



CHAIRMAN'S STATEMENT

An aerial photograph of an offshore oil platform at sea, viewed from a high angle. The platform is a complex of steel structures, including a central derrick and various support beams. The surrounding water is a deep blue, and the sky is a lighter blue. The image is used as a background for the Chairman's Statement text.

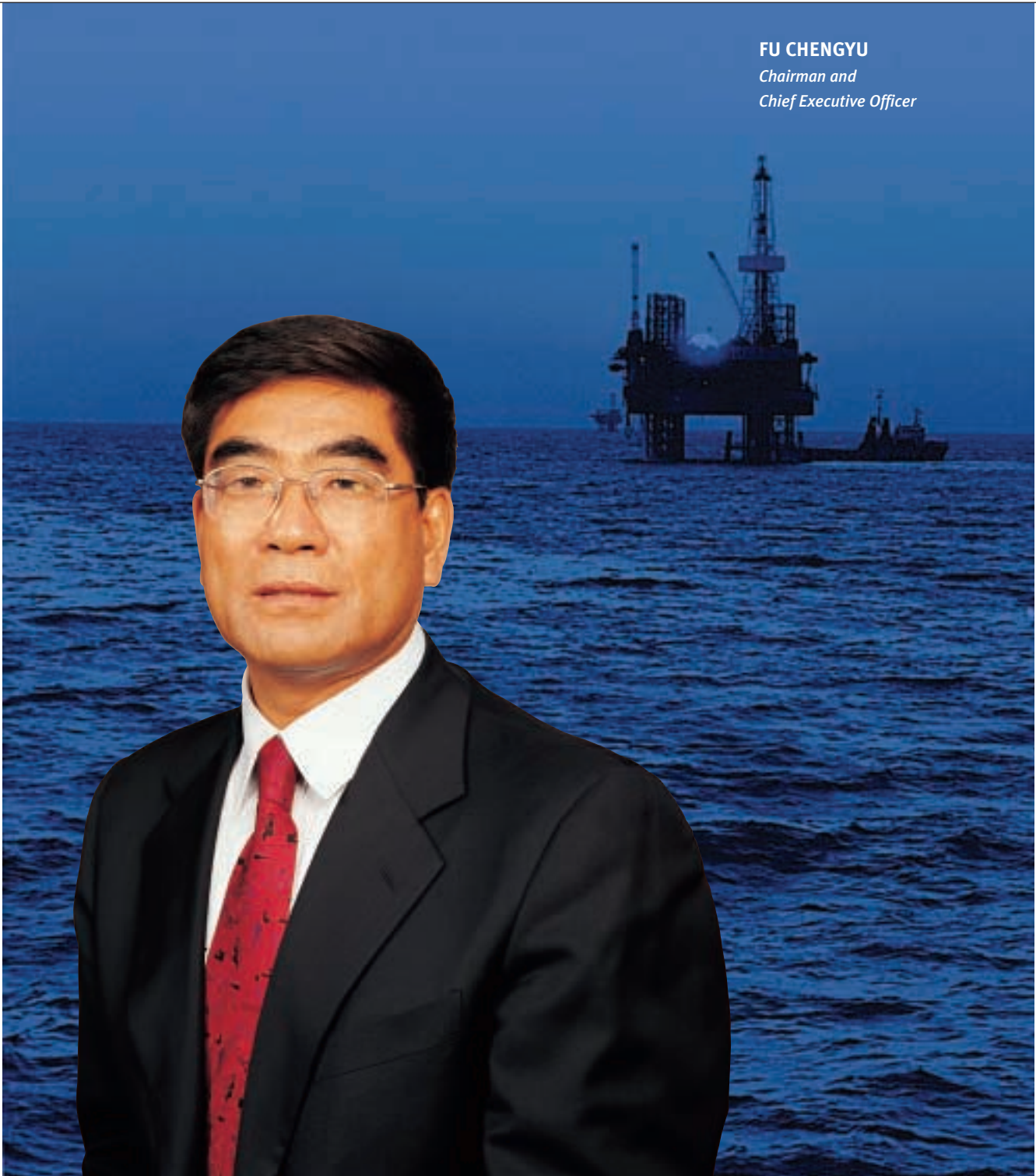
Through our exploration efforts, the Company achieved significant increases in its oil and gas reserves. The Company's net profit for the year also reached a historical high of RMB11,535.5 million due to the continued production commencement of new projects, stable production growth and effective cost control. Return on equity reached 26.4%.

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I will continue to work with the management team to pursue the established goals of the Company: Maintaining our development strategies to achieve sustainable, long-term growth and shareholders' value maximization.

FU CHENGYU

*Chairman and
Chief Executive Officer*



Thanks to the trust and support of our shareholders, the Company has developed rapidly since its listing three years ago, achieving enviable results. In October 2003, our former Chairman and Chief Executive Officer Mr Wei Liucheng left the Company to assume a senior government position. I wish to take this opportunity to express our sincere gratitude to Mr Wei for his invaluable contributions to the Company.

I will continue to work with the management team to pursue the established goals of the Company: maintaining our development strategies to achieve sustainable long-term growth and shareholders' value maximization.

2003 was a politically and economically turbulent year. The operating environment of the industry was presented with many challenges; however, due to strong oil demand and persistent strength in international oil prices, the Company has continued to achieve satisfactory results. Through our exploration efforts, the Company achieved significant increases in our oil and gas reserves. The Company's net profit for the year also reached a historical high of RMB11,535.5 million, due to the continued production commencement of new projects, stable production growth and effective cost management. Return on equity hit 26.4%.

In view of the Company's prudent financial policies and strong financial position, Moody's investors service has upgraded the Company's credit rating from Baa1 to A2, creating a new ground for the Company's low cost funding in the future.

During the year under review, the Company capitalized on the low interest rate environment of the international market and successfully issued a tranche of USD200

million 10 year bonds and a tranche of USD300 million 30 year bonds, improving the Company's capital structure.

Looking forward, the Company's core strategies will remain unchanged in the future. Working with the management, we will continue to maintain production and reserves growth, further develop our natural gas business, maintain prudent financial management policies and competitive cost structure and ensure the Company's long-term growth in order to maximize shareholder's returns.

Being an upstream E&P company, it is very important for us to find more oil and gas reserves through exploration activities. As such, the Company intends to apply the latest technology offshore China, with Bohai Bay and various high potential areas being the Company's major exploration focus. We will continue to strengthen cooperation with foreign oil companies offshore China and advance exploration into deep-water area. While we focus our reserve and production growth offshore China, we will continue to seize new opportunities to acquire quality oil and gas assets overseas.

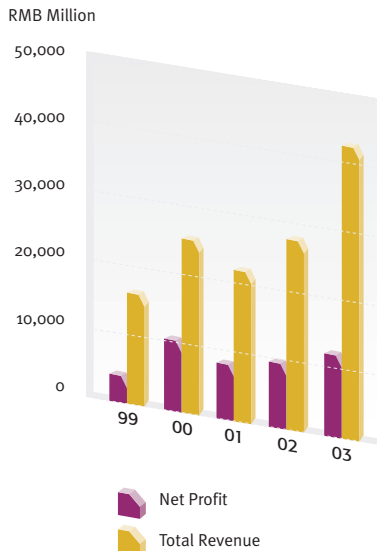


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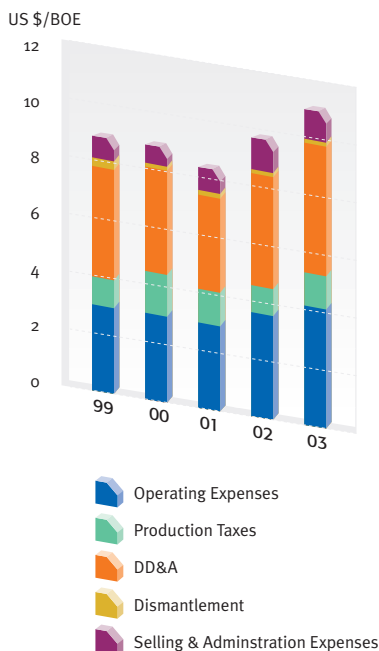
TOTAL REVENUE AND NET PROFIT



With a large base of proved undeveloped reserves, the Company has already lined up a pipeline of development projects. We expect this pipeline of development projects will continue to bring stable production growth for the Company beyond 2005.

Natural gas (including LNG) will become a major driving force for the Company's growth. In 2003, we made two other natural gas discoveries in Liuhua 19-5 and Panyu 35-1 in Eastern South China Sea, following significant gas discoveries of the Panyu 30-1 and Panyu 34-1 in South China Sea, laying a solid foundation for the supply of natural gas to the booming Pearl River Delta region. We will also capitalize on the vast opportunities arising from our parent company's LNG projects in South Eastern China coastal areas region. Following the acquisition of interests in the Indonesian Tangguh Project and the Northwest Shelf Project in Australia, we have also signed an agreement with the participants of the Australian Gorgon project to explore the opportunity to cooperate in the project. In 2003, offshore China's second largest gas field, Dongfang 1-1 (phase I), commenced production earlier than expected, and started to supply gas to Hainan Province. This marks a new milestone for the Company's natural gas strategy.

TOTAL PRODUCTION COST



In comparison with our peers, we continue to have an edge in terms of our cost structure. Nevertheless, we will continue to strengthen our management and improve operating efficiencies. We will also look for breakthroughs in certain crucial technological fields. We expect to reduce our cost through management and technological innovation so as to maintain our competitive cost structure.

The Company will continue to maintain its prudent financial policies and investment strategies to maintain the Company's competitive cost structure as well as its healthy financial position.

People are our most important assets. Strengthening our human resources development and creating a highly efficient executive team has been a major focus of the management over the years. In 2003, we successfully carried out reforms in employment and remuneration systems. This will help advocate friendly competition, encourage creativity, and provide a solid platform for the intellectual development of each of our staff. As a people-oriented and caring company, we aim to create a conducive environment whereby everyone's hard work and creativity can be fully developed and realized so that the operating goals of the Company can be best achieved.



Protection and improvement of health, safety and the environment has always been among the Company's established objectives. During 2003, we were able to maintain our excellent record in these areas with zero records in both "number of days away" and casualty rates. During the SARS-affected period, the Company's management placed great emphasis on combating the disease with appropriate and effective measures. Our comprehensive health, safety and environment systems helped to successfully control the spread of the disease with not a single case of infection recorded among our staff and their families. We have been encouraged to continue and improve on our established HSE policies.

The Company has built up quality assets, a tremendous team of staff and excellent development potential. However, we should not be complacent. While maintaining our growth record, we will embark on a new development platform, accelerate the pace of our development, increase our earning potential and improve the quality of our projects in order to create even better value for our shareholders. These are the operational concepts which the management and I are committed to implement and we shall work hard to realize such goals.

In appreciation of the support of our shareholders, the Board of Directors has recommended a final dividend of HK\$0.12 and a special dividend of HK\$0.18 in view of the year's remarkable performance and the Company's healthy financial position. During 2003, we distributed a total of HK\$0.62 to our shareholders in the form of interim, final and special dividends.

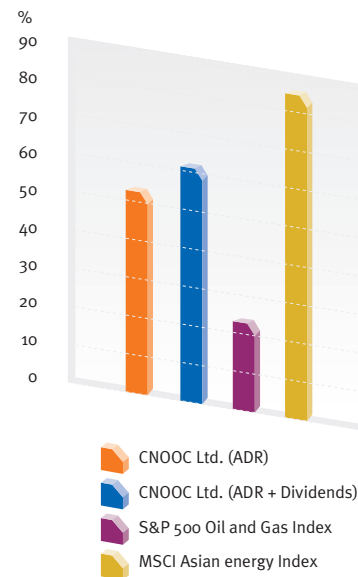
After more than a century of fabulous growth, the world petroleum industry is experiencing some far-reaching changes. As one bright spot in the world economy, China has continued to maintain its growth momentum, triggering an increase in the global demand for oil. According to statistics, China is now the second largest country in terms of oil consumption, offering ample development opportunities for oil companies in China.

2003 was a year of change and remarkable performance for CNOOC Ltd. The year 2004 continues to present challenges, but we are confident that, through implementation of our established strategies, we will be able to fulfill the Company's stated objectives, creating healthy returns and increased value for our shareholders, and harmonizing the development of our shareholders, staff and the community.

FU CHENGYU

Chairman and Chief Executive Officer
 Hong Kong, 15 March 2004

TOTAL RETURN (From 01-01-03 to 31/12/03)



TOTAL RETURN (From 01-01-03 to 31/12/03)

