



# Chairman's Statement

*“ Low cost and production growth helped the Company achieve a 32.2% return on equity and an average of 26.7% return on capital employed. In addition to an interim dividend of HK\$0.10 per share and final dividend of HK\$0.15 per share, the Company's share prices remained at, on average, more than 20% above the Offer Price. Compared to a decrease of approximately 14% in the S&P E&P index, our shareholders have received great value for their investment. ”*



## Chairman's Statement



*“Looking forward to 2002, my team and I will continue to focus on growth, efficiency, shareholder returns and corporate governance. The Company will continue to pursue prudent management strategies.”*

**Liucheng WEI**

*Chairman and Chief Executive Officer*

Dear shareholders,

In 2001, CNOOC Limited reached a new stage of its corporate development. On February 27 and 28, the Company successfully listed its shares on the New York Stock Exchange ("NYSE") and the mainboard of The Stock Exchange of Hong Kong Limited (the "HKSE") through an initial public offering. Through the listing, the Company's operating strategy, corporate governance, management quality and operating performance were brought to the attention of the international capital markets for the first time. The markets appeared to embrace them warmly, opening new horizons for the Company.

The Company's business strategy features a focus on:

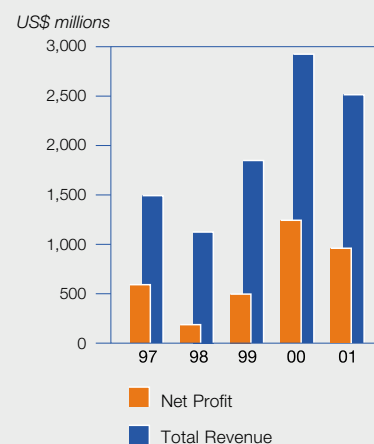
1. petroleum and natural gas exploration, development and production;
2. achieving low-risk production growth through accelerated development;
3. implementing an exploration strategy that combines independent and production sharing contracts efforts;
4. pursuing a low-cost operating policy; and
5. devising a sound natural gas business strategy.

My management team and employees were committed to this formulated strategy and, as a result of their outstanding performance, delivered an excellent scorecard to our shareholders.

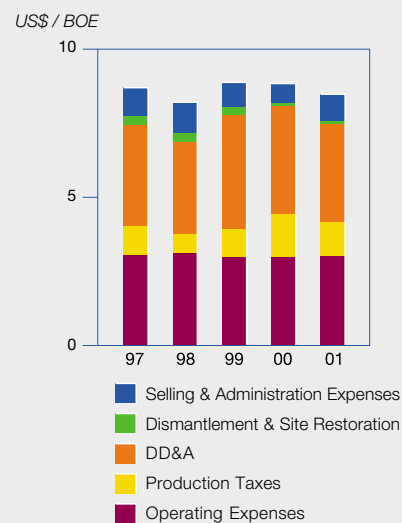
2001 was a turbulent year for the petroleum industry: the bursting of high-tech bubbles seriously dampened the market's appetite for risk; terrorism and continued instability in the Middle East severely endangered global security; and the main economies of the world were in a weak state. These factors lowered global demand for petroleum and natural gas and created an unfavorable business environment for the Company.

The Company introduced certain measures to mitigate the threats. Its strategy was to focus on and implement effectively its business plan. Riding on the crest of the Company's quality asset base and China's robust economic growth and stable energy policies, the management remained diligent and focused. We successfully implemented the business plan for the year and delivered on our commitment to our shareholders at the beginning of the year.

### Net Profit and Total Revenue



### Total Production Cost



## Chairman's Statement (Cont'd)

The Company's relatively strong profit margins continued to exemplify its sound operating performance. Profit before tax reached RMB11,006 million (US\$1,330 million). Although slightly lower than in the previous year, earnings exceeded expectations in an environment where the average oil price dropped 17.3%. Low cost (total all-in-production cost was US\$8.39 per barrel-of-oil equivalent) and production growth (a production growth of more than 9.2%) helped the Company achieve a 32.2% return on equity and an average of 26.7% return on capital employed. Our solid operating performance continued to deliver satisfactory returns to our shareholders. In addition to an interim dividend of HK\$0.10 per share and final dividend of HK\$0.15 per share, the Company's share prices remained at, on average, more than 20% above the offer price. Compared to a decrease of approximately 14% in the S&P E&P index, our shareholders have received great value for their investment.

Looking forward to 2002, my team and I will continue to focus on growth, efficiency, shareholder returns and corporate governance. The Company will continue to pursue prudent management strategies. We will achieve our business objective by taking advantage of the

Company's strong asset base and successful strategy and operating results and strive to create greater returns and value for our shareholders.

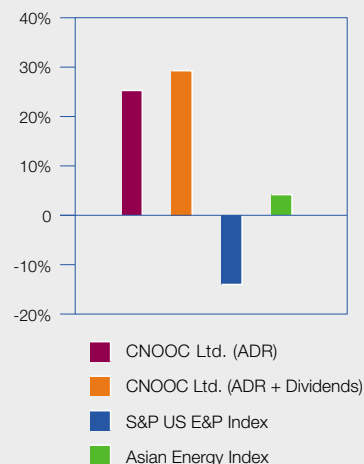
I would like to express my appreciation to our shareholders for your confidence in the Company in the past and I look forward to your continued support.

I am also grateful to our employees for their great efforts. Our employees are key to the success of the Company.

### Liucheng WEI

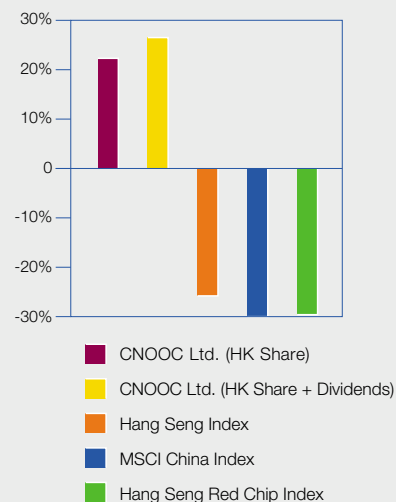
Chairman and Chief Executive Officer  
Hong Kong, March 27, 2002

### Total Return (21/02/01 to 31/12/01)



Note: Asian Energy Index includes: PetroChina, Sinopec, CNOOC Ltd., PTTEP and Gulf Indonesia

### Total Return (21/02/01 to 31/12/01)



Source: Bloomberg