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CNOOC LTD
Form 6-K
April 23, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934

For April 16, 2004

CNOOC Limited

(Translation of registrant's name into English)

65th Floor
Bank of China Tower
One Garden Road
Central, Hong Kong
(Address of principal executive offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F)

Form 20-F X Form 40-F
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(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes No X
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(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A.)

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Company Profile

CNOOC Limited (the "Company", together with its subsidiaries, the "Group" or "we") - Incorporated in Hong Kong in August 1999, CNOOC Limited was listed on the New York Stock Exchange ("NYSE") (code: CEO) and The Stock Exchange of Hong Kong Limited ("HKSE") (code: 0883) on 27 and 28 February 2001, respectively. The Company was admitted as a constituent stock of the Hang Seng Index in July 2001.

The Group mainly engages in offshore oil and natural gas exploration, development, production and sales. It is China's largest producer of offshore crude oil and natural gas and one of the largest independent oil and gas exploration and production companies in the world.

The Group has four major oil production areas offshore China and is the largest offshore oil producer in Indonesia. The four offshore China areas are: Bohai Bay, Western South China Sea, Eastern South China Sea and East China Sea.

As at 31 December 2003, the Group owned net proved reserves of approximately 2.1 billion barrels-of-oil equivalent and its annual daily average net production was 356,729 barrels-of-oil equivalent per day. The Group had slightly over 2,447 employees and total assets of approximately RMB73.5 billion.

[PICTURE OMITTED]

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Financial Summary

(Amounts expressed in millions of RMB)

Consolidated Income Statement

	1999	2000	Year ended 31 December 2001
Total revenue	15,311	24,224	20,820
Total expenses	(9,490)	(12,166)	(10,596)
Interest income (expenses), net	(568)	(238)	201
Exchange gain/(loss), net	(432)	381	235
Share of profit of an associate	13	218	90
Short term investment income	-	-	221
Non-operating income (expenses), net	(1)	(196)	35
Profit before taxation	4,833	12,223	11,006
Provision for taxation	(722)	(1,926)	(3,048)
Net profit	4,111	10,297	7,958

Consolidated Balance Sheet

	1999	2000	As at 31 December 2001
Current assets	4,987	9,472	20,030
Property, plant and equipment, net	20,908	22,654	23,828
Investment in associates	274	471	462
Total assets	26,169	32,597	44,320
Current liabilities	(9,177)	(8,768)	(4,392)
Non-current liabilities	(8,608)	(7,707)	(6,617)
Total Liabilities	(17,785)	(16,475)	(11,009)
Shareholders' Equity	8,384	16,122	33,311

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Note:

Prior to the Reorganisation, the Company and its subsidiaries (the "Group") did not exist as separate legal entities and their business operations were conducted by CNOOC and its various affiliates. In connection with the Reorganisation, CNOOC's oil and gas exploration, development, production and sales businesses and operations conducted both inside and outside of the PRC were transferred to the Group.

As CNOOC controlled the businesses and operations transferred to the Group before the Reorganisation and continues to control the Group after the Reorganisation, accordingly, the transfer of the businesses and operations has been accounted for as reorganisation of companies under common control in a manner similar to a pooling of interests.

On the basis described above, the financial statements have been prepared to present results of operations of the Group for the years ended 31 December 1999 to 2003 and the financial positions of the Group as at 31 December 1999 as if the businesses and operations had been transferred to the Group at the beginning of the period presented.

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CNOOC LIMITED

Year ended 31 December

Production	1999	2000	2001
Net production of crude and liquids (barrels/day)			
Bohai Bay	45,205	63,797	99,978
Western South China Sea	35,163	46,434	41,277
Eastern South China Sea	88,052	90,097	81,404
East China Sea	3,249	3,557	3,967
Overseas	3,077	2,462	2,247
Total	174,745 =====	206,347 =====	228,873 =====
 Net production of natural gas (mmcf/day)			
Bohai Bay	43.1	45.8	46.2
Western South China Sea	156.8	144.3	139.0
Eastern South China Sea	0	0	0
East China Sea	4.5	7.8	9.8
Overseas	0	0	0
Total	204.4	197.9	195.0
Total net production (BOE/day)	208,815 =====	239,337 =====	261,379 =====

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Reserves at year end			
Net proved crude and liquids reserves (mm barrels)			
Bohai Bay	915.5	923.9	961.3
Western South China Sea	190.4	141.1	131.6
Eastern South China Sea	117.4	136.8	132.2
East China Sea	8.2	4.5	12.4
Overseas	10.1	9.5	8.4
Total	1,241.6	1,215.8	1,245.9
	=====	=====	=====
Net proved natural gas reserves (bcf)			
Bohai Bay	605.7	591.4	629.1
Western South China Sea	2,647.8	2,593.0	2,421.5
Eastern South China Sea	0	0	0
East China Sea	67.2	65.3	197.0
Overseas	0	0	0
Total	3,320.6	3,249.7	3,247.6
	=====	=====	=====
Total net proved reserves (million BOE)			
Bohai Bay	1,016.5	1,022.4	1,066.2
Western South China Sea	631.7	573.3	535.1
Eastern South China Sea	117.4	136.8	132.2
East China Sea	19.4	15.4	45.2
Overseas	10.1	9.5	8.4
Total	1,795.1	1,757.4	1,787.1
	=====	=====	=====
Others			
Reserve life (years)	23.6	20.1	18.7
Reserve replacement ratio (%)	170	104	131
	=====	=====	=====
Average realised price			
Crude oil (US\$/barrel)	18.91	28.21	23.34
Natural gas (US\$/mcf)	2.88	3.09	3.08
	=====	=====	=====

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Corporate Milestones

[PICTURE OMITTED]

8 February

The Company completed the acquisition of equity interest in the Tangguh LNG project.

7 March

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The Company signed an agreement for the acquisition of a partial interest of the Kashagan Oilfield in North Caspian Sea. The acquisition was however withdrawn on May 12 as existing owners exercised their pre-emption rights.

[PICTURE OMITTED]

15 May

The Company issued 10 year and 30 year global bonds totaling US\$500 million and reached an agreement for the acquisition of the Northwest Shelf Gas Project in Australia.

16 June

The Company's partner ConocoPhillips made two exploration discoveries in Bohai Bay: Penglai 19-9-1 and Penglai 13-1-1.

28 July

The Company announced major natural gas discoveries in Panyu 30-1/34-1 of the Eastern South China Sea.

[PICTURE OMITTED]

19 August

CNOOC reached an agreement with Sinopec, Shell and Unocal to explore and develop the Xihu Trough.

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[PICTURE OMITTED]

16 September

Appointed Mr Evert Henkes, the former CEO of Shell's global chemical business, as the Company's independent non-executive director. Mr Chak Kwong So resigned from the Board.

[PICTURE OMITTED]

23 September

Phase 1 of the Company's largest independent gas field Dongfang 1-1 commenced production.

[PICTURE OMITTED]

8 October

Panyu 4-2 and Panyu 5-1 oilfields commenced production.

16 October

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Mr Chengyu Fu was appointed as the Company's Chairman and Chief Executive Officer.

Moody's elevated the Company's credit rating to A2.

24 October

CNOOC signed an agreement on the Gorgon LNG project. The Company is studying the viability of investing in the project.

31 October

The Company announced its long-term strategy.

[PICTURE OMITTED]

December

The Company received The Best Corporate Governance Company in China for two consecutive years in "The Asset" poll. Euromoney named CNOOC Ltd the "Best Oil & Gas Company in Asia", and the "Best Managed Company in China".

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[PICTURE OMITTED]

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Chairman's Statement

[PICTURE OMITTED]

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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Chairman's Statement

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.

[PICTURE OMITTED]

FU CHENGYU
Chairman and
Chief Executive Officer

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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 Baal 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

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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.

[PICTURE OMITTED]

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.

[PICTURE OMITTED]

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Chairman's Statement

[Graph Omitted]
Total Revenue
and Net Profit
1999-2003

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 Lihua 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.

[Graph Omitted]
Total Production
Cost
1999-2003

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

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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.

[PICTURE OMITTED]

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CNOOC LIMITED Annual Report 2003

[Graph Omitted]
Total Return
(from 1-1-03
to 31-12-03)
CNOOC Ltd (ADR)

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.

[Graph Omitted]
Total Return
(from 1-1-03
to 31-12-03)

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

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CNOOC Ltd. (HK)

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

[PICTURE OMITTED]

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[PICTURE OMITTED]

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Operations Overview

[PICTURE OMITTED]

Adhering to its objective of maximizing shareholder's value, the Company met all operating targets set at the beginning of 2003 through continuous reserve and production growth, maintaining cost efficiency and improving profitability.

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CNOOC LIMITED Annual Report 2003

Operations Overview

[Graph Omitted] 2003: Steady growth and record profit
Historical Reserve Adhering to its objective of maximizing shareholder's value,
Growth the Company met all operating targets set at the beginning
1999-2003 of 2003 through continuous reserve and production growth,
maintaining cost efficiency and improving profitability.

In 2003, the Company's oil and gas production was 356,729 boe per day, representing a 3% increase over the previous year. Of this, crude oil production reached 306,464 barrels per day while natural gas production amounted to 291.0 Mmcf per day, representing an increase of 2.6% and 6.7% over last year respectively. Oil and gas production in offshore China was 265,967 barrels per day and 189.1 Mmcf per day respectively. Total oil and gas production reached 299,252 boe per day; In Indonesia, oil and gas production was 40,497 barrels and 101.9 Mmcf per day. Total oil and gas production was 57,477 boe per day.

[Graph Omitted] In 2003, realized oil price was US\$28.11 per barrel, 15.4%
Historical increase over 2002. Realized natural gas price was US\$2.87
Production per thousand cubic feet. Total oil and gas sales amounted
Growth to RMB28,116.8 million, a year-on-year increase of 18.2%;
1999-2003 the Company realised a net profit of RMB11,535.5 million,
up 24.9% over last year and reached a record high in the
Company's history. Per share earning reached RMB1.40 and
ROE was 26.4%. Sharing its success with the shareholders,
the Company recommended a final dividend of HK\$0.12 and a
special final dividend of HK\$0.18.

The successful commencement of production of the three major oil and gas fields - Dongfang 1-1 (Phase I), Panyu 4-2, Panyu 5-1, made active contributions to the Company's production growth.

The Company also increased its interests in the Qinhuangdao 32-6 and Liuhua 11-1 oilfields.

Remarkable exploration success with 12 new oil and gas discoveries further strengthen the Company's reserve organic growth

In 2003, the Company recorded remarkable exploration results, with 12 new oil and gas discoveries. Among

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located in Indonesia. Of the 12 discoveries, six are independent discoveries.

The Company's reserves also grew significantly. In 2003, the proved reserves increased by 242.9 million boe, realizing a reserve replacement rate of 187%.

In 2003, the Company achieved major breakthroughs in the research on new exploration areas and efforts in risk exploration work, opening a new horizon for oil and gas exploration. Meanwhile, the Company has closely followed the "value emphasis exploration" strategy in its exploration activities. Based on the past exploration drilling results and geological features, the Company has introduced innovative technology to effectively reduce the finding cost of exploration, achieving a competitive finding cost of around US\$1 per barrel.

Satisfactory progress in various projects
Three oilfields commenced production in 2003, namely Dongfang 1-1 (Phase I), Panyu 4-2 and Panyu 5-1. In addition, the Pinghu oil & gas field expansion program and the Jinzhou 9-3 natural gas project also successfully completed and commenced operation.

During the year, the Company has built 21 jackets and installed nine offshore jackets; constructed 17 platform modules, installed five offshore platforms modules and laid 205km undersea pipelines. The construction of one onshore terminal has been completed while five others are under construction.

In 2004, the Company will continue to proceed with its engineering and construction projects in full speed. 6 projects are expected to commence operations.

Achieving solid growth in natural gas business
The Company is well positioned in developing natural gas resources and this side of the business has become a new growth engine for the Company's production and profitability. During the year, the Company achieved significant growth in its natural gas exploration and market expansion.

[PICTURE OMITTED]

The Company has achieved major breakthroughs in natural gas exploration in the Pearl River mouth Basin. Two other natural gas discoveries in Liuhua 19-5 and Panyu 35-1 were made following major natural gas discoveries in Panyu 30-1 and Panyu 34-1. This demonstrated the promising natural gas exploration prospects in this area. With such discoveries, the Company has entered into a new natural gas exploration area offshore China.

Phase 1 of Dongfang 1-1, the second-largest gas field offshore China, commenced operation successfully ahead of schedule, and started to supply gas to end-users in Hainan Province.

With breakthroughs in natural gas exploration and successful expansion of marketing, the Company's leading

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position in the natural gas market in the Pearl River Delta region is further strengthened.

Innovative management and improving productivity
The Company has made constant efforts to improve the management procedure and efficiency. In 2003, the Company introduced reforms to its employment and remuneration systems, as well as management systems

[PICTURE OMITTED]

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OPERATIONS OVERVIEW

[PICTURE OMITTED]

and procedures. As a result of the reform, we have developed an entirely new employment and remuneration system, accommodating the competitive environment in China and the rest of the world and the Company's long-term development strategies. As a result, the Company's management and decision-making ability, as well as operation efficiency, has significantly improved. In addition, while the Company has devoted a great deal of effort in the fundamentals of management, it has also paid close attention to controlling costs through the promotion in ERP system and facilitating a modern-management style. The Company has firmly established the concept of cost control in every segment.

The Company's operating capacity has also recorded satisfactory growth. In July 2003 and early 2004, the Company took over the operatorship of the Liuhua 11-1 oilfield and the Yacheng 13-1 gas field from its partner. The successful takeover of operations of the latter and its steady development, in particular, marked a new milestone in the Company's operation standard.

Increasing production and reserves through overseas opportunistic acquisitions

In 2003, CNOOC Ltd continued to cautiously identify attractive overseas oil and gas assets and acquire interests to strengthen the Company's production and reserves base to further enhance the Company's long-term and stable growth, and to maximize shareholder's value.

The Company completed the acquisition of the Tangguh project in Indonesia on 8 February 2003. The Company's investments in the Northwest Shelf Gas Project have also come to fruition. An agreement was reached on 15 May, 2003, to acquire 5.3% of the project as well as a 25% interest of the China LNG Joint Venture ("CLNG joint venture"). The Company was also given participating rights

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in future exploration undertaken over and above the current proved reserves.

On 24 October 2003, the Company reached a new agreement with the venture participants of the Australia Gorgon gas development project and studied the viability of investing in the project.

Prudent financial management and healthy financial conditions gain market recognition
 During the year, the Company's credit rating was elevated to A2 (Positive) by renowned rating agency Moody's, on par with China's sovereign rating. This will help the Company to gain access to low cost financing in the future, reinforcing the market's endorsement of the Company's strategies and future development.

In 2003, after its successful bond issuance in 2002, the Company once again tapped the international debt markets and launched a 10 and 30-year bond issue with a total value of US\$500 million, which received an overwhelming response from the market, further demonstrating the market's recognition of the Company's encouraging business fundamentals, healthy financial conditions and credibility.

[PICTURE OMITTED]

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MAJOR PROPERTIES UNDER PRODUCTION AND DEVELOPMENT

Block/Property	Operator	Partner	The Company's interests	2003 Net Production (BOE/day) Oil (BBL/day) Gas (MMcf/day)	Actual Production commence year
Offshore China					

Bohai Bay					

Production					

Liaoxi					
Jinzhou 20-2	CNOOC Ltd.		100%	8,079 BOE 2,816 BBL 32 MMcf	1992
Jinzhou 9-3	CNOOC Ltd.		100%	13,679 BOE 12,773 BBL 5 MMcf	1999

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Suizhong 36-1	CNOOC Ltd.		100%	64,203	1993

Boxi					
Boxi Oil fields	CNOOC Ltd.		100%	14,020 BOE 12,342 BBL 10 MMcf	1997
Chengbei Oil fields	CNOOC Ltd.		100%	4,358	1985

Qinhuangdao					
Qinhuangdao 32-6	CNOOC Ltd.	Chevron/Texaco	75.5%	22,444 BOE	2001

11/05					
Penglai 19-3	ConocoPhillips	Phillips Bohai	51%	8,272	2002

Bonan					
Bozhong 34-2/4	CNOOC Ltd.		100%	2,298	1990

Development					

Liaoxi					
Jinzhou 21-1	CNOOC Ltd.		100%		
Luda 4-2/5-2/10-1	CNOOC Ltd.		100%		

Bozhong					
Nanbao 35-2	CNOOC Ltd.		100%		

Boxi					
Qikou 18-9/18-2	CNOOC Ltd.		100%		

Bonan					
Bonan Oil fields	CNOOC Ltd.		100%		
Bozhong 25-1/25-1S	CNOOC Ltd.	Chevron/Texaco	83.8%		
Bozhong 34-1/34-1S	CNOOC Ltd.		100%		

11/05					
Penglai 25-6	ConocoPhillips	Phillips Bohai	51%		

04/36					
Caofeidian 11-1/11-2	Kerr-McGee	Sino-American Energy	51%		
Caofeidian 18-1	Kerr-McGee	Sino-American Energy	51%		

Bohai Bay Total				137,353 BOE 129,506 BBL 47 MMcf	

Eastern South China Sea					

Production					

16/08					
Huizhou Oil fields	CACT		51%	24,551	1990

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15/11 Xijiang 24-3	ConocoPhillips, CNOOC Ltd.	Shell	51%	16,095	1994
15/22 Xijiang 30-2	ConocoPhillips, CNOOC Ltd.	Shell	40%	12,775	1995
29/04 Liuhua 11-1	CNOOC Ltd.		100%	13,708	1996
16/06 Lufeng 13-1	JHN		25%	2,931	1993
17/22 Lufeng 22-1	Statoil, CNOOC Ltd.	Statoil	25%	1,312	1997
15/34 Panyu 4-2/5-1	Devon	Burlington	51%	1,609	2003
Development					
16/19 Huizhou 19-3/19-2/19-1	CACT		51%		
Liuhua 07 Panyu 30-1	CNOOC Ltd.		100%		

[PICTURE OMITTED]

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CNOOC LIMITED Annual Report 2003

MAJOR PROPERTIES UNDER PRODUCTION AND DEVELOPMENT

Block/Property	Operator	Partner	The Company's interests	2003 Net Production (BOE/day) Oil (BBL/day) Gas (MMcf/day)	Actual Pro commence year
Xijiang 04 Xijiang 23-1	CNOOC Ltd.		100%		
Eastern South China Sea				72,981	
Western South China Sea					
Production					
Yulin 35 Weizhou Oil fields	CNOOC Ltd.		100%	28,462 BOE	1993

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				27,494 BBL	
				6 MMcf	

Wenchang 13-1/13-2					
Wenchang 13-1/13-2	CNOOC Ltd.	Husky	60%	32,572	2002

Yinggehai					
Yacheng 13-1	CNOOC Ltd. (1)	Kufpec BPCEPC	51%	19,047 BOE	1995
				825 BBL	5.08 MM
				99 MMcf	514.73

Changjiang 25					
Dongfang 1-1	CNOOC Ltd.		100%	3,929 BOE	2003
				54 BBL	
				23 MMcf	

Development					

Yangjiang 31/32					
Wenchang 8-3	CNOOC Ltd.		100%		
Wenchang 19-1	CNOOC Ltd.		100%		
Wenchang 15-1	CNOOC Ltd.		100%		

Yinggehai					
Yacheng 13-4	CNOOC Ltd.		100%		

Ledong 01					
Ledong	CNOOC Ltd.		100%		

Yulin 35					
Weizhou 11-1	CNOOC Ltd.		100%		

39/05					
Wenchang 14-3	CNOOC Ltd.		100%		

Western South China					
Sea Total				84,010 BOE	
				60,945 BBL	
				128 MMcf	

East China Sea					

Production					

Luihua 07					
Pinghu Gas field	CNOOC Ltd.		30%	4,908 BOE	1998
				2,536 BBLs	
				14 MMcf	

Development					

Xihu Trough					
Canxue	CNOOC Ltd.	Sinopec, Shell, Unocal	30%		

Duanqiao	CNOOC Ltd.	Sinopec, Shell, Unocal	30%		

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Chunxiao	CNOOC Ltd.	Sinopec, Shell, Unocal	30%	
Tianwaitian	CNOOC Ltd.	Sinopec, Shell, Unocal	30%	
Baoyunting	CNOOC Ltd.	Sinopec, Shell, Unocal	30%	
Wuyunting	CNOOC Ltd.	Sinopec, Shell, Unocal	30%	

East China Sea Total				4,908 BOE 2,536 BBL 14 MMcf

Offshore China Total				299,252 BOE 265,968 BBL 189 MMcf

Indonesia Malacca Oil field				2,236 1994

Indonesia SES.B.V				55,241 BOE 38,260 BBL 102 MMcf

Total				356,729 BOE

				306,464 BBL 291 MMcf

Note(1) On January 1 2004, CNOOC limited took over the Operatorship of Yacheng 13-1 from BP.

[PICTURE OMITTED]

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CNOOC LIMITED Annual Report 2003

The 30-year tranche bond offering marked the first ever 30-year offering by Chinese corporates, coupon rates for both the 10-year and the 30-year tranches were the lowest among comparable offerings by Chinese corporates.

Health, Safety and Environmental Protection

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In 2003, CNOOC Ltd continued to emphasize and strengthen its Health, Safety and Environmental ("HSE") protection. With continuing improvements in HSE activities, the Company reached a new milestone in this area.

During 2003, CNOOC Ltd recorded no major fatality, no incident of oil spillage and no single incident that resulted in an economic loss in excess of US\$120,000.

According to the Company's OSHA statistical results, CNOOC Ltd achieved an above-average rating as compared with major international oil companies.

Review by Area

Today, the Group has five major exploration and production areas, including four offshore China areas, namely, the Bohai Bay, Western South China Sea, Eastern South China Sea and the East China Sea as well as Indonesia.

In 2003, together with our foreign partners, the Company made a total of 12 discoveries. Of these, six oil discoveries were made in Bohai Bay, while two natural gas discoveries and one oil discovery were made in South China Sea. Three oil and gas discoveries were made overseas. These discoveries have helped increase reserves for the Company's sustainable development.

[PICTURE OMITTED]

Bohai Bay

Bohai Bay holds the core assets of our portfolio and consists of crude oil and natural gas fields such as Suizhong 36-1, Qinhuangdao 32-6 and many other oil discoveries and development projects that are under development. This area holds the largest amount of reserves and production among our five major operating areas.

As at 31 December 2003, the Company had net proved reserves of 1,084.81 Mmboe in this area, accounting for 50.9% of the total net proved reserves.

In 2003, daily average net production was 137,353 boe, accounting for approximately 38.5% of our total net daily production. We currently hold exploration licenses for nine blocks in this area while our foreign partners have exploration licenses for six other blocks.

In 2003, the Company made six oil and gas discoveries in the area; of these, three were independent discoveries, including Bozhong 34-1S, Bozhong 34-1 and Bozhong 3-2. Our partner Kerr-McGee has made discoveries at Caofeidian 11-5 and Caofeidian 11-6; ConocoPhillips has made discoveries in Penglai 19-9. In addition, the Company has successfully appraised seven hydrocarbon-bearing structures.

During the period, the Company has increased its interests in Qinhuangdao 32-6 from 51% to 75.5%.

In 2003, 29 wells were drilled in the Bohai Bay and 2,074.5 square kilometers of 3D seismic data were acquired. Of these, 16 were drilled by CNOOC Ltd (11 wildcat wells and five appraisal wells with 1,763.7 square kilometers of 3D seismic data acquired). Through co-operation with our partners, 13 wells were drilled (eight wildcat wells and five appraisal wells with 310.8 square kilometers of 3D seismic data acquired).

In Bozhong area, the Company drilled two wildcat wells, one appraisal well, and made one oil and gas discovery in Bozhong 3-2.

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CNOOC LIMITED Annual Report 2003

OPERATIONS OVERVIEW

The Company drilled six wildcat wells and two appraisal wells in the Bonan block, with two oil and gas discoveries at Bozhong 34-1S and Bozhong 34-1, which were successfully appraised. They are located near producing oilfield Bozhong 34-2/4, presenting excellent commercial potential.

The Company drilled three wildcat wells and two appraisal wells in the Liaodong block, and successfully appraised the hydrocarbon-bearing structure in Jinzhou 25-1S.

Our partner ConocoPhillips drilled two wildcat wells in the 11/05 area and made one oil and gas discovery in Penglai 19-9. The Company plans to drill one appraisal well in the area in 2004.

Another partner, Kerr-McGee, drilled a total of six wildcat wells and five appraisal wells in the blocks of 04/36, 05/36 and 09/18. It has also made two oil discoveries in the 04/36 block, namely Caofeidian 11-5 and Caofeidian 11-6, and successfully appraised two hydrocarbon-bearing structures in Caofeidian 11-3 and Caofeidian 11-6. Two wildcat wells were successfully drilled in the 05/36 block, two appraisal wells, namely Caofeidian 12-1 and Caofeidian 12-1S, were also completed successfully by Kerr-McGee.

Western South China Sea

Western South China Sea, one of our most important natural gas exploration areas, consists of Beibu Gulf, Yinggehai and the Qiongdongnan basins. As at 31 December 2003, the Company had net proved reserves of 601.0 Mmboe in the area, accounting for approximately 28.2% of the Company's total net proved reserves.

The average daily production in the area was 84,010 boe, or 23.6% of our total production. At present, the Company and its partners possess twenty eight and five exploration licenses in this area, respectively.

In 2003, we drilled six wildcat wells, two appraisal wells and acquired 7,460.8 square kilometers of 2D seismic data. Our partners drilled one wildcat well, one appraisal well and acquired 983.2 square kilometers of 3D seismic data.

During the year, there was one oil discovery at Weizhou 11-1N and two hydrocarbon-bearing structures in Weizhou 11-1 and Wenchang 15-1 were successfully appraised.

In the area of Yinggehai, preparation work for taking over the operatorship of the Yacheng 13-1 gas field continued in 2003 and was successfully completed on 1 January 2004. This demonstrated that the Company has the ability to operate under internationally recognized standards.

Located in Changjiang 25 block, Dongfang 1-1 gas field is the Company's largest independent gas field. Phase 1 of the field commenced production ahead of schedule, supplying natural gas to Hainan Province, and marking a new milestone in the development of the Company's natural gas business.

In 2003, the Company drilled one wildcat well and one appraisal well in the Yulin 35 block of Beibu Gulf, with a new discovery in Weizhou 11-1N, and

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successfully appraised a hydrocarbon-bearing structure in Weizhou 11-1. The Company is planning to drill two wildcat wells in the area in 2004.

During the year, the Company drilled one wildcat well in the Wenchang 20 block of the Zhu III Sag and successfully appraised a hydrocarbon-bearing structure in the Wenchang 15-1 area.

Eastern South China Sea

Eastern South China Sea has always been an important crude oil production area for the Company. In 2003, major natural gas discoveries were made in Liuhua 19-5 and Panyu 35-1, opening up a new natural gas

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CNOOC LIMITED Annual Report 2003

[PICTURE OMITTED]

exploration area for the Company. As at 31 December 2003, the Company had net proved reserves of 246.1 MMboe in the area, accounting for 11.6% of the Company's total net proved reserves.

The average daily production in the area was 72,981 boe, or 20.5% of our total production. We currently hold exploration licenses for thirty six blocks and our partners have licenses for two blocks.

In 2003, the Company drilled eight wells (including five wildcat wells and three appraisal wells) in Eastern South China Sea, 4,144 kilometers 2D seismic data was collected. Our partners drilled three wildcat wells, collected 1,562 kilometers 2D seismic data and 345 kilometers 3D seismic data.

During the period, the Company made two natural gas discoveries, Liuhua 19-5 and Panyu 35-1, and successfully appraised a hydrocarbon-bearing structure, Panyu 30-1, confirming the gas generation of Baiyun Trough and verifying the exploration potential with its adjacent deep water area.

Initial assessments made in 2003 have confirmed that discoveries of natural gas reserves at Panyu 30-1 and Panyu 34-1 will reach a total of 1.5 trillion cubic feet, indicating promising natural gas exploration prospects in the area. The discovery represented the Company's first natural gas discovery in the Pearl River Mouth basin and the largest natural gas discovery over the past three years.

Panyu 4-2 and Panyu 5-1 commenced production on schedule during the year. Peak production is expected to hit in 2004 with a daily crude oil production of 60,000 barrels. The Company holds a 51% interest in both oilfield.

Taking advantage of our partners' asset restructuring program during the year, CNOOC Ltd increased its interest in the Liuhua 11-1 oilfield and now has 100% interests in the oilfield.

In 2003, the Company drilled one wildcat well and three appraisal wells in the Liuhua 07 block, made one oil and gas discovery in Liuhua 19-5 and successfully appraised the hydrocarbon-bearing structure at Panyu 30-1.

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At Panyu 33 block, the Company drilled one wildcat well, and made one natural gas discovery at Panyu 35-1.

East China Sea

As at 31 December 2003, the company had net proved reserves of 59.8 MMboe in the area, accounting for 2.8% of the Company's total net proved reserves. The average daily production in the area was 4,908 boe, or 1.4% of our total production. The Company holds licenses for 56 blocks while its partners hold exploration licenses for one block.

In 2003, the Company achieved two significant milestones in its East China Sea operation.

In September, our parent company entered a new era with the signing of five oil exploration and development contracts with Sinopec, Pecten Orient Company of the United States (subsidiary company of Shell) and Unocal. The first development under the contracts will be the Chunxiao development area which is expected to come on stream in mid 2005.

In October, phase one of the Pinghu oil and gas field expansion project, in which CNOOC Ltd holds a 30% interest, commenced operation as scheduled. The project increased the daily gas supply to Shanghai by 20.8 mmcf per day, reaching a total of 62.3 mmcf per day.

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CNOOC LIMITED Annual Report 2003

OPERATIONS OVERVIEW

[PICTURE OMITTED]

We are carrying out joint exploration work in the Xihu Trough with Sinopec. In 2003, the Company acquired 1,976 kilometers of 2D seismic data and drilled one wildcat well in the Lishui Trough. In 2003, the Company acquired 2,525 kilometers of 2D seismic data in the South Huanghai area.

Overseas Operation

As at 31 December 2003, the Company had net proved reserves of 136.7 MMboe in Indonesia, accounting for 6.4% of the Company's total net proved reserves. The average daily production in the area was 57,477 boe, or 16.1% of our total production.

In 2003, our partner KODECO made three oil and gas discoveries in the West Madura PSC area in the East Java Sea of Indonesia.

Since 1 January 2003, the Company effectively acquired a 12.5% interest in the Tangguh LNG Project in Indonesia. As a result of our partner's continuous efforts, a series of agreements have been signed for the Tangguh LNG project for the supply of gas to Korea and the North American markets.

New Contracts and Agreements Signed in 2003

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In 2003, our parent company announced a total of 10 foreign cooperation blocks and two new cooperation blocks, covering an area of more than 30,388 square kilometers.

During the year, the Company signed a total of seven petroleum contracts with international oil companies.

New Petroleum Contracts Signed in 2003

No.	Area	Contract area	Signing date (yy/mm/dd)	Commencement date (yy/mm/dd)	Partners	Interest	Open
1	Bohai	09/06	03.06.17	03.08.01	Kerr-McGee	100%	Kerr-
2	East China Sea	Chunxiao	03.08.19	03.10.01	Shell Unocal Sinopec (consignor)	20% 20% 30%	CNOOC
3	East China Sea	Baoyunting	03.08.19	03.10.01	Shell Unocal Sinopec (consignor)	20% 20% 30%	CNOOC
4	East China Sea	12/21	03.08.19	03.10.01	Shell Unocal Sinopec (consignor)	50% 50% 30%	CNOOC
5	East China Sea	27/05	03.08.19	03.10.01	Shell Unocal Sinopec (consignor)	50% 50% 30%	CNOOC
6	East China Sea	20/14	03.08.19	03.10.01	Shell Unocal Sinopec (consignor)	50% 50% 30%	CNOOC
7	East China Sea	04/35	03.10.27	03.12.01	Husky	100%	Hu

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CNOOC LIMITED

MAJOR EXPLORATION BLOCKS

Block	Block Area (km ²)	Partner	Expl Commen
Middle of Bohai Bay	5,310		08/

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Southern Bohai Bay	3,799		10/
Western Bohai Bay	1,907		5/
Western Liaodong Bay	3,344		3/3
Eastern Liaodong Bay	2,829		07/
Eastern Bozhong	1,861		05/
Bohai 09/11	843		04/
Bohai 06/17	2,586		02/
Bohai 02/31	4,990		05/
<hr/>			
Independent Total	27,469		
<hr/>			
Eastern Bohai 11/05 (East China Sea)	3,601	Conocophillips	08/
Western Bohai 11/05 (East China Sea)	4,076	Conocophillips	02/
Bohai 11/19 (East China Sea)	3,185	Chevron/Texaco	05/
Bohai 09/18 (East China Sea)	2,226	Kerr-McGee	04/
Bohai 04/36 (East China Sea)	1,694	Kerr-McGee, Sino-American Energy	12/
Bohai 05/36 (East China Sea)	1,250	Kerr-McGee, Newfield, Sino-American Energy	02/
PSC Total	16,032		
<hr/>			
Bohai Total	43,501		
<hr/>			
Xihu Tiantai 02 (East China Sea)	4,528		06/
Xihu Hangzhou 26 (East China Sea)	3,642		03/
Xihu Huangyan 04 (East China Sea)	2,848		08/
Xihu Hangzhou 17 (East China Sea)	4,227		08/
Xihu Zhenhai 01 (East China Sea)	1,536		08/
Xihu Fuyang 27 (East China Sea)	2,526		08/
Lishui-Jiaojiang (East China Sea)	6,767		03/
Kunshan 02 (East China Sea)	2,628		05/
Jinhua 12 (East China Sea)	6,931		05/
Taibei 27 (East China Sea)	7,379		07/
Tiantai 32 (East China Sea)	5,400		07/
Lishui 30 (East China Sea)	4,085		07/
Jiangning 32 (East China Sea)	7,136		11/
Western Wunansha (South Yellow Sea)	242		03/
Zhucheng 14 (South Yellow Sea)	5,659		05/
Qingdao 34 (South Yellow Sea)	5,745		12/
North Yellow Sea	6,471		05/
Changshan 01 (North Yellow Sea)	6,449		07/
<hr/>			
Independent Total	84,199		
<hr/>			
East China Sea 32/32	513	Prime Line Petroleum	07/
<hr/>			
PSC Total	513		
<hr/>			
East China Sea Total	84,712		
<hr/>			
Xijiang 04 (Pearl River Mouth)	7,969		05/
Lufeng 06 (Pearl River Mouth)	4,457		05/
Lufeng 08 (Pearl River Mouth)	4,723		05/
Huizhou 30 (Pearl River Mouth)	5,862		05/
Huizhou 31 (Pearl River Mouth)	3,074		05/
Enping 15 (Pearl River Mouth)	5,833		05/
Enping 10 (Pearl River Mouth)	6,547		05/
Panyu 33 (Pearl River Mouth)	4,830		05/
Liuhoa 07 (Pearl River Mouth)	4,172		05/
Chaozhou 03 (Pearl River Mouth)	4,490		05/
Shantou 29 (Pearl River Mouth)	6,407		05/
Kaiping 14 (Pearl River Mouth)	7,753		05/
Huizhou 14 (Pearl River Mouth)	882		05/
16/02 (Pearl River Mouth)	3,498		31/

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15/35 (Pearl River Mouth)	1,411	20/
15/12 (Pearl River Mouth)	1,895	16/
Nanhaichao	7,834	05/

Independent Total	81,637	

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CNOOC LIMITED Annual Report 2003

OPERATIONS OVERVIEW

MAJOR EXPLORATION BLOCKS

Block	Block Area (km2)	Partner	Expl Commen
16/19 (Pearl River Mouth)	415	Agip, Chevron/Texaco	04/
15/34 (Pearl River Mouth)	4,984	Devon, Burlington	12/

PSC Total	5,399		

Eastern South China Sea Total	87,036		

Yulin 35	6,050		05/
Weizhou 12	6,980		11/
Weizhou 26	4,358		11/
Changjiang 25	7,434		11/
Ledong 01	6,543		12/
Lingao 15	6,583		11/
Ledong 17	3,971		05/
Songtao 18	2,566		03/
Yangjiang 31	6,003		12/
Qionghai 28	5,208		05/
Wenchang 20	4,979		05/
Yangjiang 32	3,962		12/

Independent Total	64,637		

Wanan North 21A	6,801	Benton Offshore China Company	09/
Wanan North 21B	6,118	Benton Offshore China Company	09/
Wanan North 21C	6,372	Benton Offshore China Company	09/
Wanan North 21D	6,126	Benton Offshore China Company	09/

PSC Total	25,417		

Western South China Sea Total	90,054		

Total	305,303		

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CNOOC LIMITED Annual Report 2003

CORPORATE GOVERNANCE

Maximising shareholder's value has been a priority of the Company since its listing. In 2003, we strictly complied with our corporate governance policy, and made sure that all decisions were based on trust, fairness, compliance and transparency, so as to protect the interest of all our shareholders.

To better serve our shareholders and to achieve good corporate governance standards, the Company has identified Board and committee members who are dedicated, professional and accountable. In addition, world-renowned professional external auditors were employed and internationally recognized figures were invited to serve on our international advisory board to further enhance our corporate governance standards.

Board of directors

The Company's board of directors consists of eight members, four of them are independent non-executive directors. These four non-executive directors come from other areas outside of China, and are all professionals or scholars with backgrounds in legal, economics, financial and investment fields. They also have extensive experience and knowledge in corporate management, making significant contributions to the Company's strategic decisions. The diverse background of the board members ensures that they fully represent the interests of all our shareholders.

The board holds three regular annual meetings per year, and extraordinary meetings will be held if required. Events that require all board members to vote include conflict of interest on any matter that involves a major shareholder or a director, major asset acquisition or disposal, investments, capital expenditure items, determination of authority, treasury policy, risk management and important personnel changes to the management.

In 2003, Mr. Evert Henkes was appointed as a non-executive independent director of the Company. Mr. Jack So Chak Kwong on the other hand left the board following his appointment as Deputy Chairman and Group Managing Director of PCCW Limited. While we appreciated Mr. So's invaluable contributions to the Company, we believe that Mr. Henkes' extensive experience with Shell would help enhance our corporate governance standard.

During the year, the Company's independent directors attended all board meetings.

Besides the existing audit committee and remuneration committee, the Company has established a nomination committee to further strengthen its corporate governance structure.

Audit Committee

The committee consists of two independent non-executive directors, with Dr

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Kenneth Curtis designated as the audit committee financial expert under the U.S. securities laws. The committee meets at least twice a year and is responsible for reviewing the completeness, accuracy and fairness of the Company's accounts, evaluating the Company's auditing scope and procedures, and evaluating internal control systems. The committee is also responsible for setting up internal monitoring systems so as to allow the Board to monitor the Company's entire financial position, protect the Company's assets, and prevent major errors resulting from financial reporting or loss. The Board is responsible for these systems and appropriate delegations and guidance have been made. In addition, the chairman of the audit committee will each year present a report to the Board describing the committees' major activities during the year.

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CNOOC LIMITED Annual Report 2003

CORPORATE GOVERNANCE

Remuneration Committee

With three independent non-executive directors, the remuneration committee is responsible for reviewing information pertaining to all executives' salaries, bonuses, share options packages, performance appraisal systems and retirement plans.

Nomination Committee

To establish proper procedures for the selection of the Company's leadership positions, upgrade the quality of board members and perfect the Company's corporate governance structure, the Company has established a nomination committee in accordance with related laws and requirements. Formed by an executive director and two independent non-executive directors, the committee's major authority and responsibilities are: to nominate and affirm directors candidates approved by the Board; to review the structure and composition of the board on a regular basis and to evaluate the leadership abilities of executive and non-executive directors to ensure the competitive position of the organization.

Striving for better transparency and communication with investors

With a long-term strategy of being transparent, strengthening investor relations, and providing consistent, stable and extraordinary returns to shareholders, the Company actively ensures that information is transparent to our investors. We have established a professionally run investor relations department to serve as a communication channel between the Company and its shareholders and investors, ensuring that timely information is received by them. Besides announcing its interim and annual results to shareholders and investors according to regulations, the Company also publicized its major business developments through press releases, announcements and the company website. The Company also distributed its material information and statistics on a timely basis. During the year, we have also revamped our website to enrich information content for investors.

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Code of Ethics

The board of directors has adopted a Code of Ethics on 28 August 2003 to provide guidelines to the senior management in legal and ethical matters as well as the sensitivities involved in reporting illegal and unethical matters. The Code of Ethics covers such areas as supervisory rules, insider trading, market malpractices, conflict of interests, company opportunities, protection and proper use of the Company's assets as well as reporting requirements for listed companies.

All our senior management members are required to familiarize and follow the code of ethics in the guide book to ensure that the Company's operations are honest and legal. Violations of the rules will be penalized and serious offences will result in dismissals.

[PICTURE OMITTED]

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CNOOC LIMITED Annual Report 2003

Attendance at full board meetings in 2003

Executive Directors	No. of meetings attended

	(3 meetings in total)
Wei Liucheng (resigned on 16 October 2003)	2
Fu Chengyu	3
Jiang Longsheng	3
Zhou Shouwei	3
Luo Han	2
Independent Non-executive Directors	

So Chak Kwong (resigned on 15 September 2003)	2
Chiu Sung Hong	3
Kenneth S. Curtis	3
Erwin Schurtenberger	3
Evert Henkes (appointed on 15 September 2003)	1

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CNOOC LIMITED Annual Report 2003

HEALTH, SAFETY AND ENVIRONMENT

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We placed great emphasis on participating in HSE training programs organized by professional training institutions. Together with business partners, the Company also organized exchange activities that were related to international safety management, oil spillage crisis management and oilfield abandonment management.

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CNOOC LIMITED Annual Report 2003

In 2003, the Company continued to emphasize and strengthen its Health, Safety and Environment ("HSE"). Being responsible to staff members, the society and the environment as a whole, the Company regards HSE as a top priority of its daily operation and production, promoting strict management control, and pays great attention to details in order to further improve the Company's HSE performance.

During 2003, the Company recorded no major fatalities, contaminations or any safety related liabilities that exceeded USD120,000 per incident.

According to the Company's OSHA statistical results, we achieved an above-average rating as compared with major international oil companies, marking a new milestone in the company's HSE standards.

Promote Systematic Management

In 2003, the Company further refined management requirements in order to further enhance its HSE system. The Company completed its senior management review of all branches in China and CNOOC SES LTD., established health management systems for its offshore crew members and set out crisis management procedures. Such procedures were proved highly effective in withstanding the challenges during the SARS period.

During the year, the Company further strengthened safety management procedures for high-risk activities such as those involving helicopter and diving operations. The launch of the International Association of Oil & Gas producers (OGP) HSE management system has also fully demonstrated our deep concern for the safety requirements of its contractors. In addition, the application for the ISO14000 environmental management qualification for the Company's offshore oil and gas fields has achieved significant progress during 2003. Qinhuangdao 32-6 oilfield and Wencheng oilfields have already began operating under a standardised system with proper documentation.

[PICTURE OMITTED]

In order to promote Bohai Bay Oil Spillage Awareness, support the establishment of the Bohai Oil Spillage Awareness Centre and strengthen crisis awareness capabilities in offshore work sites, CNOOC Ltd took part in the "National Offshore Oil Spillage Awareness Plan" seminar organized by the State Oceanic Administration, and discussed with participating oil and gas companies issues relating to resources sharing and risk assessment in case of oil spillage in Bohai Bay.

In accordance with changes to OSHA's statistical mechanism, the Company has

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revised its internal documentation methods to keep abreast with OSHA's standard, which uses OGP reporting methods to record the differences and standards of particular incidents. CNOOC Ltd also formulated new OSHA and incident reporting forms in order to better meet the requirements of international associations such as OGP and API.

The Company has been able to deliver working hour statistics and incident reports to investors and API on a quarterly basis.

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CNOOC LIMITED Annual Report 2003

HEALTH, SAFETY AND ENVIRONMENT

HSE Training and Information Exchange

During 2003, the Company organized a series of seminars covering the areas of HSE regulations and standards, special operations and offshore life-saving techniques in order to reinforce staff members' HSE concepts, enrich their HSE knowledge and raise their practical skills on HSE matters.

We placed great emphasis on participating in HSE training programs organized by professional training institutions. Together with business partners, the Company also organized exchange activities that were related to international safety management, oil spillage crisis management and oilfield disposal management.

The Company has continuously studied the HSE work of other international companies including contractors and business associates, reviewing their experience in order to further improve on the Company's regulations and systems. In addition, the Company has taken the initiative to study the incident cases of its peers and analyzed their situations in order to prevent encountering the same problems in future.

In 2003, the Company also assisted the nation's respective government departments to speed up the formulation of HSE standards.

Employee Health and Safety

The Company spares no effort in protecting health and safety of its employees. Apart from monitoring and guiding employees' work safety awareness during the course of production, the Company also paid special attention to the health and safety conditions of their employees outside of work.

The month of June is China's national safety production month. During this period, CNOOC Ltd launched a signature campaign entitled "Treasure Your Life, Fasten Your Belt". The campaign included road safety seminars, quiz programs as well as the publication of a "Road Safety Tips" CD-ROM. The campaign was intended to build up a safety culture in both work and daily life through the relatively small act of "Fastening a Seat Belt".

During the SARS outbreak, the Company took active steps to help employees and their families to combat the disease, established SARS Sterilized Scheme and advocated a "zero case" system. All employees working offshore and employees

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who were returning to the country from infected areas were closely monitored. As a result of the effective implementation of such preventive measures, not a single SARS or suspected SARS case was recorded during the period.

During the year, the Company organized various medical seminars including the prevention of cerebrovascular disease, cardiovascular disease, cancer and diabetes to promote healthcare knowledge among employees. The Company also published a healthcare guidebook for its employees.

CNOOC Ltd. OSHA occupational injury & occupational disease statistics of 2003

	Incident Rate			Work D
Scope	Man-hour (In thousand)	Recordable cases	Number of days away & working bounds	Death
Permanent worker	2370	0.00	0.00	0.00
Permanent worker, & other worker & direct contractor	14133	0.06	0.06	0.00

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CNOOC LIMITED Annual Report 2003

COMMUNITY CONTRIBUTIONS

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While striving to improve the Company's cost efficiency and increasing shareholder returns, we are also very happy to share its success with the community.

In 2003, the Company continued to engage in a development project in Nima County in the Tibet Autonomous Region. The Company also encourages its employees to take part in welfare activities such as Lifeline Express and Help the Needy.

CNOOC China Ltd's Shanghai Branch has taken an active part in the social welfare activities of the city and its achievements, and has gained positive recognition from the community. In May 2003, the Company received a "help students in need" award from the community Xu Jiahui.

As we continue to expand our overseas operations, we will continue to follow our social responsibility practice in these areas.

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For example, CNOOC Southeast Sumatra Ltd has taken an active part in cultivating a cordial, harmonious and mutual care relationship with the local community in Indonesia. Apart from subsidizing the construction of a mosque and sports facilities in the neighborhood and promoting environmental related activities, the Company has assisted in renovating schools, ferry piers and roads for the community.

[PICTURE OMITTED]

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CNOOC LIMITED Annual Report 2003

HUMAN RESOURCES DEVELOPMENT

Looking forward, we will continue our commitment to perfecting our corporate culture of "people-oriented and employee focus". The concept will also become part of our core development strategies.

[PICTURE OMITTED]

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CNOOC LIMITED Annual Report 2003

[PICTURE OMITTED]

"Employees are always the foundation for a company. Without the dedication and contributions of our employees, CNOOC Ltd would never have been able to achieve the remarkable performance today and the rosy prospects for tomorrow. Looking forward, we will continue our commitment to perfecting our corporate culture of "people-oriented and employee focus". The concept will also become part of our core development strategies."

Mr. Fu Chengyu, Chairman and Chief Executive Officer

To ensure healthy and stable development of the company, we place strong emphasis on human resources development and management to realize the capabilities, enthusiasm and creativity of our employees.

Employment and remuneration systems reform completed

The Company's rapid development has resulted in new requirements towards our corporate structure, job positioning and management process. The establishment of an effective, competitive and practical job delegation and remuneration system has become one of the top priorities of the Company to attract and retain high calibre employees.

In 2003, we undertook a systematic and in-depth reform of our job delegation

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and remuneration system, which focused on the Company's overall performance and future development. We invited a group of external and internal consultants to analyze and restructure the Company's management process, which included the clarification of the authorities and responsibilities of different departments. Based on the restructuring, we also reviewed the functions of each department and job descriptions, and carried out a recruitment campaign.

[PICTURE OMITTED]

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CNOOC LIMITED Annual Report 2003

HUMAN RESOURCES DEVELOPMENT

This revolutionary reform has restructured the Company's management process, aligning organization of all departments and subsidiaries with the Company's overall strategy and positioning. With a more linear corporate structure, our operating efficiency is enhanced through the streamlining of the management chain. The creation and ranking of positions have also become more objective, logical and systematic. We have also developed a more open recruitment procedure, which allows the Company to absorb real talents and optimize the location of its manpower. The implementation of such competitive mechanism has effectively implanted a competitive mindset among the employees. The newly established "market-oriented" remuneration system not only lays a concrete foundation to attract, retain and motivate our people, but also enables the flexibility in taking rewards and penalizing actions.

[PICTURE OMITTED]

Establishment of overseas human resources system

To ensure smooth implementation of our overseas development strategies, we have established an international human resources and remuneration system to attract and retain our management and technical talents. This system consolidates the best practices of other international oil companies, covering remuneration, annual leave, overseas medical policy, relocation, emergency retreat and service process.

Establishment and improvement on appraisal systems

We have also strengthened our internal human resources system to evaluate the results of the reform. During the year, we introduced a simple and practical appraisal system focusing on the harmonization of individual and company development. With reference to international standards, we have included goal setting, individual development plan, performance tracking and reward,

[PICTURE OMITTED]

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results assessment and employees' potential and value identification in the system. An effective appraisal system can help enhance employees' performance while improving the overall performance and management of the Company. The system can also identify and retain talents, help formulate reward and training system. We believe the new system would further strengthen a results-oriented and learning culture, which is essential in attaining the Company's strategic targets.

Strengthening human resources development

Through the establishment and implementation of an individual development system, we are able to organize specific trainings on various technical or general topics. During the year, a total of 325 training workshops were held with 6,980 participants.

Training for senior and mid-level executives on management skills has been a key focus in our training system. Last year, three groups of senior executives attended a seminar jointly held with the China Europe International Business School . Among these executives, some were also selected to join the overseas exchange program in association with our business partner. The participants were invited to attend the management training organized by a tertiary institution and a world renowned company, visit several prominent international companies and our foreign partner's headquarters in the U.S. During the tour, the executives were able to learn the latest management theories and production techniques.

[PICTURE OMITTED]

In addition, the Company has organized a "Carnegie Leadership Training Program" for managers in order to strengthen their management skills and internal management quality. This program mainly focused on leadership, planning, communication, team building, innovation, motivation, delegation and effective decision-making skills.

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Executive Directors

Chengyu FU, aged 52. Mr. Fu received a B.S. degree in geology from the Northeast Petroleum Institute in China and a Master's degree in petroleum engineering from the University of Southern California in the United States. He has over 29 years of experience in the oil industry in the PRC. He previously worked in China's Daqing, Liaohe and Huabei oilfields. He joined CNOOC in 1982 and has since been appointed as the Chairman of the Management Committee formed through a joint venture between CNOOC, BP Amoco, Chevron, Texaco, Phillips Petroleum, Shell and Agip. From 1994 to 1995, Mr. Fu was the Deputy General Manager of China Offshore Oil Eastern South China Sea Corporation, a subsidiary of CNOOC. In December 1995, he was appointed as Vice President of Phillips China Inc. and the General Manager of the Xijiang Development Project. In 1999, Mr. Fu was the General Manager of China Offshore Oil Eastern South China Sea Corporation.

In 2000, Mr. Fu was appointed as Deputy General Manager of CNOOC. Subsequently, he was appointed as a Director, Executive Vice President, President and Chief Operating Officer of the Company in 2001. In August 2002 he became the Chairman and Chief Executive Officer of our affiliate, China Oilfield Services Ltd.

In October 2003, Mr. Fu was appointed as President of CNOOC. He was also appointed as the Chairman of the Board of Directors and Chief Executive Officer of the Company, effective 16 October 2003. In November 2003, Mr. Fu resigned his Chief Executive Officer position from China Oilfield Services Ltd.

Longsheng JIANG, aged 58. Mr. Jiang received a B.S. degree from the Beijing Petroleum Institute in China. He has over 34 years' experience in the oil industry in the PRC. He was appointed as a Director of the Company in December 2000 and has been the Vice President of CNOOC since 1998. From 1994 to 1998, he was the General Manager of China Offshore Oil Southern Drilling Company. From 1991 to 1994, Mr. Jiang served as the Deputy Chief Drilling Engineer and was later appointed as the Chief Drilling Engineer of China Offshore Oil Western South China Sea Corporation. He joined CNOOC in 1982.

Shouwei ZHOU, aged 52. Mr. Zhou received a doctorate degree from the Southwest China Petroleum Institute and is a senior engineer. He was appointed as a Director and Executive Vice President of the Company in September 1999 and is responsible for the management and operation of CNOOC China Limited. Mr. Zhou was appointed the President of the Company in August 2002. Mr. Zhou is also a Vice President of CNOOC. Mr. Zhou was the Deputy General Manager and later promoted to General Manager of China Offshore Oil Bohai Corporation, a subsidiary of CNOOC. He joined CNOOC in 1982.

Han LUO, aged 50. Mr. Luo received a doctorate degree from the China Petroleum University. He has over 29 years of experience in the oil industry in the PRC. He was appointed as a Director of the Company in December 2000. From 1993 to 1999, Mr. Luo served as the Vice President of China Offshore Oil Eastern South China Sea Corporation and concurrently as the Chief Representative of CNOOC in the CACT operators group, and the Executive Vice President of China Offshore Oil East China Sea Corporation, a subsidiary of CNOOC. In 1999, he served as the General Manager of CNOOC China Limited's Shanghai Branch. Mr. Luo is a Vice President of CNOOC, a position he has held since 2000. He joined CNOOC in 1982.

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DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Sung Hong CHIU, aged 57. Mr. Chiu received an LL.B. degree from the University of Sydney. He is admitted as a solicitor of the Supreme Court of New South Wales and the High Court of Australia. He has over 29 years' experience in legal practice and is a director of a listed company in Australia. Mr. Chiu is the founding member of the Board of Trustees of the Australian Nursing Home Foundation and served as the General Secretary of Australian Chinese Community Association of New South Wales. Mr. Chiu was appointed as an Independent Non-executive Director of the Company in September 1999.

Dr Kenneth S. COURTIS, aged 58, is Managing Director of Goldman Sachs and Vice Chairman of Goldman Sachs Asia. He advises the firm on economics and strategy throughout the Asia-Pacific region as well as in Europe and North America. Dr. Courtis has won numerous prizes and distinctions for his research and is a valued advisor on international economic, financial and investment matters. He has lectured and written widely on the related fields of international finance, macro-economic policy, global capital markets and strategy. He is a prominently quoted commentator on global economic, financial and political developments.

He serves on the international advisory boards of a variety of leading international firms, public policy organizations and universities. After graduating with honors from Glendon College in Toronto, Dr. Courtis received a M.A. in international economics from Sussex University, England, a M.B.A. in finance and strategy from INSEAD (European Institute of Business Administration), and a Doctorate, with honors and the highest distinction, from the Institute of Economic and Political Studies in Paris. Prior to joining Goldman Sachs, he served as Chief Asia Economist and Strategist for Deutsche Bank.

Dr. Courtis was previously a member of the Company's International Advisory Board ("IAB").

Dr Erwin SCHURTENBERGER, aged 64, was the Ambassador of Switzerland to the People's Republic of China, the Democratic People's Republic of Korea, the Republic of Mongolia. He joined the Swiss Foreign Services in 1969. Over the years, he held various diplomatic positions in Bangkok, Hong Kong, Beijing and Tokyo. He also served as the Ambassador of Switzerland to Iraq. He has been an independent business advisor to various European multinationals, American groups and humanitarian aid organizations. He was the President of the Swiss-Asia Foundation. He serves on the Boards of ROBERT BOSCH RBint., BUHLER GROUP Switzerland, FIRMENICH, SIRE Holding (China Infrastructure Fund), TAIKANG Life Insurance, WINTERTHUR Insurances (Asia). Dr. Schurtenberger is also a senior advisor to the China Training Center for Senior Personnel Management Officials. He received a Ph.D. Degree in Economics and was trained in political science and philosophy. Dr. Schurtenberger is presently Chairman of the Company's IAB.

Evert HENKES, aged 60, was the CEO of Shell's global chemical business during 1998-2003. Since joining Shell in 1973, he served on various executive positions worldwide, including Managing Director of Shell Chemicals UK Ltd and a Managing Director of Shell UK, President of Billiton Metals and Shell's Metals Co-ordinator, Shell's Chemicals Co-ordinator and Director of Strategy &

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Business Services Shell International Chemicals Ltd. He also had directorships in regional and global industry bodies, including i.e. CEFIC and ICCA.

He is also a director of Tate & Lyle Plc, BPB Plc and Outokumpu Oy.

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CNOOC LIMITED Annual Report 2003

Company Secretary

Yunshi CAO, aged 58. Mr. Cao is the Company Secretary, the General Counsel and a Senior Vice President of the Company. From 1992 to 1999, he was the Director of the Legal Department of CNOOC. He has been the General Counsel of CNOOC since 1999. Mr. Cao is a senior economist and licensed lawyer in the PRC. He has extensive experience in production sharing contracts and over 33 years' experience in the oil industry. He received a B.S. degree from the Beijing Petroleum Institute and studied law at the Law School of Columbia University. Mr. Cao joined CNOOC in 1982.

Senior Management

Yunshi CAO (Please refer to "Company Secretary")

Mark QIU, aged 40. Dr. Qiu is the Chief Financial Officer and Senior Vice President of the Company. He worked for the investment bank Salomon Smith Barney before CNOOC Ltd., last as the head of its Asia Oil & Gas Investment Banking group. He previously held several management positions at Atlantic Richfield Corporation (ARCO) of United States. He was the Federal Government Relations Director of ARCO in Washington, D.C. Prior to that, he was a Vice President of ARCO China Ltd., ARCO's subsidiary in China. He was a consultant with the leadership succession planning consulting firm of RHR International. Mr. Qiu received a MBA degree from the Sloan School of Management at Massachusetts Institute of Technology as a Sloan Fellow. He also has a Master degree and a Ph.D. degree in Decision Sciences from the University of Texas at Arlington.

Hua YANG, aged 42. Mr. Yang is a Senior Vice President of the Company and President of CNOOC International Limited. He is a senior engineer. He received his B.S. degree from China Petroleum Institute. He has over 21 years' experience in petroleum exploration and production. Mr. Yang joined CNOOC in 1982 and was an Acting Director of the Overseas Development Department of CNOOC.

Wei CHEN, aged 46. Mr. Chen is a Senior Vice President and Director of the Research Centre. A senior engineer, he received his B.S. degree from China Petroleum University and holds an MBA degree of Tsinghua University. He has over 21 years' experience in petroleum exploration and production. Mr. Chen joined CNOOC in 1984 and was the Deputy Manager for the exploration and development department of CNOOC Research Center, Deputy Manager of the Overseas Research department, the Manager of the Information Department, the Deputy Director of the Research Center, the General Manager of the Human Resources Department of CNOOC and General Manager of the Administration Department of the Company.

Guohua ZHANG, aged 42. A Senior Vice President of the Company and General

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Manager of Exploration Department. Mr. Zhang is a senior engineer, responsible for the exploration work offshore China as well as the reserve management. He is a geologist, and received his B.S. degree from Ocean Institute of Qingdao. He also studied in the Business Institute of University of Alberta in 2001. Mr. Zhang joined CNOOC in 1982 and worked as Exploration Manager of China Offshore Oil Western South China Sea Corporation, a Chief Geologist of CNOOC Research Center and the Assistant to General Manager of CNOOC China Limited.

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CNOOC LIMITED Annual Report 2003

DIRECTORS AND SENIOR MANAGEMENT

Jian LIU, aged 46. A Senior Vice President of the Company and General Manager of Development and Production Department. He is a senior engineer and is responsible for the development and production of oil & gas of the Company. He received his B.S. degree from Huazhong Institute of Technology and MBA degree from Tianjin University in 2000. Mr. Liu joined CNOOC in 1982 and was the Manager of CNOOC Bohai Corporation, the Vice President of Tianjin branch office and the President of Zhanjiang branch office.

Ning LI, aged 40. A Senior Vice President of the Company and General Manager of Engineering and Project Department. He is a senior engineer and is responsible for the project management of oil and gas development of the Company. He received his B.S. degree from Petroleum University of China in 1983 and MBA degree from Tianjin University in 2000. Mr. Li joined CNOOC Bohai Corporation in 1983, responsible for the design and engineering of oil and gas fields in Bohai Bay, East China Sea and South China Sea. He was the Vice President of Design & Engineering Corporation of CNOOC since 1994, and was appointed Deputy manager of Engineering Department of CNOOC in 1998. He was also the General Manager of the Dongfang 1-1 gas development project and the Deputy Manager of the Zhanjiang branch office.

Changes In Directors and Senior Management

- * Mr. Guohua Zhang was appointed the Senior Vice President of the Company and ceased to be the Assistant to General Manager of CNOOC China Limited as of March 2003. He was also named the General Manager of Exploration Department as of April 2003.
- * As of May 2003, Mr. Jian Liu and Mr. Ning Li were appointed the Senior Vice President. They were also named the General Manager of Development and Production Department, and Engineering and Project Department respectively.
- * In October 2003, Mr. Chengyu Fu was appointed by the Board of Directors as the Company's Chairman and Chief Executive Officer.
- * Mr. Evert Henkes has been appointed as a non-executive independent director of the Company in September 2003. Mr. Chak Kwong So resigned from the board of the Company following his appointment as Deputy Chairman and Group Managing Director of PCCW Limited.

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CNOOC LIMITED Annual Report 2003

REPORT OF THE DIRECTORS

The directors (the "Directors") of CNOOC Limited (the "Company") are pleased to present their report together with the audited financial statements for the year ended 31 December 2003.

Principal Activities and Operating Results

The principal activity of the Company is investment holding of its subsidiaries (which together with the Company shall be known as the "Group"), which are principally engaged in the exploration, development, production and sales of crude oil and natural gas and other petroleum products.

Summary of Financial Information

Please refer to the financial statements for a summary of the assets and liabilities of the Group as at 31 December 2003 on page 54 and the operating results for the year then ended on page 53.

Loans

Please refer to note 26 to the financial statements on pages 84 to 85 for details of the long-term bank loans of the Group for the year ended 31 December 2003.

Property, Plant and Equipment, net

Please refer to note 18 to the financial statements on pages 78 to 79 for movements in property, plant and equipment, net of the Group for the year ended 31 December 2003.

Reserves

Please refer to the statement of changes in equity on page 55 and note 32 to the financial statements on page 91 for movements in the reserves of the Group and the Company, respectively, for the year ended 31 December 2003.

Subsidiaries and Associated Companies

Particulars of the Company's subsidiaries and associated companies as at 31 December 2003 are set out in notes 19 and 20 to the financial statements on pages 80 to 82.

Dividends

The Directors recommend the payment of a final dividend of HK\$0.12 per share for the year ended 31 December 2003 and a special final dividend of HK\$0.18 per share.

Retirement Benefits

Please refer to note 33 to the financial statements on page 91 to 93 for details of the retirement benefits of the Group for the year ended 31 December 2003.

Major Suppliers and Customers

Purchases from the largest supplier of the Group for the year ended 31 December 2003 represented approximately 13.0% of the Group's total purchases. The total purchases attributable to the five largest suppliers of the Group accounted for approximately 29.4% of the total purchases of the Group for the year then ended.

Sales to the largest customer for the year ended 3