

HONG KONG UNDERWRITERS

JPMorgan (Asia Pacific)
UBS
BOCI Asia Limited
First Shanghai Securities Limited
Guotai Junan Securities (Hong Kong) Limited
Oriental Patron Asia Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES***Hong Kong Public Offering*****Hong Kong Underwriting Agreement**

The Hong Kong Underwriting Agreement was entered into on 15 September 2006. Pursuant to the Hong Kong Underwriting Agreement, our Company is offering the Hong Kong Public Offer Shares (subject to adjustment) for subscription by the public in Hong Kong at the Offer Price on and subject to the terms and conditions of this Prospectus and the Application Forms.

Subject to the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the H Shares (including any additional H Shares which may be issued, or converted from the Domestic Shares and transferred to NSSF for retention, upon the exercise of the Over-allotment Option) and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly, to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Public Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this Prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

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

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Public Offer Shares under the Hong Kong Underwriting Agreement are subject to termination by notice in writing from the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), if, prior to 8:00 a.m. on the Listing Date:

- (1) there has come to the notice of the Joint Global Coordinators:
 - (a) that any statement contained in this Prospectus or the Application Forms (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecasts, expressions of opinion, intention or expectation expressed in this Prospectus and the Application Forms, the formal notice and/or any announcements issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) are not fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this Prospectus, constitute a material omission therefrom; or

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- (c) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Purchase Agreement (other than by the Joint Global Coordinators, the Joint Sponsors or any of the Hong Kong Underwriters or the International Purchasers); or
 - (d) any event, act or omission which gives or is likely to give rise to any liability of any of our Company pursuant to the indemnity provisions contained in the Hong Kong Underwriting Agreement; or
 - (e) any adverse change or development involving a prospective change in the assets, liabilities, conditions, business affairs, prospects, profits, losses or financial or trading position or performance of our Company or any of our subsidiaries or jointly controlled entities (together, the “Group”, and each a “Group Company”); or
 - (f) any breach of, or any event rendering untrue or incorrect in any respect, any of the representations, warranties and undertakings of our Company under the Hong Kong Underwriting Agreement; or
 - (g) approval by the Listing Committee of the Hong Kong Stock Exchange of the listing of, and permission to deal in, the H Shares to be issued or sold (including any additional H Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (h) our Company withdraws this Prospectus (and any other documents used in connection with the contemplated subscription and sale of the H Shares) or the Global Offering;
- (2) there shall develop, occur, exist or come into effect:
- (a) any event, or series of events, in the nature of force majeure (including, without limitation, acts of government, declaration of a national or international emergency or war, calamity, crisis, economic sanction, strikes, lockouts, fire, explosion, flooding, civil commotion, riot, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism); or
 - (b) any change or development involving a prospective change or development, or any event or series of events likely to result in any change, or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency or market conditions or any monetary or trading settlement system or matters and/or disaster (including, without limitation, any moratorium, suspension or material restriction on trading in securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the London Stock Exchange or the NASDAQ National Market, or a material devaluation of Hong Kong dollars or the Renminbi against any foreign currencies, or any disruption in securities settlement or clearance services or procedures in or affecting Hong Kong, the PRC, the United States, the European Union or any other jurisdiction relevant to any Group Company) in or affecting Hong Kong, the PRC, the United States or the European Union or any other jurisdiction relevant to any Group Company; or

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- (c) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at Federal or New York State level or other competent authority), London, the PRC or any other jurisdiction relevant to any Group Company, or there is a material disruption in commercial banking or securities settlement or clearance services in those places; or
- (d) any new law or regulation or change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the United States, the European Union or any other jurisdiction relevant to any Group Company; or
- (e) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for the United States or by the European Union (or any member thereof) on the PRC or any other jurisdiction relevant to any Group Company; or
- (f) a change or development occurs involving a prospective change in taxation or exchange control, currency exchange rates or foreign investment regulations (or the implementation of any exchange control) in Hong Kong, the PRC, the United States or the European Union or any other jurisdiction relevant to any Group Company adversely affecting an investment in the H Shares; or
- (g) any litigation or claim of any third party being threatened or instigated against any Group Company; or
- (h) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (i) the chairman or chief executive officer of our Company vacating his or her office in circumstances where the operations of the Group may be materially and adversely affected; or
- (j) the commencement by any regulatory body of any public action against a Director in his or her capacity as such or an announcement by any regulatory body that it intends to take any such action; or
- (k) a contravention by any Group Company of the Companies Ordinance or any of the Hong Kong Listing Rules; or
- (l) a prohibition on our Company for whatever reason from allotting or selling the H Shares (including the additional H Shares to be made available on the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (m) non-compliance of this Prospectus (or any other documents used in connection with the contemplated subscription and sale of the H Shares) or any aspect of the Global Offering with the Hong Kong Listing Rules or any other applicable law or regulation; or
- (n) other than with the approval of the Joint Global Coordinators, the issue or requirement to issue by our Company of a supplementary prospectus (or any other documents used in connection with the contemplated subscription and sale of the H Shares) pursuant to the Companies Ordinance or the Hong Kong Listing Rules; or

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- (o) an order is made for the winding up of any Group Company or any Group Company makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any Group Company or a provisional liquidator, receiver or manager is appointed over all or part of the material assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any material Group Company,

which in the sole opinion of the Joint Global Coordinators (1) is or will or may have a material adverse effect on the business, financial or other condition or prospects of the Group as a whole; or (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (3) makes it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (4) would have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

Undertakings to the Hong Kong Stock Exchange pursuant to the Hong Kong Listing Rules

- ***By us***

Pursuant to Rule 10.08 of the Hong Kong Listing Rules, we have undertaken to the Hong Kong Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except in certain circumstances prescribed by Rule 10.08 of the Hong Kong Listing Rules.

- ***By CNOOC***

Pursuant to Rule 10.07(1), CNOOC, our Controlling Shareholder, has undertaken to the Hong Kong Stock Exchange that it shall not and shall procure that the relevant registered holder(s) shall not:

- (a) in the period commencing on the date by reference to which disclosure of the shareholding of CNOOC is made in this Prospectus and ending on the date which is six months from the Listing Date dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares or securities of our Company in respect of which it is shown by this Prospectus to be the beneficial owner, except the transfers of Shares to NSSF as disclosed in the Prospectus; or
- (b) in the period of six months commencing on the date on which the period referred to in (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances it would cease to be our Controlling Shareholder.

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CNOOC has also undertaken to the Hong Kong Stock Exchange and us that, within the period commencing on the date by reference to which disclosure of the shareholding of CNOOC is made in this Prospectus and ending on the date which is 12 months from the Listing Date, it will:

- (a) when it pledges or charges any Shares or our other securities beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and
- (b) when it receives any indications, either verbal or written, from any pledgee or chargee of any Shares or our other securities pledged or charged that such Shares or securities will be disposed of, immediately inform us of any such indications.

We will inform the Hong Kong Stock Exchange as soon as we have been informed of the above matters (if any) by CNOOC and disclose such matters by way of a press notice which is published in the newspapers as soon as possible after being so informed by CNOOC.

Undertakings to the Hong Kong Underwriters

We have undertaken to each of the Joint Global Coordinators, the Hong Kong Underwriters and the Joint Sponsors 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 the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date which is six months after the Listing Date, we will not without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Hong Kong Listing Rules (and only after the consent of the relevant PRC authorities (if so required) has been obtained) and will procure that the Group Companies will not:

- (i) offer, accept subscription for, pledge, issue, sell, lend, mortgage, assign, charge, 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, conditionally or unconditionally, any of its share capital or other securities or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive such share capital), or
- (ii) 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 or securities or any interest therein, or
- (iii) offer to or agree to do any of the foregoing or announce any intention to do so,

whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise (whether or not such issue of Shares or securities will be completed within such period). In the event of a disposal as described in (i) or (ii) above by virtue of the aforesaid exceptions or during the period of six months immediately following the expiry of the first six-month period after the Listing Date, we will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

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CNOOC has undertaken to each of our Company, the Joint Global Coordinators, the Hong Kong Underwriters and the Joint Sponsors that except as disclosed in this Prospectus it will not, without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Hong Kong Listing Rules:

- (i) at any time during the period from the date of the Hong Kong Underwriting Agreement and ending on the date which is six months from the Listing Date (the “First Six-month Period”), 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, conditionally or unconditionally, any of the share capital, debt capital or other securities of our Company or any interest therein held by it (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital or other securities of our Company or any interest therein) or enter into any swap or other arrangement that transfers, 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, or offer to or agree to do any of the foregoing or announce any intention to do so;
- (ii) at any time during the period of six months commencing on the date on which the First Six-month Period expires (the “Second Six-month Period”), 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, conditionally or unconditionally, any of the share capital, debt capital or other securities of our Company or any interest therein held by it (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital or other securities of our Company or any interest therein) or enter into any swap or other arrangement that transfers, 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, or offer to or agree to do any of the foregoing or announce any intention to do so if, immediately following such transaction, it would cease to be our Controlling Shareholder; and
- (iii) in the event of a disposal by it of any of our Company’s share capital or any interest therein during the Second Six-month Period it will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for the Shares or other securities of our Company.

CNOOC has further undertaken to our Company, the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters that it will, at any time within the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date which is 12 months after the Listing Date:

- (i) upon any pledge or charge in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the laws of Hong Kong)) of any Shares or securities or interests in the Shares or securities of our Company beneficially owned by it for a bona fide commercial loan, immediately inform our Company and the Joint Global

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Coordinators in writing of such pledge or charge together with the number of Shares or securities so pledged or charged; and

- (ii) upon any indication received by it, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in the Shares or securities of our Company will be disposed of, immediately inform us and the Joint Global Coordinators in writing of such indications.

We have undertaken to the Joint Global Coordinators, the Joint Sponsors and each of the Hong Kong Underwriters, that we will also inform the Hong Kong Stock Exchange as soon as we have been informed of the above matters (if any) by CNOOC and disclose such matters by way of a press notice which is published in the newspapers as soon as practicable after being so informed by CNOOC.

Indemnity

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

The International Offering

In connection with the International Offering, it is expected that our Company will enter into the International Purchase Agreement with the International Purchasers. Under the International Purchase Agreement, the International Purchasers would, subject to certain conditions set out therein, agree, severally and not jointly, to purchase the International Offer Shares or to procure purchasers for the International Offer Shares.

Under the International Purchase Agreement, our Company is expected to grant to the International Purchasers the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Purchasers at any time from the date of the International Purchase Agreement until 30 days after the last day for lodging applications under the Hong Kong Public Offering to require us to allot and issue up to 210,000,000 additional H Shares representing approximately 15% of the H Shares initially available under the Global Offering, at the same price per H Share under the International Offering, to, among other things, cover over-allocations in the International Offering, if any.

We will agree to indemnify the International Purchasers against certain liabilities, including liabilities under the U.S. Securities Act and the U.S. Exchange Act.

Commission and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 3.5% on the Offer Price of the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commission. For unsubscribed Hong Kong Public Offer Shares reallocated to the International Offering, our Company will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the Joint Global Coordinators and the relevant International Purchasers (but not the Hong Kong Underwriters). The International Purchasers will receive a commission of 3.5% of the aggregate Offer Price of the International Offer Shares offered under the International Offering.

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The aggregate commissions and fees, together with listing fees, SFC transaction levy and Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering payable by our Company are estimated to amount to approximately HK\$120 million (assuming an Offer Price of HK\$1.64, which is the mid-point of the indicative offer price range and that the Over-allotment Option is not exercised) in total.

HONG KONG UNDERWRITERS' INTERESTS IN OUR COMPANY

Save as disclosed in this Prospectus, none of the Hong Kong Underwriters has any shareholding interests in our Company or any of our subsidiaries or the right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company or any of our subsidiaries.

Following completion of the Global Offering, the Underwriters and their affiliated companies may hold H Shares as a result of fulfilling their obligations under the Underwriting Agreements.