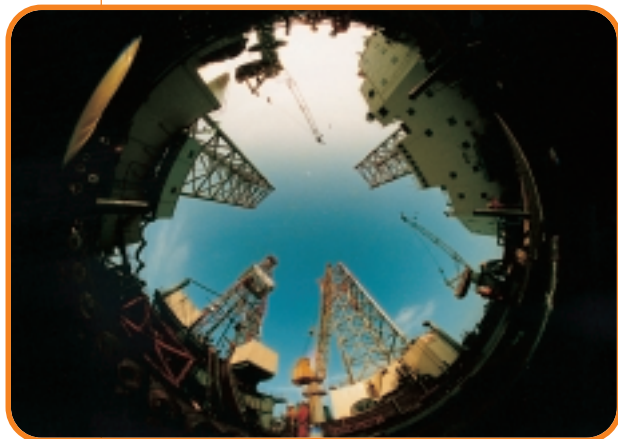


President's Review



I am pleased to report that the Company achieved remarkable operating results and significant progress in corporate development in 2000. With an open mind for new ideas, a proactive attitude, and steady forward progress, CNOOC Limited is well equipped to enter into the global market, and secure a leading position in an industry of intensifying competition.

Review of the Year 2000

Five New Discoveries Made. Building on the excellent exploration success in 1999, five discoveries of oil-bearing structures were made in 2000 by our independent operations and by our production sharing contract partners. These discoveries include the Qikou 18-2, Caofeidian 12-1, Penglai 9-1, Penglai 25-6 and Huizhou 19-3 fields. These new fields will support the continued reserve and production growth of the Company. During the year 2000, our reserve replacements exceeded our annual production. However, a 40% sale in two of our Wenchang fields resulted in a 40 million BOE net proved reserve reduction and a slightly lower reserve level as of December 31, 2000 than that of the previous year.

Oil and Gas Production Increased Steadily. As international oil prices rose significantly in 2000, the Company adjusted its production plans and consequently increased its production levels. Coupled with the commencement of the production of three new fields, Huizhou 26-1N, Qikou 17-2 and Suizhong 36-1 Phase II, our average net oil and

gas production increased to 239,337 BOE per day in 2000 from 208,815 BOE per day in 1999. In 2000, net oil and gas production reached 75.5 mmbbls and 72.4 bcf, respectively, totalling 87.6 million BOE, an increase of 14.6% over 1999.

Development Projects on Schedule. By imposing strict control over quality, budget and implementation, the development projects relating to the Suizhong 36-1 field Phase II, the Wenchang fields and the Qinhuangdao 32-6 field progressed as planned and on schedule. The development of Phase I of Dongfang 1-1, the largest offshore China gas field, officially commenced in June 2000.

Further Improved Financial Position. Due to high oil prices, our production growth and effective cost reduction measures, the financial position of the Company was strengthened. Total revenues for the year were Rmb24.2 billion (US\$2.92 billion), representing an increase of 58.2% over 1999; net profit was Rmb10.3 billion (US\$1.24 billion), representing an increase of 150.4% over 1999; and earnings per share was Rmb1.63, representing an increase of 136.2% over 1999. Return on average shareholders' equity for the year was 66.6%, representing an increase of 19.4% over 1999; and return on average capital employed was 41.9%, representing an increase of 89.6% over 1999. Our debt to total capital ratio has decreased to 31.5% as at December 31, 2000, reduced from 56.2% as at December 31, 1999.

“With an open mind for new ideas, a proactive attitude, and steady forward progress, CNOOC Limited is well equipped to enter into the global market, and secure a leading position in an industry of intensifying competition.”



Chengyu FU
President and Chief Operating Officer

HSE Objectives Achieved. In early 2000, we developed and implemented on a company-wide basis a health, safety and environmental protection (“HSE”) programme. During 2000, we did not encounter any incident resulting in deaths, incidents of oil spillage of material quantities, or other material health, safety and environmental incident. This demonstrated our continued commitment to a top priority to HSE.

Planning for 2001

2001 is the first year in which CNOOC Limited operates as a publicly listed company. It is also a critical year to consolidate our fundamental strengths for the medium to long-term development of the Company.

On the back of our performance in 2000, our key objective for 2001 is to continue to grow our production. We plan to:

- commence production of new oil and gas fields on time and proceed with development projects as scheduled with effective control of quality, budget and progress, through detailed planning and careful execution;
- continue to implement our low cost strategy, strengthen cost control, upgrade management skills, and improve the Company's competitiveness;
- expedite natural gas exploration and development in the South China Sea and the Xihu trough area of the East China Sea. We will endeavor to make strategic breakthroughs in natural gas exploration through aggressive and methodical planning;

- continue to apply the Company's “win-win” approach in working with our international partners, and expand our cooperation on this basis; and
- make greater efforts in the research and introduction of the technologies that are key to the medium to long-term development of the Company.

Setting our sights on the Company's long-term development, we will also focus on devising a competitive human resources policy to develop further our human resources. To answer the new challenges that CNOOC Limited now faces as a publicly listed company, we will seek to promote innovation and competitiveness as key attributes of our corporate culture. We hope this corporate culture will stimulate creativity, promote an enterprising attitude, as well as attract and retain talented staff, all of which are imperative to the high-growth, high-efficiency development of the Company in the future.

With the joint effort of the management and staff, I am fully confident that CNOOC Limited will be able to accomplish the above plans for 2001, and deliver on our commitments to our shareholders.

Chengyu FU
President and Chief Operating Officer
Hong Kong, April 11, 2001