

CNOOC LTD
Form 6-K
March 24, 2011

UNITED STATES
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 the month of March 2011

Commission File Number 1-14966

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 of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ☐

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

Yes ☐ No ☒

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): Not applicable

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CNOOC Limited

By:	/s/ Jiang Yongzhi
Name:	Jiang Yongzhi
Title:	Joint Company Secretary

Dated: March 24, 2011

EXHIBIT INDEX

Exhibit No. Description

- | | |
|------|--|
| 99.1 | Announcement dated March 23, 2011, entitled “2010 Annual Results Announcement”. |
| 99.2 | Press release dated March 23, 2011, entitled “CNOOC Limited’s Production and Net Profit Both Hit Record High”. |
| 99.3 | Announcement dated March 23, 2011, entitled “Clarification Announcement”. |
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Exhibit 99.1

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock Code: 00883)

2010 Annual Results Announcement

CHAIRMAN'S STATEMENT

Dear shareholders,

With the year 2010 quietly slipping by, CNOOC Limited has reached another milestone in the course of its development with your care and support. In reporting the Company's major operating results, I hereby would like to sum it up in two key expressions – "a new era of growth" and "changes in management team". I will also share with you my thoughts on CNOOC Limited's future development in another key expression – "value creation as top priority".

A new era of growth

As you know, in 2010, on the premise of implementing its established business strategies, CNOOC Limited has taken another big step forward in its business development including a significant increase in production, breakthroughs in exploration, and remarkable financial results. In addition, the Company has made considerable achievements in its overseas development.

Although the operating results of this year continued to show record development and enviable growth as in the previous years, in my view, and to CNOOC Limited, the long-term implication of this year's outstanding results has surpassed that of the previous years.

In 2009, with annual oil and gas production volume reaching 227.7 million BOE, CNOOC Limited had already secured the leading position among the independent oil and gas companies in the world. At that time, the market was already concerned about whether the Company could keep its rapid growth momentum on top of such large production base. In 2010, CNOOC Limited proactively addressed such market concern by achieving net production of 328.8 million BOE, representing a significant increase of 44.4%.

I understand that our investors' goals are not limited to our "record-breaking" achievements in the past. What made me feel inspired is: CNOOC Limited is still capable of, on top of 10-year growth story, delivering further growth from the platform of such high production volume. In 2011, the Company's annual production target is 355 to 365 million BOE, and over the next five years, the production target of the compound annual growth rate is between 6% and 10%.

I believe that CNOOC Limited's remarkable performance will dismiss any concerns whether its glory will only be "a flash in the pan". The Company is already well equipped with the strength to realize its long-term development target on a new production platform.

Changes in management team

While the remarkable growth was recorded in our results for the year, our management team was also growing at the same time. In 2010, the team was strengthened through changes made during the year. The injection of new force and the inheritance of experiences were carried out at the same time.

In the year, I officially resigned from the role of Chief Executive Officer. During my seven year's term as Chief Executive Officer, I worked sincerely with other members of senior management and together we led CNOOC Limited to its outstanding growth and brought up our succession team.

In 2010, our successors got ready to assume more responsibilities. The Board made an unanimous decision that Mr. YANG Hua, former President and Chief Financial Officer of our Company, will step into the new role as Chief Executive Officer. Mr. LI Fanrong, who has served the Company for many years, was appointed as the President. Mr. ZHONG Hua, the new Chief Financial Officer, has also served in the offshore oil industry for almost 30 years.

I have confidence in their ability, passion, and integrity with which they will lead CNOOC Limited to a bright future. For this reason, I was able to resign from the role of Chief Executive Officer without any worries.

In the future, as the Chairman and together with other Board members, I will be responsible for steering the direction of the Company, to support and oversee the management team for its daily management and operations so as to ensure that the Company will continue to create value and maintain a sustainable development.

Value creation as top priority

The Company will continue to play the role of value creator for our shareholders.

In 2010, with its stock price appreciating 51.1% year over year, CNOOC Limited topped Hong Kong's blue chip companies. I believe that this has delivered to you substantial benefit. In addition, the Board has proposed a year end dividend of HK\$0.25 per share.

Our management team, as well as our entire staff and myself, are profoundly proud of such a remarkable value creating ability. I believe that our new management team will be able to further utilize and strengthen this ability.

In the future, in the course of achieving the “value creation as top priority”, I believe we need to focus on the following three aspects.

First of all, people – although most of the Company’s present management team members are trained and promoted internally, we never close the door against the talented people outside. As we enter a new era of growth, CNOOC Limited needs to further rely on the ability of human talent and welcome new talent from outside in order to create more value.

Secondly, a structured system – from my point of view, talented people create value and a structured system can preserve value. Although CNOOC Limited’s existing body of system is already quite adequate, it will never be perfect. It is my hope that under the guardian of a more comprehensive system, all value discovered and created by us will be able to sustain.

Thirdly, business development – for any company that is committed to growth, it must fight for more growing space and larger market share in order to create more value. Besides the sophisticated operation on the home ground, one of the “shortcuts” to achieve growth is to set our eyes on the global arena. CNOOC Limited will not, and should not, confine itself to its current scale. While seeking growth in offshore China where we enjoy great potential and operational advantages, we will not give up any suitable chance to expand our business in other regions.

CNOOC Limited is moving forward in courageous strides to pursue growth. I hereby pledge that, although the road to achieving such growth target will be filled with barriers, the Company will continue to move forward on this journey of value creation and sustainable development. I hope to win your continuous support while achieving this goal.

FU Chengyu
Chairman

Hong Kong, 23 March 2011

CEO'S STATEMENT

Dear shareholders,

I am YANG Hua, the Chief Executive Officer of CNOOC Limited. I am very pleased to be given this opportunity to communicate with you in this way.

While I was the Company's President and Chief Financial Officer, I was lucky to have had the chance to come into frequent contacts, and thus have been able to feel, at a close distance, the concerns and supports from our shareholders. Very often, I was able to gain the wisdom and power from such experiences that have been so beneficial to the Company's long term development.

I hope to take this unique opportunity in writing to help you further understand management's overview and vision on the future development of the Company.

New Achievements

Like many other members of CNOOC Limited's management team, I am a veteran CNOOC man and have been working in China's offshore oil industry since I was fresh out of the college.

During many years with the Company, I have personally witnessed its outstanding achievements and followed closely its enviable footsteps of growth. Nevertheless, I am very proud of the development momentum presented by the Company in 2010.

In 2010, our net production reached 328.8 million BOE, representing a significant increase of 44.4% over the previous year. Our exploratory activities achieved remarkable results with an aggregate of 13 new discoveries, including the important deepwater discovery of Liuhua 29-1. Development projects went on smoothly, and 9 new oil and gas fields commenced production. Our overseas development has also made noticeable progress that our business spanned over to South America and the Middle East as well as making the first debut in the shale oil and gas business. Meanwhile, the Company's net profits increased substantially to reach RMB54.41 billion, and the basic earnings per share enjoyed steady growth to RMB1.22. During the year and for the first time, it received the "Energy Company of the Year" by Platts Global Energy Awards.

In 2010, CNOOC Limited has achieved remarkable results in many aspects, and I hereby would like to share with you the following achievements.

First of all, exploratory activities. In 2010, we consistently achieved satisfactory results from our exploration in the continental shelf offshore China with a few important new discoveries including the large-scale oil discovery of Penglai 9-1, fully demonstrating the potential of our traditional operation areas. On the other hand, in addition to the discoveries of Liwan 3-1 and Liuhua 34-2, another new discovery Liuhua 29-1 was made in the deepwater area of South China Sea. Thereafter, the gas-bearing sands were encountered during the drilling of Lingshui 22-1-1 well. These successes not only demonstrated the exploration potential in the deepwater South China Sea, but also encouraged us in carrying out independent deepwater explorations. Deepwater area of South China Sea, I believe, will become a critical driving force for the development of the Company in mid to long term.

Secondly, new development policy. With many years of practices, the Company has created a regional development model that a major oilfield plays a leading role in the development of the surrounding oilfields. During the year, such development model was successfully tested on the Xijiang oilfields and proven to be beneficial in terms of sharing facilities, reducing cost and improving the project economics. Apart from this, a comprehensive improving recovery mechanism, primarily led by infill drilling, has been officially established. During the year, based on numerous researches and operation practices, we increased our activities in this dimension and achieved remarkable results, keeping the composite decline rate of mature oilfields at a low level.

Thirdly, advancement in technical skills. Heavy oil extraction is a common conundrum faced by the entire industry. During the year, CNOOC Limited achieved pleasant results in testing the thermal recovery technology. Heavy oil reserves accounted for half of the crude oil reserves of the Company. The accumulation and spread-out of the technology and experiences in this respect will facilitate the effective exploitation of existing resources. In addition, a significant breakthrough was made in the research and application of the fracturing technology on oilfields with low permeability. Such advancement will further enhance the value of our assets and expedite the process to turn underground resources into oil and gas production.

Lastly, overseas development. During the year, CNOOC Limited successfully expanded its scope of business to South America and the Middle East region and made its first debut in shale oil and gas project in the United States. Through value-driven overseas development, the asset portfolio of CNOOC Limited has become more diversified and its regional distribution has been further broadened. We are happy to see the growth of our overseas assets, which will significantly expand our scope for development in long run.

The achievements made in year 2010 went far beyond these. I believe you will find more inspiring news about the Company's business plan in the "Business Overview" section of the Company's 2010 annual report.

New Challenges

While we are extremely delighted about the Company's development, the management team has truly realized that after the course of CNOOC Limited's glorious growth in the past decade or so, a number of challenges are gradually emerging.

As a company that has been established for just over 10 years, CNOOC Limited lacks as much as the rich experience accumulated by other international companies in the industry. Up to date, CNOOC Limited has been elevated onto a new development platform where we are faced with integrated and independent oil and gas companies that are larger in size and perform better than us. In order to compete with our international peers on this new platform, we need to deposit more “fortunes” in the aspects of human resources, management and technical skills.

I also clearly realized that, with the rapid growth of the production volume, the pressure on finding new reserves and expanding the current reserve base has been enlarged greatly. In addition, increase in costs has become one of the steep challenges that the Company is confronting with. When conducting business in the offshore petroleum industry, health, safety, and environmental protection (HSE) is the constant challenge and should not be taken lightly.

Faced with these challenges, we will be pulled together and work hard as a team to lead the Company march down the road of the value creation towards its goal.

New Missions

In the future, we will focus on the following areas.

First of all, enhancing our ability to create value – As we have repeatedly emphasized, the production growth and cost control are the “two wings” indispensable for CNOOC Limited to realize the target. We clearly realized that in order to reach our production target, there are still many challenges ahead of us. The pressure of escalating cost that has become common in the industry could possibly reduce the value creation ability of the Company. In 2011 and over the next five years, as my primary mission, extra efforts will be made to production growth and cost control so as to better realize the intrinsic value of our assets.

Secondly, managing risks derived from future development – Although risk taking is part of the CEOs’ characteristics, I still hope I can effectively manage the major risks in the course of the Company’s development. While CNOOC Limited has always insisted on a conservative and sustainable style of doing business over the years, we cannot afford to overlook the potential risks hidden behind when the business environment is becoming more stringent and operating areas more widespread. The Company will continue to manage various risks by executing and improving the existing systems of internal control and risk management.

Thirdly, accumulating strength for our future growth momentum – Like all other companies, the annual performance review is the key indicator for measuring the performance of our management team. Apart from short term targets, the medium to long term sustainable growth of the Company is even more important. We will strive to discover more reserves and accumulate the resources for the sustainable growth. There is still ample room for reserve growth in the core operating areas and deepwater offshore China. In the next few years, we will be more proactive on exploration investments and deploy more profound work to further stabilize our organic growth platform.

As you know, there are a few new members in our management team besides myself, including our new President, Mr. LI Fanrong and our new Chief Financial Officer, Mr. ZHONG Hua. In terms of our new management team, our starting point is a company that has entered into a new era of growth, and a new development platform that has been so preciously built up through the invaluable experience, wisdom and unreserved efforts of our Board of Directors, our management team led by former Chief Executive Officer, Mr. FU Chengyu, and the entire staff. We will dedicate ourselves to the steady growth and value creation of the Company on such basis.

In our future conquests, I hope we will be accompanied by the trust of our Board and shareholders, the support of our staff and partners, as well as the cooperation of all other stakeholders. I firmly believe that, along the development path to CNOOC Limited's evolution, we will also be able to carve out new milestones for the Company with our own hands.

YANG Hua
Chief Executive Officer

Hong Kong, 23 March 2011

Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

(All amounts expressed in thousands of Renminbi, except per share data)

	Notes	2010
REVENUE		
Oil and gas sales	6	149,118,6
Marketing revenues		32,445,86
Other income		1,488,548
		183,053,0
EXPENSES		
Operating expenses		(16,204,0
Taxes other than income tax		(8,204,04
Exploration expenses		(5,579,86
Depreciation, depletion and amortization		(27,687,0
Special oil gain levy		(17,705,5
Impairment and provision		(26,536
Crude oil and product purchases		(32,236,4
Selling and administrative expenses		(3,062,60
Others		(941,467
		(111,647,
PROFIT FROM OPERATING ACTIVITIES		71,405,34
Interest income		703,849
Finance costs	8	(1,222,02
Exchange gains, net		994,795
Investment income		427,491
Share of profits of associates		198,854
Non-operating income/(expenses), net		141,677
PROFIT BEFORE TAX	7	72,649,99
Income tax expense	9	(18,240,4
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		54,409,54
OTHER COMPREHENSIVE INCOME/(LOSS)		
Exchange differences on translation of foreign operations		(2,496,08
Net gain /(loss) on available-for-sale financial assets, net of tax		5,590,380
Share of other comprehensive income of associates		2,752
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		3,097,051
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS		57,506,59

EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic	10	RMB
Diluted	10	RMB

Consolidated Statement of Financial Position

31 December 2010

(All amounts expressed in thousands of Renminbi)

	Notes	2010	Group 2009
NON-CURRENT ASSETS			
Property, plant and equipment		212,330,626	165,319,871
Intangible assets and goodwill		3,022,201	1,230,127
Investments in associates		1,781,090	1,726,806
Available-for-sale financial assets		8,703,726	3,119,955
Other non-current assets		1,435,781	--
Total non-current assets		227,273,424	171,396,759
CURRENT ASSETS			
Inventories and supplies		4,076,296	3,145,855
Trade receivables	11	20,234,732	13,115,883
Held-to-maturity financial assets		3,040,200	-
Available-for-sale financial assets		18,939,974	8,582,364
Other current assets		2,814,971	2,542,325
Time deposits with maturity over three months		11,975,623	20,870,000
Cash and cash equivalents		39,571,023	22,615,037
Total current assets		100,652,819	70,871,464
CURRENT LIABILITIES			
Loans and borrowings	13	21,630,674	122,092
Trade and accrued payables	12	18,550,477	15,607,640
Other payables and accrued liabilities		18,160,216	9,773,557
Taxes payable		11,068,719	5,538,661
Total current liabilities		69,410,086	31,041,950
NET CURRENT ASSETS		31,242,733	39,829,514
TOTAL ASSETS LESS CURRENT LIABILITIES		258,516,157	211,226,273
NON-CURRENT LIABILITIES			
Loans and borrowings	13	11,716,049	18,570,061
Provision for dismantlement		16,026,805	11,281,089
Deferred tax liabilities	9	13,122,064	7,439,620
Other non-current liabilities		1,885,292	--
Total non-current liabilities		42,750,210	37,290,770
NET ASSETS		215,765,947	173,935,503

EQUITY

Equity attributable to owners of the parent			
Issued capital	14	949,299	949,299
Reserves		214,816,648	172,986,204
TOTAL EQUITY		215,765,947	173,935,503

Yang Hua
Director

Wu Guangqi
Director

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2010

(All amounts expressed in Renminbi unless otherwise stated)

1. CORPORATE INFORMATION

CNOOC Limited (the “Company”) was incorporated in the Hong Kong Special Administrative Region (“Hong Kong”) of the People’s Republic of China (the “PRC”) on 20 August 1999 to hold the interests in certain entities thereby creating a group comprising the Company and its subsidiaries (hereinafter collectively referred to as the “Group”). During the year, the Group was principally engaged in the exploration, development, production and sales of crude oil, natural gas and other petroleum products.

The registered office address of the Company is 65/F, Bank of China Tower, 1 Garden Road, Hong Kong.

In the opinion of the directors of the Company (the “Directors”), the parent and the ultimate holding company of the Company is China National Offshore Oil Corporation (“CNOOC”), a company established in the PRC.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards “IFRSs” (which also include International Accounting Standards (“IASs”) and Interpretations) issued by the International Accounting Standards Board (the “IASB”), Hong Kong Financial Reporting Standards “HKFRSs” (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Group is set out below.

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The IASB has issued a number of new and revised IFRSs and IFRIC Interpretations that are first effective for the current accounting year commencing 1 January 2010 or later but available for early adoption. The equivalent new and revised HKFRSs and HKFRS Interpretations consequently issued by the HKICPA have the same effective dates as those issued by the IASB and are in all material aspects identical to the pronouncements issued by the IASB. There have been no other material changes to HKFRSs.

(a) Standards, revisions and amendments to IFRSs and HKFRSs which are applicable to the Group, and have been adopted for the first time for the current year’s financial statements:

IFRS 3/HKFRS 3 (Revised) – Business Combinations

IFRS 3/HKFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring on or after 1 January 2010. Changes affect the valuation of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. The adoption of the revised standard has no significant impact on the Group.

IAS 27/HKAS 27 (Amended) – Consolidated and Separate Financial Statements

IAS 27/HKAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. The Group has not entered into a transaction that involved a change in the ownership interest of a subsidiary (without loss of control) and, therefore, the adoption of the Amendments did not have any impact on its consolidated and separate financial statement.

The changes introduced by the above revised standards have been applied prospectively.

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES CONTINUED

- (b) Standards, amendments and revisions which are applicable to the Group, and that are effective for accounting periods beginning on or after 1 January 2011, and will only be adopted by the Group upon or after their respective effective dates:

IFRS 9/HKFRS 9 - Financial Instruments: Classification and Measurement

IFRS 9/HKFRS 9 issued in November 2009 is the first part of Phase I of a comprehensive project to entirely replace IAS 39/HKAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9/HKFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in IAS 39/HKAS 39. The approach in IFRS 9/HKFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. This new standard will become effective on 1 January 2013. The adoption of the first phase of IFRS 9/HKFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group has not yet determined the extent of the impact of IFRS 9/HKFRS 9.

IAS 24/HKAS 24 (Revised) - Related Party Disclosures

IAS 24/HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt IAS 24/HKAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly.

Improvements to IFRSs/HKFRSs

Apart from the above, the IASB/HKICPA has also issued Improvements to IFRSs/HKFRSs which set out amendments to a number of IFRSs/HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The adoption of those amendments upon their effective dates in 2010 did not have any impact on the accounting policies, financial position or performance of the Group. While the adoption of some of the amendments when they will become effective after 1 January 2011 may result in changes in accounting policy, none of them are expected to have a material financial impact on the Group. Besides, the Group has also considered all other IFRICs/HKFRICs issued and they are unlikely to have any financial impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2010.

The results of subsidiaries are consolidated from the date of acquisition being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

The results of subsidiaries are included in the Company's statement of comprehensive income to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

All intra-group balances, income and expenses and unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

5. ACQUISITIONS AND OTHER VENTURES

(i) On 13 March 2010, CNOOC International Limited (“CNOOC International”), a wholly-owned subsidiary of the Company, entered into agreements with Bidas Energy Holdings Ltd. (“BEH”) to form a 50:50 joint venture in Bidas Corporation, formerly a wholly-owned subsidiary of BEH, for a cash consideration of approximately US\$3.1 billion. This transaction is aligned with the Company’s growth strategy by expanding its reach into Latin America and establishes a foundation for future growth in the region and other countries. Bidas Corporation, through its affiliates (including a 40% interest in Pan American Energy LLC, “PAE”) has oil and gas exploration and production activities in Argentina, Bolivia and Chile. On 4 May 2010, the Company completed its acquisition at a total consideration of US\$3.1 billion.

The Group accounts for its investment in Bidas Corporation using the proportionate consolidation method.

(ii) The Company and BEH, through Bidas Corporation, entered into a share purchase agreement with BP PLC (“BP”) on 28 November 2010, pursuant to which Bidas Corporation will acquire a 60% equity interest in PAE from BP for a consideration of approximately US\$7.06 billion. The acquisition excludes PAE’s assets in Bolivia.

CNOOC International and BEH have agreed to contribute an aggregate amount of approximately US\$4.94 billion to Bidas Corporation, to finance 70% of the consideration of the acquisition. The contribution will be made in equal amounts, i.e. approximately US\$2.47 billion, by each of CNOOC International and BEH. The remaining 30% of the consideration, or approximately US\$2.12 billion, will be satisfied by third party loans to be arranged by Bidas Corporation and/or additional contributions from CNOOC International and BEH.

Completion of the acquisition is conditional on, amongst others, all necessary government and regulatory approvals, and is expected to take place in the first half of 2011.

(iii) On 30 April 2010, CNOOC China Limited, a wholly-owned subsidiary of the Company, signed a sale and purchase agreement to acquire an additional 24.5% participating interest in Block 15/34 from Devon Energy Corporation (“Devon”) for a cash consideration of US\$515 million. On 18 June 2010, the Company completed its acquisition. Block 15/34 is located in the Pearl River Mouth Basin of South China Sea.

The Company is the operator of the block. Upon completion, the Company increased its participating interest to 75.5%.

(iv) On 17 May 2010, CNOOC International, Türkiye Petrolleri A.O. (“TPAO”) and Iraqi Drilling Company (“IDC”) (collectively, the “Contractors”) entered into a Technical Service Contract (“TSC”) for the Missan oil fields in Iraq. The Contractors are engaged to achieve stipulated production targets through improved and enhanced recovery measures. The TSC provides for a cost recovery mechanism and remuneration fee on incremental production. The TSC has a contract term of 20 years, with an option to extend for additional five years with relevant approval.

CNOOC International will act as the lead contractor and hold a 63.75% participating interest while TPAO will hold 11.25%. IDC will hold the remaining 25% participating interest. As a state partner, IDC will be entitled to receive a 25% participating interest of remuneration fee without paying any expenditure.

(v) On 10 October 2010, CNOOC International through its wholly-owned subsidiary, OOGC America, Inc., signed a purchase agreement with Chesapeake Exploration, LLC, a subsidiary of Chesapeake Energy Corporation (“Chesapeake”), to purchase a 33.3% undivided interest in Chesapeake’s Eagle Ford Shale project in Texas with a cash consideration of approximately US\$1.08 billion plus an upward adjustment of US\$40 million paid on

closing. In addition, CNOOC International has agreed to fund 75% of Chesapeake's share of development costs in the project until an additional US\$1.08 billion has been paid. The deal was closed on 15 November 2010.

6. OIL AND GAS SALES

	2010 RMB'000	Group 2009 RMB'000
Gross sales	155,872,376	87,762,658
Less: Royalties	(3,523,914)	(1,463,385)
PRC government's share of oil	(3,229,792)	(2,384,894)
Oil and gas sales	149,118,670	83,914,379

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Group 2010 RMB'000	2009 RMB'000
Crediting:		
Interest income from bank deposits	(703,849)	(638,252)
Exchange gains, net	(994,795)	(53,799)
Investment income:		
– Net gain from available-for-sale financial assets	(425,037)	(199,925)
– Net gain from held-to-maturity financial assets	(2,454)	-
	(427,491)	(199,925)
Charging:		
Auditors' remuneration:		
– Audit fee	17,674	15,447
– Other fees	2,468	2,619
	20,142	18,066
Employee benefit expense (including directors' remuneration):		
– Wages, salaries and allowances	1,580,704	952,319
– Labour costs paid to contractors	2,190,133	1,696,767
– Equity-settled share option expenses	217,633	184,343
	3,988,470	2,833,429
Depreciation, depletion and amortization:		
– Property, plant and equipment	27,886,422	15,819,121
– Intangible assets	195,203	167,776
Less: Net amount capitalized	(394,530)	(43,995)

	27,687,095	15,942,902
Operating lease rentals:		
– Office properties	128,111	127,008
– Equipment	1,819,079	1,653,464
	1,947,190	1,780,472
Loss/(gain) on disposal of property, plant and equipment	65,192	(1,564)
Repairs and maintenance	2,985,135	1,846,688
Research and development costs	823,448	539,233
Provision for inventory obsolescence	26,381	6,955

8. FINANCE COSTS

	Group 2010 RMB'000	2009 RMB'000
Interest on bank loans which are repayable within five years	356,529	87,394
Interest on other loans	383,604	386,838
Other borrowing costs	34,059	33,593
Total borrowing costs	774,192	507,825
Less: Amount capitalized in property, plant and equipment	(394,492)	(439,850)
	379,700	67,975
Other finance costs:		
Unwinding of discount on provision for dismantlement	762,394	466,439
Other	79,929	125
	1,222,023	534,539

The interest rates used to determine the amount of related borrowing costs for capitalization varied from 4.1% to 6.375% (2009: from 4.1% to 6.375%) per annum during the year.

9. INCOME TAX

An analysis of the tax expense in the Group's consolidated statement of comprehensive income is as follows:

	Group 2010 RMB'000	2009 RMB'000
Overseas		
Current income tax	1,430,030	657,614
Deferred tax	796,294	1,362,833
PRC		
Current income tax	17,433,444	8,663,709
Deferred tax	(1,419,325)	651,360
Total tax charge for the year	18,240,443	11,335,516

A reconciliation of the statutory PRC corporate income tax rate to the effective income tax rate of the Group is as follows:

Group 2010 %	2009 %
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Statutory PRC enterprise income tax rate	25.0	25.0
Effect of different tax rates for the Company and overseas subsidiaries	0.3	3.0
Tax credit from the government	(0.1)	(0.3)
Profit attributable to associates	(0.1)	(0.1)
Other permanent differences	--	0.1
Group's effective income tax rate	25.1	27.7

9. INCOME TAX (CONTINUED)

The movements of deferred tax liabilities are as follows:

	Group	
	2010	2009
	RMB'000	RMB'000
At 1 January	7,439,620	5,428,323
Credited to the consolidated statements of comprehensive income	(623,031)	2,014,193
Acquisition	6,640,853	-
Exchange differences	(335,378)	(2,896)
At 31 December	13,122,064	7,439,620

10. EARNINGS PER SHARE

Earnings

Profit for the year attributable to ordinary equity holders for the basic and diluted earnings per share calculations RMB54,4

Number of shares

Number of ordinary shares issued at the beginning of the year 44,669,1

Weighted average number of ordinary shares for the basic earnings per share calculation 44,669,1

Effect of dilutive potential ordinary shares under the share option schemes 151,987,

Weighted average number of ordinary shares for the purpose of diluted earnings per share 44,821,1

Earnings per share:

Basic RM

Diluted RM

11. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit terms of the Group are generally within 30 days after the delivery of oil and gas. Trade receivables are non-interest-bearing.

As at 31 Decmeber 2010 and 2009, substantially all the trade receivables were aged within 30 days. All customers have a good repayment history and all receivables are not past due.

12. TRADE AND ACCRUED PAYABLES

As at 31 December 2010 and 2009, substantially all the trade and accrued payables were aged within six months. The trade and accrued payables are non-interest-bearing and are normally settled within six months.

13.

LOANS AND BORROWINGS

Current

	Effective interest rate and final maturity	Bank loan	2010		Group		2009	
			RMB'000	Notes	Total	Bank	RMB'000	Notes
			/Bonds			loan	/Bonds	Total
Short-term loans and borrowings								
General loans	LIBOR+0.7% to 1.3% per annum within one year	16,358,069	—	16,358,069	—	—	—	—
Loans proportionately consolidated from Bidas Corporation	1.38% per annum with maturity within one year	86,616	—	86,616	—	—	—	—
		16,444,685	—	16,444,685	—	—	—	—
Loans and borrowings due within one year								
For Tangguh LNG Project****	LIBOR+0.23% to 0.38% per annum with maturity within one year	184,398	—	184,398	122,092	—	—	122,092
For Nigeria OML130 Project	LIBOR+4% per annum with maturity within one year	4,652,116	—	4,652,116	—	—	—	—
Loans and notes proportionately consolidated from Bidas Corporation	4.14%-12.25% and LIBOR+5% to 5.5% per annum with maturity within one year	186,035	163,440*	349,475	—	—	—	—
		5,022,549	163,440	5,185,989	122,092	—	—	122,092
		21,467,234	163,440	21,630,674	122,092	—	—	122,092

Non-Current

	Effective interest rate and final maturity	Bank loan	2010		Group		2009	
			RMB'000	Notes	Total	Bank	RMB'000	Notes
			/Bonds			loan	/Bonds	Total
For Tangguh LNG	LIBOR+0.23% to 0.38% per annum	2,910,795	—	2,910,795	3,025,942	—	—	3,025,942

Project****	with maturity through 2021							
For Nigeria OML130 Project	LIBOR+4% per annum with maturity through 2015	387,428	—	387,428	8,790,966	—	8,790,966	
Loans and notes proportionately consolidated from Bidas Corporation	4.14%-12.25% and LIBOR+3.75% to 5.5% per annum with maturity through 2012-2018	1,031,658	825,709*	1,857,367	—	—	—	—
Finance (2002)**		—	3,304,516	3,304,516	—	3,401,014	3,401,014	
Finance (2003)***		—	3,255,943	3,255,943	—	3,352,139	3,352,139	
		4,329,881	7,386,168	11,716,049	11,816,908	6,753,153	18,570,061	

13. LOANS AND BORROWINGS (CONTINUED)

*These represent long-term bonds issued by Pan American Energy LLC, a jointly-controlled entity of the Company. One of the bonds will mature in 2012 with total principal amount of US\$50 million, bearing effective interest rate of 7.75%, another one will mature in 2021 with total principal amount of US\$100 million, bearing effective interest rate of 7.875%.

**The principal amount of US\$500 million of 6.375% guaranteed notes due in 2012 issued by CNOOC Finance (2002) Limited, a wholly-owned subsidiary of the Company. The obligations of CNOOC Finance (2002) Limited in respect of the notes are unconditionally and irrevocably guaranteed by the Company.

***The principal amount of US\$200 million of 4.125% guaranteed notes due in 2013 and the principal amount of US\$300 million of 5.500% guaranteed notes due in 2033 issued by CNOOC Finance (2003) Limited, a wholly-owned subsidiary of the Company. The obligations of CNOOC Finance (2003) Limited in respect of the notes are unconditionally and irrevocably guaranteed by the Company.

****The amount represented the Group's share of utilized bank loans in Tangguh Liquefied Natural Gas Project (the "Tangguh LNG Project").

The Company delivered a guarantee dated 29 October 2007 in favour of Mizuho Corporate Bank, Ltd., which acts as the facility agent for and on behalf of various international commercial banks under a US\$884 million commercial loan agreement dated 29 October 2007 in connection with the Tangguh LNG Project in Indonesia. The Company guarantees the payment obligations of the trustee borrower under the subject loan agreement and is subject to a maximum cap of approximately US\$164,888,000. Together with the loan agreement dated 31 July 2006 with a maximum cap of approximately US\$487,862,000, the total maximum guarantee cap is US\$652,750,000.

An agreement in respect of the sale of a 3.05691% interest of the Company in the Tangguh LNG Project to Talisman Energy Inc. ("Talisman") for a consideration of US\$212.5 million became effective on 1 January 2008. The transaction was completed through the equity transfer of an indirect subsidiary of the Company. The Company through its subsidiary continues to hold a 13.89997% interest in the Tangguh LNG Project after the sale.

In addition, a letter of credit agreement was signed between the Company and Talisman with the execution of the aforesaid agreement. Accordingly, Talisman has delivered valid and unexpired standby letters of credit with the amount of US\$120 million to the Company (as the beneficiary) as a counter-guarantee to offset the exposure of the Company's guarantee for the aforesaid interest of 3.05691% in respect of the Tangguh LNG Project financing.

As at 31 December 2010, except for the general loans of US\$1.77 billion secured by time deposits, all the bank loans of the Group were unsecured, and none of the outstanding borrowings were guaranteed by CNOOC.

14.

SHARE CAPITAL

Share	Number of shares	Share capital HK\$'000	Issued share capital equivalent of RMB'000
Authorized:			
Ordinary shares of HK\$0.02 each as at 31 December 2010 and 31 December 2009	75,000,000,000	1,500,000	
Issued and fully paid:			
Ordinary shares of HK\$0.02 each as at 1 January 2009	44,669,199,984	893,384	949,299
As at 31 December 2009	44,669,199,984	893,384	949,299
As at 31 December 2010	44,669,199,984	893,384	949,299

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15.

SEGMENT INFORMATION

(a)

Operating segments

The Group is organised on a worldwide basis into three major operating segments. The Group is involved in the upstream operating activities of the petroleum industry that comprise independent operations (in which the Group owns 100% participating interest), operations under production sharing contracts or other joint arrangements and trading business. These segments are determined primarily because the Group's chief operating decision maker makes key operating decisions and assesses performance of the segments separately. The Group evaluates the performance of each segment based on profit or loss from operations before income tax.

The following table presents the segment financial information for the Group's operating segments for the years ended 31 December 2010 and 2009.

	Independent operations		Production sharing contracts/ Other joint arrangements		Trading business		Corporate		EL
	2010	2009	2010	2009	2010	2009	2010	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Sales to external customers:									
Oil and gas sales	85,425,181	44,314,655	63,693,489	39,599,724	—	—	—	—	—
Marketing revenues	—	—	—	—	32,445,867	20,751,961	—	—	—
Intersegment revenues	—	102,278	17,638,325	8,828,793	—	—	—	—	(17,638,325)
Other income	490,838	239,721	868,359	169,967	—	—	129,351	119,049	—
Total	85,916,019	44,656,654	82,200,173	48,598,484	32,445,867	20,751,961	129,351	119,049	(17,638,325)
Segment results									
Operating expenses	(7,775,179)	(6,184,270)	(8,428,920)	(6,306,093)	—	—	—	—	—
Taxes other than income tax	(4,434,340)	(2,245,181)	(3,769,703)	(1,643,460)	—	—	—	—	—
Exploration expenses	(4,120,482)	(2,400,933)	(1,459,382)	(832,750)	—	—	—	—	—
Depreciation, depletion and amortization	(12,833,219)	(6,845,081)	(14,853,876)	(9,097,821)	—	—	—	—	—
Special oil gain levy	(12,047,825)	(4,039,689)	(5,657,752)	(2,317,615)	—	—	—	—	—
	(26,941)	(7,265)	405	362	—	—	—	—	—

Impairment and provision									
Crude oil and product purchases	–	–	–	–	(32,236,448)	(20,455,217)	–	–	–
Selling and administrative expenses	(122,101)	(32,858)	(1,290,249)	(989,237)	–	–	(1,650,258)	(1,241,862)	–
Others	(533,432)	–	(280,199)	(206,896)	–	–	(127,836)	(24,631)	–
Interest income	–	–	113,471	4,689	–	–	590,378	633,563	–
Finance costs	(502,041)	(295,777)	(518,374)	(211,432)	–	–	(201,608)	(27,330)	–
Exchange gains, net	–	–	34,189	25,434	–	–	960,606	28,365	–