### **THE INTERNATIONAL OFFERING (INCLUDING OFFER FOR SALE)**

The number of the Offer Shares to be initially offered for subscription under the International Offering will be 1,201,186,000 Offer Shares, representing approximately 90% of the Offer Shares under the Global Offering and approximately 31.5% of our enlarged issued Share capital immediately after completion of the Global Offering assuming the Over-allotment Option is not exercised. The Offer Shares initially offered for subscription under the International Offering include 1,079,854,000 New Placing Shares and 121,332,000 Sale Shares. CNOOC, as a selling Shareholder, will be selling 121,332,000 Sale Shares, representing approximately 3.2% of our enlarged issued Share capital immediately after completion of the Global Offering assuming the Over-allotment Option is not exercised. At the date of this Prospectus, CNOOC held 100% of our issued share capital and, immediately after completion of this Offering, CNOOC will hold approximately 61.6% of our enlarged issued share capital assuming the Over-allotment Option is fully exercised.

Pursuant to the International Offering, the Sale Shares and New Placing Shares will be conditionally placed on behalf of, respectively, CNOOC and us by the International Underwriters or through selling agents appointed by them. International Offering Shares will be placed with certain professional and institutional investors and other investors anticipated to have a sizeable demand for the International Offering Shares in Hong Kong, Europe and other jurisdictions outside the United States (other than the PRC) in offshore transactions in reliance on Regulation S and in the United States with QIBs in reliance on Rule 144A. The International Offering is subject to the Hong Kong Public Offering becoming unconditional.