

FURTHER INFORMATION ABOUT OUR COMPANY

Incorporation

We were established as a limited liability company in the PRC under the PRC Company Law on December 25, 2001 and were restructured into a joint stock limited liability company on September 26, 2002.

Our place of business in Hong Kong is located at 65th Floor, Bank of China Tower, One Garden Road, Central, Hong Kong, and we are registered with the Registrar of Companies as an overseas company under Part XI of the Companies Ordinance. Mr. Fu Chengyu, our Chairman and chief executive officer in his capacity as our authorized representative for the purposes of Part XI of the Companies Ordinance, has been appointed as our agent for the acceptance of service of process in Hong Kong and the address for the acceptance of service of process is the same as our business address in Hong Kong. As we are incorporated in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. Summaries of certain relevant laws and regulations of the PRC and our Articles of Association are set out in Appendix V and Appendix VI, respectively, to this Prospectus.

Our principal place of business is located at the Yanjiao Development Zone, Hebei Province, China.

At the time of our incorporation, our registered capital was Rmb 300.0 million. When we were restructured into a joint stock company, we had a registered capital of Rmb 2.6 billion, divided into 2.6 billion ordinary shares of par value Rmb 1.00 each.

Immediately after the Global Offering, our issued Share capital will be Rmb 3,813,320,000, made up of approximately 2,478,668,000 Domestic Shares and 1,334,652,000 H Shares, fully paid up or credited as fully paid up, representing approximately 65% and approximately 35% of our issued capital, respectively (assuming the Over-allotment Option is not exercised).

Procedures at Our Extraordinary Shareholders' General Meeting

At an extraordinary Shareholders' general meeting held on September 26, 2002, our Shareholders passed certain resolutions, including:

- our conversion into a "overseas subscription company;"
- the issue and offer for sale of H Shares and the granting of the Over-allotment Option;
- the listing of H Shares on the Stock Exchange; and
- the adoption of our new Articles of Association and the authorization for our Directors to amend the Articles of Association in accordance with any comments from relevant governing authorities in the PRC and the Stock Exchange.

The Reorganization

In preparation for the Global Offering, CNOOC further consolidated the operations of its five drilling, well and geophysical subsidiaries into our current entity and transferred its shareholdings in five joint ventures and other related assets to us, and we undertook a statutory merger with CNOOC's wholly owned marine support and transportation subsidiary. The Reorganization took effect as of April 30, 2002.

Immediately following completion of the Global Offering, the number of H Shares will constitute approximately 35% of our issued share capital (assuming that the Over-allotment Option is not exercised).

FURTHER INFORMATION ABOUT OUR BUSINESS

Material Contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by us within the two years preceding the date of this Prospectus which are or may be material:

- the Reorganization Agreement (in Chinese) dated August 15, 2002 between CNOOC and us regarding the Reorganization: CNOOC transferred the assets, liabilities and interests it holds in five specialized companies, six joint ventures and other businesses related to oilfield services to us;
- the Non-Competition Undertaking Agreement (in Chinese) dated September 27, 2002 between CNOOC and us pursuant to which CNOOC promised to use its best efforts to avoid competition with us. For the circumstances under which this agreement would terminate, see section headed “Corporate Structure—Relationship with CNOOC—CNOOC’s Undertakings”;
- the Comprehensive Service Agreement (in Chinese) dated September 27, 2002 between CNOOC, China Offshore Oil Bohai Corporation, China Offshore Oil Western South China Sea Corporation, CNOOC Yanjiao Enterprises Corporation, CNOOC Finance Corporation Limited and us pursuant to which CNOOC, China Offshore Oil Bohai Corporation, China Offshore Oil Western South China Sea Corporation, CNOOC Enterprises Corporation and CNOOC Finance Corporation Limited will provide various materials, utilities, and ancillary services to us;
- the Reorganization and Merger Agreement (in Chinese) dated August 15, 2002 between CNOOC, CNOOC Shipping Company Limited and us pursuant to which CNOOC Shipping Company Limited merged into our current company, and we undertook all the businesses, assets, rights and liabilities of the consolidated company;
- the Strategic Cooperation Framework Agreement (in Chinese) dated September 27, 2002 between CNOOC China Limited and us regarding the use of materials, utilities and ancillary services between CNOOC China Limited and us;
- the Lease Agreement (in Chinese) dated September 27, 2002 between CNOOC Yanjiao Enterprises Corporation and us in respect of production and office premises located in the Yanjiao Development Zone, Hebei Province for a term of one year for a rental of Rmb 5,159,229 per year;
- the Lease Agreement (in Chinese) dated September 27, 2002 between China Offshore Oil Western South China Sea Corporation and us in respect of production and office premises located in Zhanjiang City, Guangdong Province for a term of one year for a rental of Rmb 625,573 per year;
- the Lease Agreement (in Chinese) dated September 27, 2002 between China Offshore Oil Bohai Corporation and us in respect of production and office premises located in the Tianjin Municipality for a term of one year for a rental of Rmb 1,817,990 per year;

- the Management Agreement for the China Bohai-Japan Offshore Drilling Company Limited (in Chinese) dated October 21, 2002 between CNOOC and us in respect of this Sino-Japanese joint venture, details of which are set out in “Corporate Structure—CNOOC’s Undertakings”;
- the Trademark License Agreement (in Chinese) dated September 27, 2002 between CNOOC and us in respect of the CNOOC trademark licensed to us for a term of 10 years for a one time payment of Rmb1,000; and
- the Hong Kong Underwriting Agreement dated November 8, 2002, among us, CNOOC and the Hong Kong underwriters, details of which are set out in “Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering.”

Intellectual Property Rights

We have a license to use the following trademark which is owned by CNOOC.



This trademark is of value in the conduct of our business. Under a non-exclusive license agreement, we have obtained the right to use this trademark for nominal consideration.

We also own nine patents in the PRC and have applied to register another eight patents with the PRC State Intellectual Property Bureau.

FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS, MANAGEMENT AND STAFF

Particulars of Directors’ and Supervisors’ Service Agreements

We have entered into a service contract with each of our Directors and Supervisors for a term of three years. Our Directors’ service contracts are similar in all material respects. The salaries of our Directors and the Supervisors will be determined each year by our Shareholders in the annual general meeting. The executive Directors are entitled to the welfare treatment provided under relevant PRC laws and regulations.

Directors’ and Supervisors’ Remuneration

Directors. The aggregate amount of salaries, housing allowances, other allowances and benefits in kind paid by us to our Directors for each of the three years ended December 31, 2001 and the six-month period ended June 30, 2002 was approximately Rmb 250,509, Rmb 344,028, Rmb 565,488 and Rmb 296,628, respectively.

Save as disclosed in this Prospectus, we did not, and do not expect to, pay any other emoluments to our Directors in respect of the three years ended December 31, 2001.

Under the arrangements currently in force, we estimate that the aggregate remuneration (including benefit in kind) of our Directors and Supervisors for the year ending December 31, 2002 will be approximately Rmb 1,068,000.

Supervisors. The aggregate amount of salaries, housing allowances, other allowances and benefits in kind paid by us to our Supervisors for each of the three years ended December 31, 2001 and the six-month period dated June 30, 2002 was approximately Rmb 114,936, Rmb 154,674, and Rmb 278,236, respectively.

DISCLOSURE OF INTERESTS

Disclosure of Interests

So far as our Directors are aware, CNOOC will, immediately following completion of the Global Offering and assuming that the Over-allotment Option is not exercised, be interested in approximately 2,478,668,000 Domestic Shares, representing approximately 65% of the Shares carrying rights to vote in all circumstances at our Shareholders' general meetings (or, assuming that the Over-allotment Option is exercised in full, approximately 2,460,468,000 Domestic Shares, representing approximately 62% of the Shares carrying rights to vote in all circumstances at our Shareholders' general meetings).

Save as disclosed herein, but not taking into account any Shares which may be taken up under the Global Offering, our Directors are not aware of any legal person or individual (not being one of our Directors or chief executive) who will, immediately following the completion of the Global Offering, be directly or indirectly interested in 10% or more of our Shares then in issue, or an equity interest in any principal subsidiaries referred to in the Accountants' Report.

Disclaimers

Save as disclosed in this Prospectus:

- none of our Directors or Supervisors has any interest in any of our Shares or debentures or in any shares or debentures of any associated company within the meaning of the SDI Ordinance, which will have to be notified to us and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which he is taken or deemed to have under section 31 of, or Part I of the Schedule to, the SDI Ordinance) or which will be required, pursuant to section 29 of the SDI Ordinance, to be entered in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in each case once the H Shares are listed. For this purpose, the relevant provisions of the SDI Ordinance will be interpreted as if they applied to the Supervisors;
- none of our Directors, Supervisors or Promoter nor any of the parties listed in the paragraph headed "Consents" in the section headed "Other Information" in this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this Prospectus, been acquired or disposed of by or leased to us or our subsidiaries, or are proposed to be acquired or disposed of by or leased to us or our subsidiaries;
- none of our Directors or Supervisors nor any of the parties listed in the paragraph headed "Consents" in the section headed "Other Information" in this Appendix is materially interested in any contract or arrangement existing at the date of this Prospectus which is significant in relation to our business;
- save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed "Consents" in the section headed "Other Information" in this Appendix:
 - (i) is interested legally or beneficially in any of our Shares or our subsidiaries' shares; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities or our subsidiaries' securities;

- none of our Directors or Supervisors has entered or proposes to enter into a service contract with us or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation);
- no amount or benefit has been paid or given within the two years preceding the date of this Prospectus to our Promoter nor is any such amount or benefit intended to be paid or given; and
- none of our Directors or Supervisors (as defined in the Listing Rules) or their associates or our Promoter has any interest in our five largest suppliers or our five largest customers.

OTHER INFORMATION

Tax and Estate Duty

Pursuant to the Reorganization Agreement referred to in the section headed “Further Information about Our Company—Reorganization” in this Appendix, CNOOC has agreed to pay, and will indemnify us against, any taxes payable in respect of any assets transferred from CNOOC to us, which has accrued on or before the date on which the Reorganization became effective, including liability for PRC estate duty and Hong Kong estate duty, the latter of which might be payable by us or our subsidiaries by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) to an affiliated company.

No liability for Estate Duty under PRC laws and regulations will arise from non-PRC nationals holding H Shares.

Our Directors have been advised that no material liability for estate duty under the laws of the PRC, where all of our assets and businesses are situated, or Hong Kong, will likely fall upon us or any of our subsidiaries.

Litigation

We are not engaged in any litigation or arbitration of material importance and our Directors are not aware of any pending or threatened litigation or claim of material importance either by or against us that would have a material effect on our results of operations or financial condition.

Preliminary Expenses

Our preliminary expenses are estimated to be approximately Rmb 500,000 and will be payable by us.

Sole Promoter

CNOOC, our controlling Shareholder, is our Promoter. CNOOC is a PRC state-owned enterprise established on February 12, 1982. Save as disclosed in this Prospectus, within the two years immediately preceding the date of this Prospectus, no amount or benefit has been paid or given to the promoter named above in connection with the Hong Kong Public Offering or the related transactions described in this Prospectus.

Particulars of CNOOC, Our Selling Shareholder

Information about CNOOC, our selling Shareholder, is set forth below.

Name: China National Offshore Oil Corporation

Address: CNOOC Plaza, No. 6, Dong Zhi Men Wai Xiao Jie, Beijing 100027, China

Description of business: State-owned company responsible for the administration and development of PRC offshore petroleum operations in cooperation with foreign oil and gas companies

Number of Sale Shares in the Global Offering (assuming that the Over-allotment Option is not exercised): 121,332,000.

Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, our H Shares. All necessary arrangements have been made enabling the securities to be admitted into CCASS.

Taxation of holders of H Shares

The Hong Kong Offer Shares are Hong Kong property for the purposes of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) (as amended) and, accordingly, Hong Kong estate duty may be payable in respect thereof on the death of an owner of H Shares.

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty and the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

No Material Adverse Change

Our Directors confirm that there has been no material adverse change in our financial or trading position or prospects and those of our subsidiaries since June 30, 2002.

Binding Effect

This Prospectus shall have the effect, if an application is made in pursuance hereof, of binding all persons concerned to all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

Miscellaneous

Save as disclosed in this Prospectus:

- within the two years preceding the date of this Prospectus, no share or loan capital has been issued or agreed to be issued, whether fully or partly paid, either for cash or for a consideration other than cash;
- no share or loan capital is under option or is agreed conditionally or unconditionally to be put under option;

- neither us nor any of our subsidiaries has issued or agreed to issue any founder shares, management shares or deferred shares;
- since the date two years prior to the date of this Prospectus, no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any of our Shares or any of our subsidiaries' shares; and
- within the two years preceding the date of this Prospectus, no commission has been paid or payable (except commissions to underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any of our H Shares.

We currently do not intend to apply for the status of a Sino-foreign investment joint stock limited liability company and do not expect to be subject to the Sino-foreign Joint Venture Law.

Save as disclosed in this Prospectus, none of our equity or debt securities are listed or dealt in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

We have no outstanding convertible debt securities or debentures.

Qualification of Experts

The qualifications of the experts, as defined in the Listing Rules, who have given opinions in this Prospectus are as follows:

<u>Name</u>	<u>Qualification</u>
Credit Suisse First Boston (Hong Kong) Limited	Exempt dealer
Merrill Lynch Far East Limited	Registered investment adviser
Commerce & Finance Law Offices	PRC legal advisers
Sallmanns (Far East) Limited	Property valuer
Ernst & Young	Certified public accountants

Consents

Pursuant to the relevant requirements under the Companies Ordinance and the Listing Rules, CSFB, Merrill Lynch, Commerce & Finance Law Offices, Sallmanns (Far East) Limited and Ernst & Young have given, and have not withdrawn, their respective written consents to the issue of this Prospectus with the inclusion of their reports, valuation certificate, letters and/or opinions and summaries of opinion (as the case may be) and/or the references to their names included herein in the form and context in which they respectively appear.