

CNOOC LTD
Form 6-K
April 08, 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 April 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: April 8, 2011

EXHIBIT INDEX

Exhibit No.	Description
99.1	Announcement dated April 7, 2011, entitled “2010 Hong Kong Annual Report”.
99.2	Announcement dated April 7, 2011, entitled “Notice of Annual General Meeting”.
99.3	Announcement dated April 7, 2011, entitled “Explanatory Statement Relating to General Mandates to Issue Securities and Repurchase Shares and Re-election of Directors”.
99.4	Announcement dated April 7, 2011, entitled “Form of proxy for the Annual General Meeting to be held on 27 May 2011”.

Exhibit 99.1

Company Profile

CNOOC Limited (the “Company”, together with its subsidiaries, the “Group” or “we”), incorporated in Hong Kong Special Administration Region (“Hong Kong”) in August 1999, was listed on the New York Stock Exchange (code: CEO) and The Stock Exchange of Hong Kong Limited (code: 00883) 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 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 mainly engages in exploration, development, production and sales of oil and natural gas.

The Group has four major producing areas in offshore China, and they are Bohai Bay, Western South China Sea, Eastern South China Sea and East China Sea. In overseas, the Group has oil and gas assets in Indonesia, Australia, Nigeria, Argentina, the U.S. and some other countries.

As of 31 December 2010, the Group owned net proved reserves of approximately 2.99 billion BOE, and its average daily net production was 900,702 BOE. The Group had 4,650 employees and total assets of approximately RMB327.93 billion.

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Financial Summary

(Amounts expressed in millions of RMB)

Consolidated Statement of Comprehensive Income (Audited)

Year ended 31 December

	2006	2007	2008	2009	2010
Total revenues	88,947	90,724	125,977	105,195	183,053
Total expenses	(45,893)	(49,525)	(72,112)	(64,870)	(111,648)
Interest income/(finance costs), net	(1,050)	(1,359)	676	103	(518)
Exchange gains, net	308	1,856	2,551	54	995
Share of profits of associates	322	719	374	173	199
Investment income	613	902	476	200	427
Non-operating income/(expenses), net	876	(7)	(62)	(34)	142
Profit before tax	44,123	43,310	57,880	40,821	72,650
Income tax expense	(13,196)	(12,052)	(13,505)	(11,335)	(18,240)
Profit for the year	30,927	31,258	44,375	29,486	54,410

Consolidated Statement of Financial Position (Audited)

As at 31 December

	2006	2007	2008	2009	2010
Current assets	47,892	54,645	63,770	70,871	100,653
Property, plant and equipment	103,406	118,880	138,358	165,320	212,330
Investments in associates	1,544	2,031	1,785	1,727	1,781
Intangible assets and goodwill	1,409	1,331	1,206	1,230	3,022
Available-for-sale financial assets	1,017	1,819	1,550	3,120	8,704
Other non-current assets	—	1,087	—	—	1,436
Total assets	155,268	179,793	206,669	242,268	327,926
Current liabilities	(14,481)	(21,401)	(18,799)	(31,041)	(69,410)
Non-current liabilities	(32,973)	(24,077)	(27,632)	(37,291)	(42,750)
Total liabilities	(47,454)	(45,478)	(46,431)	(68,332)	(112,160)
Equity	107,814	134,315	160,238	173,936	215,766

Operating Summary
Year ended 31 December

	2006	**	2007	**	2008	2009	2010
Production							
Net production of crude and liquids (barrels/day)							
Bohai Bay	200,944		206,748		218,478	253,884	408,946
Western South China Sea	40,437		34,163		56,761	72,605	84,116
Eastern South China Sea	105,902		103,715		122,813	118,395	121,454
East China Sea	1,464		1,467		85	63	53
Overseas	23,973		25,735		23,931	64,749	106,965
Total	372,720		371,827		422,068	509,696	721,534
Net production of natural gas (mmcf/day)							
Bohai Bay	64.5		70.2		74.5	79.2	120.4
Western South China Sea	251.8		237.3		284.7	275.4	354.0
Eastern South China Sea	23.1		27.4		28.1	50.2	139.5
East China Sea	21.2		24.0		6.8	6.0	5.5
Overseas	130.3		200.7		227.0	242.7	420.6
Total	490.9		559.6		621.1	653.5	1,040.0
Total net production (BOE/day)							
Bohai Bay	211,697		218,447		230,896	267,079	429,008
Western South China Sea	84,625		75,573		106,764	120,745	145,274
Eastern South China Sea	109,744		108,279		127,490	126,765	144,712
East China Sea	5,004		5,462		1,225	1,057	972
Overseas	46,411		61,646		64,353	108,250	180,736
Total	457,482		469,407		530,728	623,896	900,702
Reserves at year end*							
Net proved crude and liquids reserves (million barrels)							
Bohai Bay	933.4		951.3		933.6	1,028.2	997.7
Western South China Sea	190.5		208.9		245.8	258.9	260.0
Eastern South China Sea	200.2		226.6		202.4	190.9	225.0
East China Sea	20.4		20.5		17.8	17.5	18.9
Overseas	145.3		156.7		178.7	172.2	413.5
Total	1,489.8		1,564.1		1,578.3	1,667.8	1,915.1
Net proved natural gas reserves (bcf)							
Bohai Bay	765.0		761.5		789.2	785.4	728.3
Western South China Sea	2,648.1		2,539.2		2,211.7	2,198.6	2,034.1
Eastern South China Sea	792.0		779.4		873.3	843.6	1,254.3

East China Sea	390.0	373.8	342.2	338.9	370.6
Overseas	1,636.5	1,768.9	1,406.9	1,777.5	2,071.0
Total	6,231.6	6,222.8	5,623.3	5,944.0	6,458.3
Total net proved reserves (million BOE)					
Bohai Bay	1,060.9	1,078.2	1,065.1	1,159.1	1,119.1
Western South China Sea	631.9	632.1	614.4	625.4	599.0
Eastern South China Sea	332.3	356.5	347.9	331.5	434.1
East China Sea	85.4	82.8	74.8	74.0	80.7
Overseas	418.0	451.6	413.2	468.5	761.6
Total	2,528.5	2,601.2	2,515.4	2,658.4	2,994.5
Others					
Reserve life (years)	15.1	15.2	13.0	11.7	9.1
Reserve replacement ratio (%)	199	142	60	163	202
Average realized price					
Crude oil (US\$/barrel)	58.90	66.26	89.39	60.61	77.59
Natural gas (US\$/mcf)	3.05	3.30	3.83	4.01	4.27

*The net proved reserve estimates from 2006 to 2009 contained in this table were made by the independent consultants. The net proved reserve estimates in 2010 were also made by the independent consultants except that the reserve estimates of Wenchang 13-1, Wenchang 13-2, Dongfang 1-1 oil and gas fields offshore China, and Akpo and Egina oil fields in Nigeria, were made by the Company and accounted for 10.7% of the Company's total net proved reserves.

**Including our interest in an unconsolidated investee, which represented 0.3% of our proved reserves and 0.9% of our net production in 2006, and 0.3% of our proved reserves and 0.8% of our net production in 2007.

Milestone Events 2010

EXPLORATION

- | | |
|------------|---|
| 9February | The third deepwater discovery of Lihua 29-1 in South China Sea announced |
| 31March | Significant discovery of Enping 24-2 in Eastern South China Sea announced |
| 19April | Significant discovery of Penglai 9-1 in Bohai Bay announced |
| 13November | Discovery of Dongfang13-1, a breakthrough in the middle formation of Yinggehai Basin in Western South China Sea |
| 15December | Announced that the exploratory well Lingshui 22-1-1 on Block 64/11 in deepwater South China Sea encountered gas-bearing sands |

DEVELOPMENT

- | | |
|-----------|--|
| 29March | Successful commencement of production of Weizhou 11-1E oilfield in Western South China Sea and Bozhong 3-2 oilfield in Bohai Bay announced |
| 28April | Successful commencement of production of Caofeidian 18-1 oilfield in Bohai Bay announced |
| 22July | Successful commencement of production of Bozhong 29-4 oilfield in Bohai Bay announced |
| 9August | Successful commencement of production of Bozhong 19-4 oilfield in Bohai Bay announced |
| 19August | Successful commencement of production of Huizhou 25-3 oilfield in Eastern South China Sea announced |
| 20October | Successful commencement of production of Bozhong 26-3 and Luda 32-2 oilfields in Bohai Bay announced |
| 28October | Successful commencement of production of Weizhou 6-8 oilfield in Western South China Sea announced |

ACQUISITIONS

- | | |
|---------|--|
| 14March | Reorganization of Brijdas Corporation to a joint venture with Brijdas Energy |
|---------|--|

30April	Holdings Ltd. announced Increasing of stake in block 15/34 of the Pearl River Mouth Basin in Eastern South China Sea announced
17May	Winning of bid for Technical Service Contract for the Missan oilfields in Iraq announced
11October	Acquisition of 33.3% undivided interest in the Eagle Ford Shale project from Chesapeake announced
28November	Announced that Bridas Corporation will acquire 60% equity interest in Pan American Energy LLC from BP

OTHERS

January	Chairman Mr. FU Chengyu was selected and ranked 42nd as “The Best-Performing CEOs in the World” by Harvard Business Review
April	Awarded the “Best Chinese Company” in the “Corporate Governance Asia Recognition Awards 2010”
August	Changes in management team announced: Mr. FU Chengyu will resign as CEO but remain as Chairman; Mr. YANG Hua will be appointed as new CEO and Vice Chairman; Mr. LI Fanrong will be appointed as new President
September	Announced that China National Offshore Oil Corporation (“CNOOC”), our parent company, signed amendment agreements to the Production Sharing Contracts with Chevron, BP and Devon Energy Corporation for deepwater blocks 42/05, 64/18 and 53/30 in South China Sea
September	Appointment of Mr. ZHONG Hua as new CFO announced
September	Being selected as one of the “Asia’s Best Companies 2010” by Finance Asia
November	Awarded “Energy Company of the Year”, the highest award of Platts Global Energy Awards, and “Energy Producer of the Year” in 2010 by Platts
November	Awarded the “Best Natural Gas Energy Enterprise of China” by Global Finance

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 project 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 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

Business Overview

BUSINESS OVERVIEW

OVERVIEW

CNOOC Limited is an upstream company specializing in the exploration, development and production of oil and natural gas. It is the dominant oil and natural gas producer in offshore China and, in terms of reserves and production, it is also one of the largest independent oil and natural gas exploration and production companies in the world. As of the end of 2010, the Company had net proved reserves of 2.99 billion BOE, including approximately 1.92 billion barrels of crude oil and 6,458.3 bcf of natural gas. In 2010, the Company had an average daily production of approximately 721,534 barrels of crude oil and approximately 1,040.0 mmcf of natural gas, representing a total net oil and gas production of 900,702 BOE per day.

The Company's net production, net proved reserves and acreages of major exploration areas as of 31 December 2010 are set out in the table below:

	2010 Net Production			Net Proved Reserves as of 31 December 2010			Major Exploration Areas Acreage (Net) (km ²)
	Subtotal (BOE/day)	Oil (Bbls/day)	Gas (Mmcf/day)	Subtotal (Mmboe)	Oil (Mmbbls)	Gas (bcf)	
Offshore China							
Bohai Bay	429,008	408,946	120	1,119.1	997.7	728.3	42,194
Western South China Sea	145,274	84,116	354	599.0	260.0	2,034.1	73,388
Eastern South China Sea	144,712	121,454	139	434.1	225.0	1,254.3	55,424
East China Sea	972	53	6	80.7	18.9	370.6	85,413
Subtotal	719,966	614,569	619	2,232.9	1,501.6	4,387.3	256,419
Overseas							
Asia	58,421	20,892	225	219.4	49.9	1,016.7	78,698
Oceania	27,217	6,210	107	103.7	20.7	498.0	4,200
Africa	62,609	62,609	–	145.7	145.7	–	3,448
North America	709	709	–	8.3	1.2	42.9	938
South America	31,780	16,545	89	284.5	196.0	513.4	4,688
Subtotal	180,736	106,965	421	761.6	413.5	2,071.0	91,972
Total	900,702	721,534	1,040	2,994.5	1,915.1	6,458.3	348,391

EXPLORATION, DEVELOPMENT AND PRODUCTION

In offshore China, the Company engages in oil and natural gas exploration, development and production activities in Bohai Bay, Western South China Sea, Eastern South China Sea and East China Sea either independently or through cooperation with foreign partners by production sharing contracts (“PSCs”). As of the end of 2010, approximately 74.6% of the Company’s net proved reserves and approximately 79.9% of its production were from offshore China.

In respect of independent operations: in recent years, the Company has been adding reserves and production mainly through independent exploration and development in offshore China. Approximately 77.1% of its net proved reserves and approximately 68.6% of its production offshore China came from the independent projects as of the end of 2010.

In respect of PSC operations: the controlling shareholder of the Company, CNOOC, has the exclusive right to explore and develop oil and natural gas in offshore China with foreign partners through PSCs. CNOOC has transferred all its rights and obligations of all the PSCs except those relating to its administrative functions to the Company, including new PSCs that will be signed in the future. As of the end of 2010, 30 PSCs with 22 partners were in force.

In overseas, the Company holds interests in oil and natural gas blocks in Indonesia, Australia, Nigeria, Argentina, the U.S. and various other countries. As of 31 December 2010, the Company’s overseas net proved reserves and net production accounted for approximately 25.4% and 20.1% of its total net proved reserves and total net production, respectively.

Exploration

In 2010, the Company continued to carry out oil exploratory activities around sags with rich resources in Bohai Bay and Eastern South China Sea, and actively explored new scope of areas in mature regions. In addition, the Company enhanced its natural gas exploratory activities in Eastern South China Sea and Western South China Sea, especially in deepwater exploration. The Company achieved highly effective results from its exploratory activities, making great progress and breakthroughs in the areas of Bohai Bay and South China Sea.

In 2010, the Company’s independent exploration resulted in 12 new discoveries offshore China. We also successfully appraised 12 oil and gas structures by 18 appraisal wells. Our PSC partners’ exploration efforts resulted in 1 new discovery and 3 oil and gas structures successfully appraised by 5 appraisal wells.

The Company’s major achievements from its exploratory activities in 2010 included:

First, in respect of crude oil exploration, we made significant progress in both new areas and mature areas.

We made breakthroughs of oil exploration in four new areas: In Bohai Bay, a significant discovery of Penglai 9-1 in the Miaoxi uplift area, with potential to be developed into a large sized oilfield; a breakthrough in Laidong-Miaonan structure with the discovery of Kenli 6-4 and Kenli 6-5. In Eastern South China Sea, we made the discovery of Enping 24-2, representing the first commercial discovery in the Enping sag. We also made the new discovery of Liuhua 16-2 in Northeast wing of the Baiyun sag in Eastern South China Sea. These new discoveries opened up the new field for our oil exploratory activities in the related areas and set a clear direction for our future activities in such areas.

Outstanding outcome from rolling exploratory activities in mature areas was achieved. Rolling exploration is one of the main contributors of the additional reserve growth with relatively low risk and high success rate. Major achievements in 2010 were as follows: the successful expansion of Qinnan sag with the discovery of Qinhuangdao 29-2 East; another new discovery, Qinhuangdao 33-1 South, in the Shijiutuo uplift area; the successful expansion of the mature area around Yellow River Mouth with the discovery of Bozhong 34-1 West; and the enlarging reserve size by rolling exploration in Weixinan in Western South China Sea.

Second, in respect of natural gas exploration, we made important discoveries in Yinggehai Basin and deepwater areas in South China Sea.

Remarkable progress has been made in natural gas exploration in Yinggehai. The deep middle formation of Yinggehai basin in Western South China Sea has huge exploration potential, although its high temperature and high pressure environment has made the exploration rather difficult. In 2010, a new discovery of Dongfang 13-1 was made in this area, opening up a new area for natural gas exploration in the middle formation. The Company has possessed enough knowledge on many similar structures in the area, which will become important targets for the exploration of natural gas in the next step.

Furthermore, we made another deepwater exploration breakthrough in South China Sea. Following the discoveries of Liwan 3-1 and Liuhua 34-2, our partner, Husky, has made another important discovery of Liuhua 29-1 in the deepwater area of Baiyun sag. The successful discovery and appraisal of Liuhua 29-1 not only inspired our deepwater exploratory activities in South China Sea, but also deepened our understanding of the geologic structure in the area. In addition, our other partner, BG, drilled an exploratory well of Lingshui 22-1-1 on Block 64/11 in Qiongdongnan basin and encountered the gas-bearing sands, which unveiled the resource potential in this region.

These outstanding results demonstrated the Company's unique advantage of being the exploration expertise on the continental shelf of offshore China. Our in-depth knowledge of the geology of offshore China and continuous efforts in deepwater exploration are important to assure the Company's future growth.

In 2010, the Company's major exploratory activities are shown in the table below:

	Exploration Wells		New Discoveries		Successful Appraisal Wells		Seismic Data		3D (km2)			
	Independent	PSC	Independent	PSC	Independent	PSC	2D (km)	PSC	Independent	PSC		
Offshore China												
Bohai Bay	17	13	1	–	7	–	9	–	–	–	6,185	–
Western South China Sea												
China Sea	17	14	2	–	2	–	6	–	8,227	–	2,135	837
Eastern South China Sea												
China Sea	9	4	6	5	2	1	3	5	11,793	–	2,567	1,371
East China Sea												
Sea	5	2	2	–	1	–	–	–	2,578	–	–	554
Subtotal	48	33	11	5	12	1	18	5	22,598	–	10,887	2,762
Overseas	–	–	4	–	–	–	–	–	–	960	–	477
Total	48	33	15	5	12	1	18	5	22,598	960	10,887	3,240

Development and Production

In 2010, our development and production made impressive results including:

Firstly, new oilfields commenced production one after another, bolstering the Company's production growth. The project development schedule was quite tight during the year, and the sea ice in Bohai Bay area at the beginning of the year seriously affected the operation of the Company. However, with careful planning, we have been able to put the new oilfields into production as scheduled, and the production of each oilfield has either met or exceeded the expected target output, becoming a new driving force

for the production growth of the Company. During the year, a total of 9 projects came on stream one after another including Bozhong 3-2, Bozhong 29-4, Bozhong 19-4, Caofeidian 18-1, Bozhong 26-3 and Luda 32-2 in Bohai Bay, Weizhou 11-1 East and Weizhou 6-8 in Western South China Sea as well as Huizhou 25-3 in Eastern South China Sea.

Secondly, the composite decline rate of producing oil and gas fields was under effective control, enabling us to maintain robust production activities. Through in-depth geology and reservoir research for oil reserves conducted in producing oilfields, a strategy to lay out the infill drilling was deployed according to the underground reservoir conditions. During the year, the production of newly commenced infill drilling wells, roughly 170, a record high, was far higher than expected, making a significant contribution to the Company's production growth. The production time efficiency of the producing oil and gas fields offshore China reached 95% and was better than expected. Furthermore, the composite decline rate of each producing oil and gas field has been kept at a low level through enhancing water flooding efficiency which achieved great results. Some oilfields such as Suizhong 36-1 and ChengBei have recorded zero decline rates.

In addition, although the oil and gas fields of the Company repeatedly suffered from typhoons, it did not result in significant impact due to our proactive warning systems and proper deployment of resources. The safety of oilfields was secured, and there were no major accidents relating to health, safety and environment.

In overseas, the production from Akpo oilfield of OML 130 block in Nigeria enjoyed the steady growth and has achieved the designed peak production. The decline rate of mature oilfields in Indonesia remained at low level through infill drilling, water flooding and other measures.

In 2010, the Company's net oil and gas production amounted to 328.8 million BOE, representing a growth of 44.4% over the previous year, which brought our production base to a new height and further strengthened our leading position as a global independent oil and gas exploration and production company.

In addition to advancing the development of the new projects, the Company will, in 2011 and the next few years down the road, put its emphasis on the following:

Firstly, to actively promote the regional planning and development of oilfield groups to share the production facilities and reduce production cost so as to raise the economic efficiency of our oil and gas fields. The main areas are Kenli 3-2 and its adjacent oilfields in Bohai Bay and Weizhou oilfields in Western South China Sea.

Secondly, to extensively implement infill drilling in mature oilfields to maintain their composite decline rates at a low level.

Thirdly, to improve recovery factor through research and application of Enhancement of Recovery ("EOR") measures such as heavy oil thermal production and fracturing technology used on oilfields with low permeability.

We believe the above measures would help us reduce the development cost of our small and medium sized oilfields and increase the recovery rate of the producing oilfields to enhance our asset quality and improve the economics of the oil and gas field assets.

New Overseas Projects

The Company's acquisition activities are "value-driven". When selecting and evaluating a potential project, we follow three criteria. First, whether the project will provide rich resources. Second, whether the project will provide attractive returns. Third, whether the risks are controllable.

In 2010, the Company has completed a number of successful acquisitions, mainly including:

First, the Company has successfully entered into the resource rich South America and the Middle East. In March 2010, the Company announced to reorganize Bidas Corporation (“Bidas”) to a 50%/50% joint venture with Bidas Energy Holding Ltd. (“BEH”), building up a solid platform in South America for further development. In November 2010, Bidas signed an

agreement to purchase 60% interest in Pan American Energy LLC (“PAE”) from BP for a consideration of US\$7.06 billion. This deal is expected to be closed in the first half of 2011. Upon completion of these two transactions, the Company will indirectly own 50% interest in PAE.

In addition, the Company has entered into the Middle East through a Technical Service Contract for Missan oilfields in Iraq.

Second, the Company was for the first time involved in the shale oil and gas projects. The development on shale oil and gas has become one of the hotspot areas in the global oil and gas exploration and development, especially in North America where the shale gas has been discovered and explored in large scale and accounted for important share in the natural gas supply in the U.S. In November 2010 and early 2011, the Company has completed the acquisition of 33.3% interest of Eagle Ford shale oil and gas project and 33.3% interest of Niobrara project from Chesapeake respectively. The Company believes that entering into the shale oil and gas business will derive new technologies for the sustainable growth and open up new room for development.

Through several acquisitions mentioned above, the Company’s overseas reserves and production were increased and its portfolio became more balanced, therefore allowing the Company to capture the growth opportunities within the industry in the future and broaden the Company’s development potential.

REGIONAL OVERVIEW

OFFSHORE CHINA

Bohai Bay

Bohai Bay is the most important crude oil producing area for the Company. The crude oil produced in this region is mainly heavy oil, but a few light oil discoveries have been gradually made in the recent years such as Jinzhou 25-1. As of the end of 2010, the reserve and production volume in Bohai Bay are 1,119.1 million BOE and 429,008 BOE/day respectively, representing approximately 37.4% and 47.6% of the Company’s total reserves and production. The operation area in Bohai Bay is mainly shallow waters with a depth of 10 to 30 meters.

Rich in oil and gas resources, Bohai Bay has been one of the Company’s core areas for exploration and development. In recent years, the Company has made a number of commercial discoveries there every year. In 2010, the Company made seven successful discoveries in Bohai Bay, namely Qinhuangdao 29-2 East, Qinhuangdao 33-1 South, Jinzhou 20-5, Penglai 9-1, Kenli 6-4, Kenli 6-5 and Bozhong 34-1 West. Apart from that, four oil and gas structures were successfully appraised, including Kenli 10-1, Qikou 18-1, Bozhong 34-1 West and Qinhuangdao 33-1 South. A few important accomplishments are stated as follows:

First, an important discovery was made in the Miaoxi uplift area, namely Penglai 9-1. In light of the high viscosity and high density of the heavy oil of the structure, thermal oil extraction was conducted and satisfactory results were achieved. Breakthroughs made in such structures not only increased our crude oil reserves but the methodology applied during the test also provided us with experiences for the future exploration and development of heavy oil.

Second, breakthroughs were achieved in the Laidong-Miaonan structure with new discoveries of Kenli 6-4 and Kenli 6-5. Of these discoveries, the successful drilling in Kenli 6-4 structure opened up a new area for oil and gas exploration. This was followed by another successful drilling in Kenli 6-5, located at southeast of Kenli 6-4. The exploration breakthrough achieved in Laidong-Miaonan structure increased the chance of discovering a large scale oil and gas fields in this new area.

Third, several exploration achievements made in mature areas. Following the discovery of Qinhuangdao 29-2 oil and gas field in Qinnan trough in 2009, Qinhuangdao 29-2 East structure was successfully drilled. The discovery of Qinhuangdao 29-2 East further increased our reserves in such area. In addition, the Company discovered Qinhuangdao 33-1 South in Shijiutuo uplift area and Bozhong 34-1 West in the mature area around Yellow River Mouth.

The development and production in Bohai Bay, which represented a major source for the Company's production growth, achieved

outstanding performance in 2010.

First of all, the projects in Bohai Bay including Bozhong 3-2, Bozhong 29-4, Bozhong 19-4, Caofeidian 18-1, Bozhong 26-3 and Luda 32-2 commenced production on schedule, boosting the Company's rapid production growth.

Besides, the production from the producing oilfields performed better than expected. In view of the relatively large number of producing oil and gas fields in Bohai Bay, the Company continued to lay out extensive infill drilling programs, achieving the production additions better than expected. In addition, while maintaining high production time efficiency as well as low composite decline rate, some oilfields even reached zero decline rates through the better management. For example, being the largest independent oilfield in Offshore China and in production for roughly 20 years, Suizhong 36-1 was able to maintain a stable production through comprehensive adjustment measures, such as construction of new platforms and infill drilling.

In the future, the Company will push for regional development such as Kenli 3-2 and its adjacent oilfields to effectively lower the development threshold on a lot of small to medium sized new discoveries in Bohai Bay.

Western South China Sea

Western South China Sea is one of the most important natural gas producing areas for the Company. As of the end of 2010, the typical water depth of the major operation area in this region ranges from 40 to 120 meters. As of the end of 2010, the reserve and production volume in Western South China Sea reached 599.0 million BOE and 145,274 BOE/day respectively, representing approximately 20.0% and 16.1% of the Company's total reserves and production.

In 2010, the Company made a new discovery of Dongfang 13-1 in Yinggehai basin in Western South China Sea, opening up a new area of natural gas exploration in the middle formation. Furthermore, the company's rolling exploration in Weixinan resulted in another new discovery of Wushi 1-5, expanding the scale of reserves in this area. In addition, the Company also successfully appraised the structures of Weizhou 11-1, Weizhou 11-2, Weizhou 10-3 West and Weizhou 12-2 in Western South China Sea and achieved satisfactory outcome.

From the deepwater perspective, our partner, BG, drilled an exploratory well Lingshui 22-1-1 on Block 64/11 in Qiongdongnan basin and encountered the gas-bearing sands. This is the first deepwater well in Qiongdongnan basin, and the Company was encouraged by such drilling result.

As for development and production, Weizhou 11-1 East and Weizhou 6-8 commenced production one after another, boosting the Company's production in the area. Furthermore, the Company is actively preparing the regional development on the small to medium sized oilfields in this area that are currently under appraisal.

Eastern South China Sea

Eastern South China Sea is one of the Company's most important crude oil producing areas. As of today, the typical water depth of the Company's operation area in this region ranges from 100 to 300 meters. The crude oil produced is mostly of light to medium gravity. As of the end of 2010, the reserve and production volume in Eastern South China Sea reached 434.1 million BOE and 144,712 BOE/day respectively, representing approximately 14.5% and 16.1% of the Company's total reserves and production.

In 2010, major breakthroughs were made in the exploration of Eastern South China Sea.

First, following Liwan 3-1 and Liuhua 34-2, another significant discovery in deepwater exploration, was made, namely Liuhua 29-1. The Liuhua 29-1 structure is located in the deepwater area of Baiyun sag. The discovery and appraisal of Liuhua 29-1 not only brought the additions to our reserves but also deepened our understanding of the geologic conditions in the area, facilitating explorations in the deepwater area of South China Sea.

Second, the first commercial discovery was made in Enping sag. Exploration in the Enping area has been on going for many years. While the Enping sag was proven to have resource potential, no commercial discovery has ever been made. In 2010, the

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first commercial discovery of Enping 24-2 opened up a new exploration area in the Enping sag.

Third, opening up new area for oil exploration with a new discovery of Liuhua 16-2 in the Northeastern wing of Baiyun sag. Liuhua 16-2 represented the first oil discovery in Baiyun sag, bringing a new age of exploration for the area.

Besides the new discoveries mentioned above, the Company has successfully appraised the oil and gas structures of Huizhou 25-8 and Enping 24-2. Our partner has successfully appraised Liwan 3-1, Liwan 34-2, and Liuhua 29-1.

In 2010, the Company actively carried out the preparation work regarding the development of deepwater natural gas project Liwan 3-1. In addition, the successful commencement of production of Huizhou 25-3 oilfield in Eastern South China Sea has injected new energy to the production growth in this area. To effectively reduce production costs and increase efficiency, the Company has also achieved the regional development and operation of oilfield groups in Eastern South China Sea. According to the actual conditions of Xijiang 24-3, Xijiang 30-2, and Xijiang 23-1 oilfields, and in order to optimize the resources in those areas, the Company combined those oilfields.

In 2010, the Company completed the acquisition of 24.5% interest in block 15/34 from Devon Energy Corporation. CNOOC Limited acted as the operator of such block. Following the completion of the transaction, the Company's interest in block 15/34 increased to 75.5%.

East China Sea

East China Sea is the least explored area among the Company's four principal producing regions in offshore China. The typical water depth of the Company's operation area in this region is approximately 90 meters. As of the end of 2010, approximately 2.7% of the reserves and 0.1% of the production of the Company were from East China.

OVERSEAS

Asia

Asia is the first overseas region that the Company has entered into and has become one of the Company's major overseas oil and gas producing areas. As of today, the Company holds oil and gas assets mainly in Indonesia and Iraq. As of the end of 2010, the reserves and production volume from the Asia region excluding China reached 219.4 million BOE and 58,421 BOE/day respectively, representing approximately 7.3% and 6.5% of the Company's total reserves and production.

Indonesia

In Indonesia, the Company mainly owns interests in the following PSCs: the Malacca Strait, the SES, the ONWJ, the West Madura and Poleng Technical Assistance Contract, among which, the Company is the operator of the SES block and owns approximately 65.54% of its interests. All the PSCs mentioned above are currently at the production stage.

In addition, the Company owns partial interests in South East Palung Aru, Batanghari and HOML PSCs.

The Company also owns approximately 13.90% of the interests in the Tangguh LNG Project in Indonesia. Located in West Papua and comprising three blocks of Berau, Muturi and Wiriagar, this project commenced production in 2009.

In 2010, in view of the fact that most producing oil and gas fields in Indonesia are mature, the Company adopted various measures to maintain and increase production such as water flooding and infill drilling, so as to keep the decline rate of these mature oilfields at low level.

Iraq

In 2010, the Company entered into a Technical Service Contract for the development and production of Missan oilfields in Iraq. According to the contract, the Company will act as the operator and hold 63.75% participating interest.

Other Regions in Asia

The Company owns interests in several blocks in Myanmar, Cambodia and Qatar. These blocks are still under exploration.

Oceania

Currently, the Company's oil and gas resources in Oceania are all located in Australia. As of the end of 2010, the reserves and production volume from Oceania reached 103.7 million BOE and 27,217 BOE/day respectively, representing approximately 3.5% and 3.0% of the Company's total reserves and production.

Australia

The Company owns 5.3% of the interests in Australia's North West Shelf Project. The project has commenced production and is currently supplying gas to customers such as the Dapeng LNG Terminal in Guangdong, China.

In addition, the Company owns interests in one exploration block in Australia.

Africa

Africa is one of the overseas areas with a large reserve base. The Company's assets in Africa are primarily located in Nigeria. As of the end of 2010, the reserves and production volume from Africa reached 145.7 million BOE and 62,609 BOE/day respectively, representing approximately 4.9% and 7.0% of the Company's total reserves and production.

Nigeria

The Company owns 45% interest in the OML 130 block in Nigeria. The OML 130 Project is a deepwater project and made up of four oilfields, namely Akpo, Egina, South Egina and Preowei, among which Akpo commenced production in March 2009. Since its commencement of production, this oilfield has been steadily increasing its production and its current output has reached its designed peak production.

Other Regions in Africa

Besides Nigeria, the Company also owns interests in several blocks in Kenya, Equatorial Guinea, the Republic of Congo and Algeria. In 2010, the first phase of exploration of blocks in Kenya has been completed and the Company gradually faded out its presence in Kenya. Other blocks are currently under exploration.

North America

The Company holds interests in oil and gas blocks in the U.S. and Trinidad and Tobago in North America. In addition, the Company holds interests in MEG Energy Corporation ("MEG") in Canada.

U.S.

In 2010, the Company completed the acquisition of 33.3% undivided interest in Eagle Ford Shale project from Chesapeake. The project is located in South Texas with 600,000 net leasehold acres.

In early 2011, the Company completed another acquisition of 33.3% undivided interest in Chesapeake's Niobrara oil and gas project, which is located in northeast Colorado and southeast Wyoming with 800,000 net leasehold acres.

The exploration on shale oil and gas has become one of the hotspots for the world's oil and gas exploration and development. The Company believes that entering into such business will bring new energy to its sustainable growth and create value for its shareholders.

In addition, the Company also holds interests in several oil and gas blocks at Gulf of Mexico.

Trinidad and Tobago

In 2009, the Company, through a joint-venture company, acquired a 12.5% interest in the 2C block and a 12.75% interest in the 3A block in Trinidad and Tobago. The 2C block has commenced producing crude oil since 2005 and is expected to begin producing natural gas in 2011.

Canada

In 2005, the Company acquired partial shares of MEG in Canada. In August 2010, MEG was listed on the Toronto Stock Exchange in Canada, resulting in the large appreciation of the value of the Company's holdings in MEG. At present, the Company's ownership of MEG is 14.2%.

South America

As for South America, the Company mainly holds 50% interest in Bidas in Argentina. As of the end of 2010, the reserves and production volume from South America reached 284.5 million BOE and 31,780 BOE/day respectively, representing approximately 9.5% of the reserves and 3.5% of the production of the Company.

Argentina

In March 2010, the Company announced to reorganize Bidas to a 50%/50% joint venture with BEH for a consideration of approximately US\$3.1 billion in cash. The transaction has been completed. CNOOC Limited and BEH each holds a 50% interest in Bidas, and jointly make management decisions. At that time, Bidas held 40% interest in PAE.

In November 2010, Bidas and BP entered into a share purchase agreement in which Bidas proposed to acquire 60% interests in PAE held by BP for a consideration of approximately US\$7.06 billion. CNOOC Limited and BEH each agreed to contribute approximately US\$2.47 billion to Bidas to finance this transaction. Upon the completion of the transaction, Bidas will hold 100% interests in PAE.

Bidas engages in oil and gas exploration and production activities in Argentina and other countries through its affiliates (including its interest in PAE). The above mentioned two transactions not only benefited our overseas production and reserves growth but also expanded our business into the resource rich South America for the first time.

SALES AND MARKETING

Sales of Crude Oil

The Company sells its crude oil produced offshore China to the PRC market through CNOOC China Limited, its wholly owned subsidiary. For the overseas production, the Company sells such crude oil to the international and the domestic markets through China Offshore Oil (Singapore) International Pte Ltd, also its wholly owned subsidiary.

The Company's sale prices are primarily determined by the prices of international benchmark crude oil of similar quality, with certain premium or discount subject to change in market conditions. Although the prices are quoted in U.S. dollars, customers in China usually pay Renminbi. The Company currently sells three types of crude oil in China, namely light crude, medium crude and heavy crude which are benchmarked by Tapis, Daqing, and Duri respectively. The Company's major customers in China are CNOOC, Sinopec and PetroChina.

In 2010, with the strong signal of global economic recovery and the depreciation of the US dollar, international oil prices continued to rise steadily. The average price of West Texas Intermediate ("WTI") was US\$79.5/barrel, representing an increase of 22.4% over the previous year. With the rapid growth of emerging market including China and India, the demand for crude oil, product oil and fuel oil remained strong, putting upward pressure on benchmark prices of medium and heavy oil in the Far East. The spread between Duri, the reference price of the Company's heavy oil and WTI tightened further.

Having captured the opportunities arising from strong domestic demand for crude oil in China and the higher benchmark oil price in the Far East, the Company has been closely monitoring the market movements and understanding the customers' demand to keep the Company's average realized oil price at a higher level. In 2010, the Company's average realized oil price was US\$77.59/barrel, 28.0% higher than that of previous year.

Sales of Natural Gas

The Company's natural gas sales prices are determined by negotiations between the Company and its customers. The natural gas sales agreements are generally long-term contracts, and their provisions normally contain the periodic price adjustment mechanism.

The Company's natural gas customers are primarily located in the southeast coast of China, including Hong Kong Castle Peak Power Company Limited, CNOOC Gas and Power Group, and China BlueChemical Ltd.

In 2010, in considering the development of the domestic natural gas market, the Company raised its natural gas sales prices for certain customers through negotiations and resulted in the overall improvement of the natural gas prices. Our average realized gas price was US\$4.27/Mcf, representing a 6.5% increase over the previous year.

RESEARCH AND DEVELOPMENT (R&D)

In 2010, the Company's R&D focused on meeting the demand of exploration and production. Certain research findings have been applied to the daily operations and generated positive results.

In 2010, the Company continued to enhance its research efforts on important technical fields such as offshore frontier exploration and technologies, enhancement of offshore oil recovery factor, offshore marginal oilfield development and heavy oil development. Some key researches made noticeable progress. A number of key research findings have been applied to the daily operation and encouraging outcome is achieved. Guided by the new theories and technologies from the exploration research, new discoveries were obtained in some new exploration areas. By promoting the application of large-scale offshore infill drilling in Suizhong 36-1 and other oilfields, the recovery rate has been improved. At Weizhou 6-1 oilfield, the Company successfully transported the compressed natural gas from a long distance via soft pipelines made in China, which was the first approach ever and effectively reduced the construction cost. At Nanbao 35-2 oilfield, the Company has successfully tested on new technology of oil extraction in offshore heavy oilfield and discovered a new path for the effective development of offshore heavy oilfields.

In addition, we have intensified the research on deepwater exploration such as the project "Key Technologies and Facilities for Deepwater Exploration and Development in South China Sea". These research projects progressed smoothly in 2010.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Since commencement, the Company has considered internal control and risk management as top priority. The Company clearly recognizes that it is the duty and obligation of its management to establish and maintain an internal control and risk management system, which serves the Company's strategic objectives and meets the Company's business practice.

The Company established an Investment and Risk Management Committee ("IRMC"), which is responsible for investment decisions and risk management. All critical decisions should be approved by at least two-thirds of the members of such committee. The Company can not invest in any projects that have been vetoed by the committee. Therefore, decision making risks can be minimized by implementing the appropriate systems.

In addition, IRMC is responsible for setting the objective of risk management, assessing key risks in major investments, important events and key business processes, reviewing and approving solutions to major risks, and submitting the risk management report to the Board periodically.

The "Sarbanes-Oxley Act" promulgated in the U.S. in 2002 and the "Code on Corporate Governance Practices" issued by the Hong Kong Stock Exchange in 2004 imposed stricter regulatory requirements on corporate governance and internal control. The Company's management believes such regulations not only represent regulatory requirements imposed by the markets, but also motivate the Company to improve its management system and create value for shareholders.

In terms of internal control, the Company introduced the internal control framework developed by COSO Committee (“Committee of Sponsoring Organizations of the Treadway Commission”) of the United States, establishing an internal control system and mechanism over finance and accounting, business operation and corporate governance. Such internal control system has been continuously reviewed and evaluated to ensure timely, accurate and complete information disclosure.

From the perspective of risk management, in 2007, the Company officially adopted COSO-ERM framework to ensure that all key risk factors are closely monitored. In 2010, the Company paid more attention to the risk of offshore operation, especially the safety risk and environmental risk resulting from oil spill. As such, we amended our emergency response plan in order to keep the risk impact to the minimum.

In 2010, the Company reviewed its risk management and internal control system in accordance with the “Standard for Enterprise Internal Control” and “ISO 31000: Risk Management — Principles and Guidelines”. In 2011, the Company will continue to make improvement with reference to these regulatory requirements and best practices.

Listed in both Hong Kong and the U.S., the Company will continue to strictly comply with all regulatory requirements, strengthen its internal control and risk management system, and maintain a high standard of corporate governance to assure the Company a more robust development.

HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION (HSE)

As an offshore E&P Company, we face huge operational risk and therefore always emphasize on HSE. The Company promotes the philosophy and culture of HSE among its employees. Until now, the Company has established a comprehensive management system to improve the employees’ awareness of HSE during operations, and strengthen their ability of risk identification and risk management skills.

In 2010, the HSE in oil industry faced critical challenges. The oil spill incidents at Gulf of Mexico and other regions have caused serious environmental pollution and thus caught high public attention. On the other hand, the pressure on production safety, environmental protection and occupational health conditions has been intensified due to the Company’s intensive workloads on development. As a result, the Company continues to enhance the risk identification and control on HSE and try to identify and prevent the key potential risks in advance.

In 2010, the Company conducted inspections on trial production and safety appraisals for various oil and gas fields and production facilities, and completed the evaluation on the HSE system for branches such as Shenzhen to further improve the Company’s operational system and management effectiveness.

After the oil spill incident at Gulf of Mexico, the Company organized safety inspections on all oil and gas fields as well as the production facilities to prevent the risks embedded in the operation of drilling, development and production. The proper measures have been performed to cope with the potential risks identified. In addition, the Company has further improved the stipulations on the operational safety and environmental protection on well drilling and completion.

The Company was also well prepared for typhoon attacks and procedures for evacuation. In 2010, more than 10 typhoons passed the Company’s production and operation areas. As such, the Company has dispatched more than 400 helicopters and 40 ships to evacuate the workers, during which there were no casualties or losses on properties. Those typhoons had made no significant impact to our operation.

The Company has also imposed HSE standards to our service contractors. To further regulate the safety management of helicopters, the Company renewed the engagement of professional assessment companies to conduct safety checks on helicopter contractors. The contractors were required to rectify all problems identified. Likewise, the Company also enhanced the management of diving safety and carried out annual safety checks on 18 diving service contractors.

In order to improve the emergency response capability, the headquarters organized numerous professional trainings in areas such as safety certificates and safety supervision in 2010. More than 400 employees participated in those trainings. Further, over 30,000 staff members and contractors in various branches attended the professional trainings

organized by the Company.

In 2010, there was no accident causing critical casualties, and neither was there any liability claims for losses of over RMB1 million. The Company's Occupational Safety and Health Administration ("OSHA") statistics remained at a good level, and our performance continued to improve.

Scope	Gross Man-hours	Number of Recordable Cases	Rate of Recordable Cases	Number of Lost Workdays Cases	Rate of Lost Workdays Cases	Number of Days Away & Working Shifts	Rate of Lost Workdays & Restricted Days	Death Cases
Company staff	12,757,032	4	0.06	3	0.05	124	1.94	0
Staff of the Company and direct contractors	64,851,084	50	0.15	27	0.08	793	2.45	1

CORPORATE CITIZEN

The Company is always committed to the social responsibility. The Company is not only required to enhance its core competitiveness, achieve sustainable development, and create value for the shareholders, but also to pay close attention to the requirements from the relevant parties, so as to accomplish harmonious development between the enterprise and the society, and between humanity and nature.

The Company has established a social responsibility theory to make itself a driving force for supply of sustainable energy, a leading force for clean and green energy development and a motivating force for joint progress of the relevant parties and the society.

The Company's social responsibilities in 2010 primarily included:

1. A driving force for supply of sustainable energy

As stated in the "Business Overview" of this annual report, the Company accomplished inspiring outcomes in 2010 in the areas such as exploration, production and overseas development. The net oil and gas production, in particular, greatly increased by 44.4% as compared to the same period last year, resulting in a steady increase in the energy supply to the society.

We believe that exploration success, production increase or overseas development all contributed to the additional supply of sustainable energy, which has become the most important part of our social responsibilities.

2. A leading force for clean and green energy development model

In 2010, the Company actively imposed several measures to reduce energy consumption and carbon emission. The oilfields in west Bohai Bay has used diesel oil for power generation in the past. In 2010, the Company constructed three pipelines to bring natural gas from south Bohai Bay to the oilfields in west Bohai Bay so that the oilfields in west Bohai Bay could use natural gas for power generation and thus reduced carbon emission in the area. At the same time, the natural gas produced in south Bohai Bay could be transported into a broader sales market through the pipelines to improve the economic benefit.

In Weizhou 12-1 oilfield in Western South China Sea, the Company has recycled flaring gas and transported to terminals for sales so as to increase the supply of the natural gas locally. The Company also completed the comprehensive energy savings projects in a number of oil and gas fields and achieved positive results.

3. A motivating force for joint progress of the stakeholders and the society

The Company actively participated in various charitable activities such as helping the poor and students in need, and donating to disaster victims. In 2010, the Company continued to fulfil its donation commitment to the Sichuan earthquake-hit areas. On top of the assistance fund of RMB60 million provided to the disaster areas each year in 2008 and 2009, the Company, by means of the cost reduction and efficiency enhancement, donated another RMB50 million for the reconstruction of the disaster areas.

In 2010, the Company continued to support charitable activities in developing infrastructure of Tibet and donating to the “Mother’s Water Cellar” project. The Company actively assisted to improve the learning conditions of children in Hainan, Guizhou, Liaoning and other regions through financing the construction of schools, sponsoring stationery and books, and making monetary donation.

In Hong Kong, the Company continued its cooperation projects with Chinese University of Hong Kong by contributing HK\$3 million to its scholarship programs which were intended to assist the elite students from mainland China to receive education at such university.

The Company was also actively involved in community construction by encouraging a harmonious environment between the enterprise and the community in order to achieve mutual benefit and promotion. In 2010, the Company’s operating vessels actively participated in a number of marine rescues. We rescued drowning fishermen and cargo ship crew members on several occasions.

The Company also proactively performed its social responsibilities overseas. In overseas operations, the Company greatly valued environmental protection in the operational areas and strived to become a welcomed operator, a qualified employer of the local petroleum workers, and a good neighbour of the local communities. In Kenya, the Company sponsored the local water wells drilling work in 2010.

In 2010, the Company published “Corporate Social Responsibility Report” to give a systematic review of its social responsibility performance. Such report has been posted on the Company’s website.

Human Resources

Human resources are our valuable assets. Throughout the years, the Company has built a professional and highly efficient work force, the guarantee to the Company’s success, that is capable of tackling the challenges. In order to meet the growing demand on human resources as a result of the rapid growth of the Company, in 2010, we carried on the work in the areas of the performance evaluation, the occupational qualification, cultivation on the international talent, and the establishment of talent force.

Optimizing the performance evaluation system

In order to achieve the 2010 production target, the Company further improved its performance evaluation system in correspondence with the intensified development and production schedule and the rapid production growth, as well as benchmarking with other major international energy companies.

Establishing an occupational qualification system

In 2010, the Company continued to promote the “occupational qualification” program and clearly defined the professional requirements for each individual position. During the year, the Company has completed certifications on well-drilling completion supervisor, downhole operation supervisor, exploration operation supervisor and project manager, and more than 400 employees received the associated professional certificates.

Promoting the cultivation on international talent force

With the rapid development in overseas, the Company has laid out the framework on cultivating the international work force and

make them suitable for the Company's growth.

In 2010, the Company successfully organized two sessions of "international talent training". To further broaden the horizon of our international talent and have them learn advanced management skills, we carefully selected and sent away a number of employees to Canada, United Kingdom, and Norway to participate in trainings for international business management and deepwater technology, and the favourable results have been achieved.

Optimizing the establishment of talent force

In 2010, the Company focused on the strategy to recruit the senior professionals that we had shortage of, and established a mechanism to attract and retain the talents. We also established a scientific and systematic evaluation mechanism. To better motivate our talents, the Company set up and continuously perfected its promoting and incentive mechanism.

In addition, the Company accelerated the establishment of a professional talent force and periodically performed the evaluation on the work results, research findings and comprehensive ability of its professionals. By clearly defined a career path for each level of the professionals, the Company encouraged its professional at all levels to participate in the associated occupational trainings based on the qualification requirements so as to hoist their own professional capacity.

In 2010, the Company organized approximately 6,300 trainings with approximately 75,000 participants.

Corporate Governance Report

GOVERNANCE STANDARDS

The Company has always upheld and executed high standard of business ethics, for which its transparency and standard of governance have been recognized by the public and its shareholders. In 2010, the Company was awarded the “Corporate Governance Asia Recognition Awards 2010 — One of the Best Companies in China” by Corporate Governance Asia. High and strict standard of corporate governance enables the Company to operate steadily and efficiently and is in the long-term interests of the Company and its shareholders.

Since its listing, the Company has endeavoured to maximize its shareholders’ value. In 2010, the Company executed its corporate governance policies strictly and sought to comply with the relevant provisions of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), ensuring that all decisions were made on the principles of trust and fairness and in an open and transparent manner, so as to protect the interests of all shareholders.

KEY CORPORATE GOVERNANCE PRINCIPLES AND THE COMPANY’S PRACTICES

A. DIRECTORS

A.1 The Board

Principle: “An issuer should be headed by an effective board which should assume responsibility for leadership and control of the issuer and be collectively responsible for promoting the success of the issuer by directing and supervising the issuer’s affairs. Directors should take decisions objectively in the interests of the issuer.”

- The Board consisted of eleven members, including three Executive Directors, three Non-executive Directors and five Independent Non-executive Directors, as of 31 December 2010.

- The list of Directors, their respective biographies, and their respective roles in the Board Committees are set out on pages 37 to 42 and 136 respectively. The relevant information is also disclosed on the Company’s website.

- The Board and Committee members of the Company are dedicated, professional and accountable.

- Board meetings have been held 8 times during last year. In addition to the Board meetings, the members of the Board have also actively participated in the discussion on the business and operation of the Company, either in person or through other electronic means of communication such as emails, when necessary.

- There exists an open atmosphere for Directors to contribute alternative views. All decisions of the Board are made on the principles of trust and fairness in an open and transparent manner, so as to protect the interests of all shareholders.

Attendance at full Board meetings in 2010:

	No. of Meetings attended (8 meetings in total)
Executive Directors	
Yang Hua (Vice Chairman) (Note 1)	6/8
Li Fanrong (Note 2)	4/5
Wu Guangqi (Note 3)	7/8

Non-executive Directors	
Fu Chengyu (Chairman) (Note 4)	7/8
Zhou Shouwei (Note 5)	7/8
Cao Xinghe (Note 6)	2/3
Wu Zhenfang (Note 7)	7/8
Independent Non-executive Directors	
Edgar W. K. Cheng	8/8
Chiu Sung Hong	8/8
Lawrence J. Lau (Note 8)	7/8
Tse Hau Yin, Aloysius	8/8
Wang Tao	8/8

Note 1: Mr. Yang Hua was appointed as Vice Chairman of the Company on 16 September 2010. Mr. Yang Hua appointed Mr. Wu Guangqi as his alternate to attend the Board meeting held on 20 May and 26 July 2010 and to vote on his behalf.

Note 2: Mr. Li Fanrong was appointed as Non-executive Director of the Company on 24 May 2010 and re-designated to Executive Director of the Company on 16 September 2010. Mr. Li Fanrong appointed Mr. Yang Hua as his alternate to attend the Board meeting held on 1 November 2010 and to vote on his behalf.

Note 3: Mr. Wu Guangqi appointed Mr. Yang Hua as his alternate to attend the Board meeting held on 4 February 2010 and to vote on his behalf.

Note 4: Mr. Fu Chengyu was re-designated from Executive Director to Non-executive Director on 16 September 2010. Mr. Fu Chengyu appointed Mr. Yang Hua as his alternate to attend the Board meeting held on 24 November 2010 and to vote on his behalf.

Note 5: Mr. Zhou Shouwei appointed Mr. Yang Hua as his alternate to attend the Board meeting held on 20 September 2010 and to vote on his behalf.

Note 6: Mr. Cao Xinghe retired as a Non-executive Director of the Company with effect from 24 May 2010. Mr. Cao Xinghe appointed Mr. Zhou Shouwei as his alternate to attend the Board meeting held on 20 May 2010 and to vote on his behalf.

Note 7: Mr. Wu Zhenfang appointed Mr. Wu Guangqi as his alternate to attend the Board meeting held on 1 November 2010 and to vote on his behalf.

Note 8: Mr. Lawrence J. Lau appointed Dr. Edgar W. K. Cheng as his alternate to attend the Board meeting held on 20 September 2010 and to vote on his behalf.

- The Joint Company Secretaries consulted the Directors on matters to be included in the agenda for regular Board meetings.

- Dates of regular Board meetings are scheduled at least 2 months before the meeting to provide sufficient notice to all Directors so that they can have an opportunity to attend. For non-regular Board meetings, reasonable advance notice will be given.

- All Directors have access to the advice and services of the Joint Company Secretaries to ensure that Board procedures as well as all applicable rules and regulations are followed.
- Minutes of the meetings of the Board and Board Committees are kept by the Joint Company Secretaries and open for inspection at any reasonable time upon reasonable notice by any Director.
- Minutes of the meetings of the Board and Board Committees recorded in sufficient details the matters considered by the Board and Board Committees and decisions reached, including any concerns raised by Directors or dissenting views expressed. Draft and final versions of the minutes of the Board meetings and Board Committee meetings are sent to all Directors and all Committee members respectively for their comments and records respectively.

- The Committees of the Board may, upon reasonable request, seek independent professional advice in appropriate circumstances, at the Company's expense.

- If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board and such matter has been considered to be material by the Board, the matter shall not be dealt with by way of circulation or by a committee (except an appropriate Board committee set up for that purpose pursuant to a resolution passed in a Board meeting) but a Board meeting shall be convened for that matter. Independent Non-executive Directors who have no material interest in the transaction shall be present at such Board meeting.

A.2 Chairman and Chief Executive Officer

Principle: "There are two key aspects of the management of every issuer — the management of the board and the day-to-day management of the issuer's business. There should be a clear division of these responsibilities at the board level to ensure a balance of power and authority, so that power is not concentrated in any one individual."

- The Board, as representatives of the shareholders of the Company, is committed to the achievement of business success and the enhancement of long-term shareholder value with the highest standards of integrity and ethics. The Board comprises of five Independent Non-executive Directors who participate in the decision-making of the Board. Besides, the Audit Committee comprises of solely Independent Non-executive Directors. The Company believes that the high involvement of the Non-executive Directors and Independent Non-executive Directors in the management and decision making of the Board and its Committees strengthens the objectivity and independence of the Board.

- The role of the Board is to direct, guide and oversee the conduct of the Company's business and to ensure that the interests of the shareholders are being served.

- On the other hand, the senior management, under the leadership of the Chief Executive Officer, is responsible for conducting the Company's business and affairs consistent with the principles and directions established by the Board. The clear division of responsibilities between the Board and the senior management ensures a balance of power and authority, as well as efficient management and operation of the Company, which help to contribute to the success of the Company.

- The balance of power and authority is ensured by the operations of the Board and the Board Committees. Further explanation on the deviation from the CG Code provision is set out on pages 33 to 34 of the annual report.

A.3 Board composition

Principle: "The board should have a balance of skills and experience appropriate for the requirements of the business of the issuer. The board should ensure that changes to its composition can be managed without undue disruption. The board should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the board, which can effectively exercise independent judgment. Non-executive directors should be of sufficient calibre and number for their views to carry weight."

- As of 31 December 2010, the Board consisted of eleven members: three of them were Executive Directors, three of them were Non-executive Directors and five of them were Independent Non-executive Directors. All Directors were expressly identified by categories of Executive Directors, Non-executive Directors and Independent Non-executive Directors in all corporate communications that disclose the names of the Directors of the Company.

- The Executive Directors of the Company are all individuals with immense experience in the Company's respective fields of operation. They are all engineers who are familiar with the Company's businesses and have cooperated with leading global players in the oil and gas industry. Most of them have over 29 years of experiences in petroleum

exploration and operation.

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- The Non-executive Directors of the Company are all individuals with immense experiences in the parent company's respective fields of operation. Most of them have over 29 years of experiences in petroleum exploration and operation.
- The Independent Non-executive Directors of the Company are all professionals or scholars with backgrounds in the legal, economics, financial and investment fields. They have extensive experience and knowledge of corporate management, making significant contributions to the Company's strategic decisions.
- The diverse background of the Board members ensures that they can fully represent the interests of all shareholders of the Company.
- The Company has received annual confirmations from all of its Independent Non-executive Directors acknowledging full compliance with the relevant requirements in respect of their independence pursuant to Rule 3.13 of the Listing Rules. The Company is therefore of the view that all Independent Non-executive Directors to be independent.

A.4

Appointments, re-election and removal

Principle: "There should be a formal, considered and transparent procedure for the appointment of new directors to the board. There should be plans in place for orderly succession for appointments to the board. All directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any director."

- The Company has established a Nomination Committee which consisted of three Independent Non-executive Directors (Dr. Edgar W. K. Cheng, Professor Lawrence J. Lau and Mr. Wang Tao) and a Non-executive Director (Mr. Zhou Shouwei) as of 31 December 2010. A list of the present members of the Nomination Committee is set out under the section headed "Company Information" on page 136 of the annual report.
- The role of the Nomination Committee is 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 main authorities and responsibilities of the Nomination Committee are to nominate candidates for approval by the Board, to review the structure and composition of the Board, and to evaluate the leadership abilities of Executive Directors, so as to ensure the competitive position of the Company.
- When nominating a particular candidate, the Nomination Committee will consider (1) the breadth and depth of the management and/or leadership experience of the candidate; (2) financial literacy or other professional or business experience of the candidate that are relevant to the Company and its business; and (3) the experience in or knowledge of international operations of the candidate. All candidates must be able to meet the standards set out in Rules 3.08 and 3.09 of the Listing Rules.
- The Nomination Committee is also responsible for evaluating the contributions and independence of incumbent Directors so as to determine whether they should be recommended for re-election. Based on such evaluation, the Nomination Committee will recommend to the Board candidates for re-election at general meetings and appropriate replacements (if necessary). The Board, based on the re-commendation of the Nomination Committee, will propose to the shareholders the candidates for re-election at the relevant general meetings.
- A Director appointed by the Board to fill a casual vacancy or as an addition shall hold office until the next extraordinary general meeting and/or annual general meeting (as appropriate).

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During the year ended 31 December 2010, the Nomination Committee recommended the following candidates as Directors:

re-elected of Mr. Yang Hua as Executive Director, Mr. Zhou Shouwei as Non-executive Director, Mr. Tse Hau Yin, Aloysius and Mr. Chiu Sung Hong as Independent Non-executive Directors

— appointed Mr. Yang Hua as new Vice Chairman

appointed Mr. Li Fanrong as new Non-executive Director and later re-designated him from Non-executive Director to Executive Director

— re-designated Mr. Fu Chengyu from Executive Director to Non-executive Director

Attendance of individual members at Nomination Committee meetings in 2010

Directors	No. of Meetings attended (3 meetings in total)
Zhou Shouwei (Chairman)	3/3
Edgar W. K. Cheng (Note 1)	2/3
Lawrence J. Lau	3/3
Wang Tao	3/3

Note: Dr. Edgar W. K. Cheng appointed Mr Lawrence J. Lau as his alternative to attend the Nomination Committee 1: meeting held on 20 March 2010 and to vote on his behalf.

A.5 Responsibilities of Directors

Principle: “Every director is required to keep abreast of his responsibilities as a director of an issuer and of the conduct, business activities and development of that issuer. Given the essential unitary nature of the board, non-executive directors have the same duties of care and skill and fiduciary duties as executive directors.”

- The Company regularly updates its Directors with changes in laws and regulations relevant to their roles as Directors of the Company.
- All Directors newly appointed to the Board receive appropriate briefing and training from the Company. The senior management and the Joint Company Secretaries will also conduct subsequent briefings as and when necessary, to ensure that the Directors are kept apprised of the latest developments relevant to the operations and business of the Company and are able to discharge their responsibilities properly.
- Each Independent Non-executive Director attended or appointed his alternate to attend all regularly scheduled meetings of the Board and Committees on which such Independent Non-executive Director sat in, and reviewed the meeting materials distributed in advance for such meetings. A number of Executive Directors, together with several Independent Non-executive Directors, attended the annual general meeting and the extraordinary general meeting and answered questions raised by the shareholders.

A.6 Supply of and access to information

Principle: “Directors should be provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as directors of an issuer.”

- The Company’s senior management regularly supplies the Board and its Committees with adequate information in a timely manner to enable them to make informed decisions. Senior management also organised presentations to the

Board by professional advisers on specific transactions as appropriate.

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- For regular Board meetings and Board Committee meetings, the agenda and accompanying Board papers were sent in full to all Directors at least three days before the intended date of the Board meetings or Board Committee meetings.

- The Board and each Director have separate and independent access to the Company’s senior management and also the Joint Company Secretaries. All Directors are entitled to have access to Board papers, minutes and related materials upon reasonable notice.

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

B.1 The level and make-up of remuneration and disclosure

Principle: “An issuer should disclose information relating to its directors’ remuneration policy and other remuneration related matters. There should be a formal and transparent procedure for setting policy on executive directors’ remuneration and for fixing the remuneration packages for all directors. Levels of remuneration should be sufficient to attract and retain the directors needed to run the company successfully, but companies should avoid paying more than is necessary for this purpose. No director should be involved in deciding his own remuneration.”

- Currently comprising two Independent Non-executive Directors (Mr. Chiu Sung Hong and Mr. Tse Hau Yin, Aloysius) and one Non-executive Director (Mr. Wu Zhenfang), the Remuneration Committee is responsible for reviewing and approving all Executive Directors’ salaries, bonuses, share option packages, performance appraisal systems and retirement plans. A list of members of the Remuneration Committee is set out in “Company Information” on page 136 of the annual report.

- Details of the remuneration, as well as the share option benefits of Directors for the year ended 31 December 2010, are set out on pages 81 to 82 of the annual report.

- The major responsibilities and authorities of the Remuneration Committee are to make recommendations to the Board on the Company’s policy and structure of the remuneration of all Directors and senior management of the Company, determine the specific remuneration packages for all Executive Directors and senior management, such as benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board on the remuneration of Non-executive Directors and Independent Non-executive Directors.

- The Company’s emolument policy is to maintain fair and competitive packages with reference to perception of industry standards and prevailing market conditions. The Remuneration Committee was mindful that levels of remuneration that are sufficient to attract and retain the Directors and senior management were needed to run the Company successfully, but at the same time avoid paying more than is necessary for this purpose. The Directors’ emolument package comprises of the Director’s fees, basic salaries and allowances, bonuses, share options and others. The following factors are considered when determining the Directors’ remuneration package:

— Business needs and company development;

— Responsibilities of the Directors and individual contribution;

—Changes in appropriate markets, e.g. supply/demand fluctuations and changes in competitive conditions; and

— The desirability of performance-based remuneration.

No individual Director or senior management of the Company is permitted to determine his/her own remuneration.

The Company sought to apply similar principles when determining the remuneration packages for senior management

and other general staff, and employees are rewarded on a performance-rated basis as well as other fringe benefits such as social insurance, pension funds and medical cover.

Please refer to note 10 and note 11 to the financial statements on pages 81 to 83 for details of Directors' remuneration and the five highest paid individuals in the Company.

- The remuneration of Non-executive Directors and Independent Non-executive Directors recommended by the Remuneration Committee was determined by the Board where the vote of the Directors concerned will not be counted in relation to their remuneration.
- The Remuneration Committee also administered the Company's share option schemes and all other employee equity-based compensation plans, with full authority to make all other determinations in the administration thereof, but subject to the limitations prescribed by laws and the rules of such plans and programs.
- The Remuneration Committee would consult the Chairman and Chief Executive Officer about its proposal relating to the remuneration of Executive Directors and have access to professional advice if necessary.

Attendance of individual members at Remuneration Committee meetings in 2010

Directors	No. of Meetings attended (4 meetings in total)
Chiu Sung Hong (Chairman)	4/4
Tse Hau Yin, Aloysius	4/4
Cao Xinghe (Note 1)	1/2
Li Fanrong (Note 2)	1/1
Wu Zhenfang (Note 3)	1/1

Note 1: Mr. Cao Xinghe appointed Mr. Chiu Sung Hong as his alternate to attend the Remuneration Committee meeting held on 19 May 2010 and to vote on his behalf.

Note 2: Mr. Cao Xinghe retired as member of the Remuneration Committee with effect from 24 May 2010 and Mr. Li Fanrong was appointed as member of the Remuneration Committee on 24 May 2010. Mr. Li Fanrong was re-designated to Executive Director of the Company and resigned as member of Remuneration Committee with effect from 16 September 2010.

Note 3: Mr. Wu Zhenfang was appointed as member of the Remuneration Committee on 16 September 2010.

C. ACCOUNTABILITY AND AUDIT

C.1 Financial reporting

Principle: "The board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects."

- The Company has established a mechanism for reporting to the Board to ensure that the Board, e.g. by means of provision of a monthly management report, fully understands the operating conditions and the relevant financial position of the Company. The Board is responsible for preparing accounts that give a true and fair view of the Group's financial position on a going-concern basis and other price-sensitive announcements and financial disclosures. Management provides the Board with the relevant information it needs to fulfil these responsibilities.

•Directors of the Company will discuss the operating budget for the next year and approve the operating budget at the end of each year and will review the execution of the operating budget for the whole year. Management will also provide

sufficient explanations and information to the Board. All significant changes in the operating conditions and investment decisions will be discussed in sufficient details by the Board.

- If necessary, the Directors will also engage professional independent consultants so that the Directors can gain an in-depth and comprehensive understanding and assessment of the relevant matters, in order to make well-grounded assessments.
- The Company has established and maintained an internal control and risk management system that is in line with the strategic objectives of the Company and fits the actual needs of the Company. An Investment and Risk Management Committee has been established and delegated to assess, analyze and identify key business risks of the Company and their impact. Risk management reports are submitted to the Board periodically.
- In response to Section 404 of the Sarbanes-Oxley Act promulgated by the US Congress in 2002 to safeguard the interests of investors, increase the accuracy and effectiveness of financial reporting and financial information disclosure, management has issued a statement on the responsibility and effectiveness of internal control based on financial reporting, and the auditors of the Company have also audited the effectiveness of internal control over financial reporting.
- The Company regularly updates investors with progress of development and performance of the Company through formal channels such as annual report, interim report and announcements made through the Hong Kong Stock Exchange's website, the Company's website and newspapers, as well as through press releases. The Company also issues quarterly operational statistics and announces its strategy at the beginning of the year to enhance transparency about its performance and to give details of the latest development of the Company in a timely manner.
- The Company provides a comprehensive business review in its interim and annual reports to enable investors to appraise its development over the period and its financial position.
- The Company has also engaged independent technical consultant firms to conduct a review of its oil and gas information and discloses details of its oil and gas properties in its annual report (as set out on pages 115 to 128).

C.2 Internal controls

Principle: "The board should ensure that the issuer maintains sound and effective internal controls to safeguard the shareholders' investment and the issuer's assets."

- Directors of the Company regularly receive reports made by the management of the Company regarding the establishment and evaluation of the Company's internal control and risk management. All major risks are reported to the Board. The Board will also evaluate the corresponding risks and the response plan.
- Based on the Company's strategies, the Investment and Risk Management Committee of the Company is responsible for setting the objective of risk management and assessing key risks in major investments, important events and key business processes, and is also responsible for the review and approval of the solutions to major risks. The risk management reports are submitted to the Board periodically.
- The Audit Committee is responsible for overseeing the operation of the internal monitoring systems, so as to ensure that the Board is able to monitor the Company's overall financial position, to protect the Company's assets, and to prevent major errors or losses resulting from financial reporting.

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The Company has chosen the internal control framework issued by COSO in the United States of America, established a system and mechanism over financial, operational and compliance controls and conducted an extensive and continuing

review and evaluation of the internal control of the Company to ensure the timeliness, accuracy and integrity of all information reported. The Company will continue to improve such system to comply with the regulatory requirements and to enhance corporate governance of the Company.

- The management has evaluated the design and operating effectiveness of the internal control regarding the financial report as of 31 December 2010, and has not discovered any material weakness through the evaluation. On the basis of such evaluation, the Directors consider that as of 31 December 2010, internal control of the Company in relation to financial reporting was effective.

- Meanwhile, the Company has established a mechanism for rectifying internal control defects under which the leading officials of all units have clear responsibilities of rectifying internal control defects in their own units. Those responsibilities are also included in the internal performance indicators of the Company.

- The Company has established an open channel to handle and discuss internal reports concerning finance, internal control and embezzlement to ensure that all reports will receive sufficient attention and any significant internal control weaknesses or reports will directly reach the chairman of the Audit Committee.

- The Audit Committee, together with senior management and the external auditors, has reviewed the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters. The Board has also assessed the effectiveness of internal controls by considering reviews performed by the Audit Committee, executive management and both internal and external auditors.

- The Company formally adopted COSO-ERM framework in 2007 as a guidance for its risk management, so that all key business risks of the Company will be paid sufficient attention and monitoring. The Company will continue to improve such systems to enhance its corporate governance.

C.3 Audit Committee

Principle: “The board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company’s auditors. The audit committee established by an issuer pursuant to the Exchange Listing Rules should have clear terms of reference.”

- The Audit Committee consists of three Independent Non-executive Directors, with Mr. Tse Hau Yin, Aloysius as the Audit Committee financial expert for the purposes of U.S. securities laws and chairman of the Audit Committee. A list of members of the Audit Committee is set out under the section headed “Company Information” on page 136 of the annual report.

- The Audit 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 (both internal and external) and procedures as well as its internal control systems.

- Full minutes of the Audit Committee meetings are kept by the Joint Company Secretaries. Draft and final versions of minutes of the Audit Committee meetings are sent to all members of the Audit Committee for their comments and records respectively, in both cases within a reasonable time after the meetings.

- The Audit Committee is also responsible for overseeing the operation of the internal monitoring systems, so as to ensure that the Board is able to monitor the Company’s overall financial position, to protect the Company’s assets, and to prevent major errors or losses resulting from financial reporting.

- The following is a summary of the work performed by the Audit Committee under its charter during the year:

~~Reviewed the Company's audited accounts and results announcement before it is tabled before the Board for approval, discussing with senior management and the external auditors;~~

~~The Audit Committee held formal meetings with the external auditors and senior management of the Company at least twice a year to discuss the following matters:~~

~~(i)the external auditors' engagement letter and general scope of their audit work, including planning and staffing of the audit;~~

~~(ii)the Company's management discussion and analysis disclosures in the interim report and annual report of the Company;~~

~~(iii)the applicable accounting standards relating to the audit of the Company's financial statements, including any recent changes;~~

~~In addition to formal meetings arranged by the Company, members of the Audit Committee were also given direct access to the external auditors and have frequent contacts with the external auditors to discuss issues from time to time;~~

~~Conducted a review of the effectiveness of the system of internal controls of the Company and its subsidiaries, including financial, operational and compliance controls, as well as risk management aspects of internal controls, and made recommendations to the Board based on the review;~~

~~Discussed with senior management of the Company ways of improving and strengthening the scope, adequacy and effectiveness of the Company's internal controls, including corporate accounting and financial controls, both under the Listing Rules as well as under relevant US requirements;~~

~~Made recommendations to senior management and the Board on the scope and quality of management's ongoing monitoring of risks and issues relevant to internal controls;~~

~~Reviewed the work performed by the Company's external auditors and their relationship with the Company's senior management, and recommended to the Board the re-appointment of Ernst & Young as external auditors, as well as the proposed auditors' fees;~~

~~—Reviewed the Company's audit and non-audit services pre-approval policy to ensure auditors' independence;~~

~~— Members of the Audit Committee received materials from the Company's external auditors from time to time in order to keep abreast of changes in financial reporting principles and practices, as well as issues relating to financial reporting and internal controls relevant to the Company;~~

~~— Considered and approved the non-audit services provided by the external auditors during the year;~~

~~Reviewed the Company's business ethics and compliance policies, related reports and training programs and made recommendation for improvement; and~~

~~Reported on its findings and suggestions to the Board following its review of different aspects of the Company's financial reporting and internal control systems, and made appropriate recommendations where necessary.~~

- The Audit Committee is provided with sufficient resources, including independent access to and advice from external auditors.

Attendance of individual members at
Audit Committee meetings in 2010

Independent Non-executive Directors	No. of Meeting attended (4 meetings in total)
Tse Hau Yin, Aloysius (Chairman and Financial Expert)	4/4
Chiu Sung Hong	4/4
Lawrence J. Lau	4/4

D. DELEGATION BY THE BOARD

D.1 Management functions

Principle: “An issuer should have a formal schedule of matters specifically reserved to the board for its decision. The board should give clear directions to management as to the matters that must be approved by the board before decisions are made on behalf of the issuer.”

- The Board is the ultimate decision-making body of the Company, other than those matters reserved to shareholders of the Company. The Board oversees and provides strategic guidance to senior management in order to enhance the long-term value of the Company for its shareholders.

- The day-to-day management is conducted by senior management and employees of the Company, under the direction of the Chief Executive Officer and the oversight of the Board. In addition to its general oversight of the management, the Board also performs a number of specific functions.

- The primary functions performed by the Board include:

- Reviewing and approving long-term strategic plans and annual operating plans, and monitoring the implementation and execution of those plans;
- Reviewing and approving significant financial and business transactions and other major corporate actions; and
- Reviewing and approving financial statements and reports, and overseeing the establishment and maintenance of controls, processes and procedures to ensure accuracy, integrity and clarity in financial and other disclosures.

D.2 Board Committees

Principle: “Board committees should be formed with specific written terms of reference which deal clearly with the committees’ authority and duties.”

- The Company has formed an Audit Committee, a Remuneration Committee and a Nomination Committee of the Board, each Committee with its own specific Charter.

E. COMMUNICATION WITH SHAREHOLDERS

E.1 Effective communication

Principle: “The board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual

general meetings or other general meetings to communicate with shareholders and encourage their participation.”

- The Board recognizes the importance of good and effective communication with all shareholders. With a policy of being transparent, strengthening investor relations, and providing consistent and stable returns to shareholders, the Company seeks to ensure transparency through establishing and maintaining different communication channels with shareholders.
- The Company has a professionally-run investor relations department to serve as an important communication channel between the Company and its shareholders and other investors.
- A key element of effective communication with shareholders and investors is prompt and timely dissemination of information in relation to the Company. In addition to announcing its interim and annual results to shareholders and investors, the Company also publicises its major business developments and activities through press releases, announcements and the Company’s website in accordance with relevant rules and regulations. Press conferences and analyst briefings are held from time to time on financial performance and major transactions.
- The annual general meeting also provides a useful forum for shareholders to exchange views with the Board. The Chairman of the Board, as well as Chairman of the Audit Committee, Nomination Committee and Remuneration Committee, or in their absence, members of the respective Committees, are available to answer questions from shareholders at annual general meetings and extraordinary general meetings of the Company.

E.2 Voting by Poll

Principle: “The issuer should ensure that shareholders are familiar with the detailed procedures for conducting a poll.”

- Pursuant to the amendments to the Listing Rules, all votes of shareholders at the general meeting of the Company must be taken by poll with effect from 1 January 2009. The Joint Company Secretary will ensure that shareholders are familiar with the procedures of voting by poll in all the general meetings of the Company.
- The results of the poll are published on the Hong Kong Stock Exchange’s website and the Company’s website.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the provisions of the CG Code as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2010, except for deviations from provisions A.2.1 and A.4.1 only. The following summarises the requirements under the relevant CG Code provisions and the Company’s reasons for such deviations.

CG Code Provision A.2.1

Under CG Code provision A.2.1, the roles of the chairman and chief executive officer are required to be separate and not to be performed by the same individual.

Mr. Fu Chengyu (“Mr. Fu”) is the Chairman of the Board of the Company. In addition to the role of the Chairman of the Board, Mr. Fu was also the Chief Executive Officer of the Company until 15 September 2010. This constituted a deviation from CG Code provision A.2.1.

From 16 September 2010, Mr. Yang Hua has been appointed as the Vice Chairman and Chief Executive Officer of the Company. Mr. Fu remains the Chairman of the Board of the Company. Accordingly, the Company is now in compliance with CG Code Provision A.2.1.

CG Code Provision A.4.1

Under CG Code provision A.4.1, non-executive directors should be appointed for a specific term and be subject to re-election.

None of the existing Independent Non-executive Directors of the Company is appointed for a specific term. This constitutes a deviation from the CG Code provision A.4.1. However, all the Directors are subject to the retirement provisions under article 97 of the Articles of Association of the Company (“Article 97”). According to Article 97, one-third of the Directors for the time being must retire from the office by rotation at each annual general meeting. The Company has observed the need for good corporate governance practices. All the other incumbent Independent Non-executive Directors of the Company, except Mr. Wang Tao who was elected as a new Independent Non-executive Director of the Company for the first time by the shareholders at the annual general meeting of the Company on 29 May 2008, have been retired from the office by rotation and have been re-elected in the past three years according to Article 97. Therefore, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the CG Code.

CHANGE IN DIRECTORS AND JOINT COMPANY SECRETARY

On 29 January 2010, Mr. Xiao Zongwei has resigned as Joint Company Secretary of the Company and Mr. Jiang Yongzhi was appointed as the Joint Company Secretary of the Company with effect from the same day.

On 24 May 2010, Mr. Cao Xinghe retired as a Non-executive Director of the Company, and Mr. Li Fanrong was appointed as Non-executive Director of the Company on the same day.

On 16 September 2010, Mr. Yang Hua was appointed as the Vice Chairman of the Board of Directors of the Company, Mr. Fu Chengyu was re-designated from Executive Director to Non-executive Director of the Company and Mr. Li Fanrong was re-designated from Non-executive Director to Executive Director of the Company.

CODE OF ETHICS

The Board adopted a code of ethics (“Code of Ethics”) on 28 August 2003 to provide guidelines to the senior management and Directors 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 dealing, market malpractices, conflict of interests, company opportunities, protection and proper use of the Company’s assets as well as reporting requirements.

All the senior management members and Directors are required to familiarise themselves with and follow the Code of Ethics to ensure that the Company’s operations are honest and legal. Violations of the rules will be penalized and serious offences will result in dismissal.

The Company reviewed its Code of Ethics and adopted the revised code of ethics (“New Code of Ethics”) in August 2010, as part of its continued efforts to improve its corporate governance standards. The Company has provided all its Directors and senior officers with a copy of the New Code of Ethics and requires them to comply with the New Code of Ethics, so as to ensure the Company’s operation is proper and lawful. The Company will take disciplinary actions towards any act which is in breach of the New Code of Ethics.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a New Code of Ethics incorporated the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. The Company has made specific enquiries to all of the Directors, and all Directors have confirmed that they complied, during the year ended 31 December 2010, with the required standards set out in the Model Code.

SERVICES AND REMUNERATION OF AUDITORS

Ernst & Young was appointed and engaged as the Company's auditors ("Auditors") for the financial year ended 31 December 2010. Services provided by the Auditors and fees charged by the Auditors for the services are as follows:

Audit Fees

The aggregate fees billed for professional services rendered by the Auditors for the audit of the Company's annual financial statements or services that are normally provided by the Auditors in connection with statutory and regulatory filings or engagements were RMB15,447,427 (approximately US\$2,261,140) for the financial year ended 31 December 2009 and RMB17,673,731 (approximately US\$2,608,515) for the financial year ended 31 December 2010.

Audit-related Fees

The aggregate fees billed for assurance and related services by the Auditors that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under "Audit Fees" were RMB1,075,063 (approximately US\$157,364) for the financial year ended 31 December 2009 and approximately RMB1,637,119 (approximately US\$241,627) for the financial year ended 31 December 2010.

Tax Fees

The aggregate fees billed for professional service rendered by the Auditors for tax compliance, tax advice and tax planning were RMB44,956 (approximately US\$6,581) for the financial year ended 31 December 2009 and RMB411,016 (approximately US\$60,663) for the financial year ended 31 December 2010.

All Other Fees

The aggregate fees billed for professional service rendered by the Auditors for risk management advisory services, and information systems reviews were RMB1,498,677 (approximately US\$219,371) for the financial year ended 31 December 2009 and RMB420,000 (approximately US\$61,989) for the financial year ended 31 December 2010.

There are no other fees payable to the Auditors for products and/or services provided by the Auditors, other than the services reported above, for the financial year ended 31 December 2009 and for the financial year ended 31 December 2010.

STATEMENT ON CORPORATE GOVERNANCE AS REQUIRED BY SECTION 303A.11 OF THE NEW YORK STOCK EXCHANGE LISTED COMPANY MANUAL

The Company is incorporated under the laws of Hong Kong and the principal trading market for the ordinary shares of the Company is The Stock Exchange of Hong Kong Limited. In addition, because the Company's ordinary shares are registered with the United States Securities and Exchange Commission and are listed on the New York Stock Exchange (the "NYSE"), the Company is subject to certain corporate governance requirements. However, many of the corporate governance rules in the NYSE Listed Company Manual (the "NYSE Standards") do not apply to the Company as a "foreign private issuer" and the Company is permitted to follow its home country corporate governance practices in lieu of most corporate governance standards contained in the NYSE Standards. Section 303A.11 of the NYSE Listed Company Manual requires NYSE-listed foreign private issuers to describe the significant differences between their corporate governance practices and the corporate governance standards applicable to U.S. companies listed on the NYSE. The Company has posted a brief summary of such significant differences on its website, which may be accessed through the following web page:

<http://www.cnoc ltd.com/encnoc ltd/gsgz/socg/default.shtml>

Directors and Senior Management

Executive Directors

1	Yang Hua (Vice Chairman & CEO)
2	Li Fanrong
3	Wu Guangqi

Non-executive Directors

4	Fu Chengyu (Chairman)
5	Zhou Shouwei
6	Wu Zhenfang

Independent Non-executive Directors

7	Edgar W. K. Cheng
8	Chiu Sung Hong
9	Lawrence J. Lau
10	Tse Hau Yin, Aloysius
11	Wang Tao

EXECUTIVE DIRECTORS

Yang Hua

Born in 1961, Mr. Yang is a senior engineer and graduated from China University of Petroleum with a B.S. degree in petroleum engineering. He also received an MBA degree from the Sloan School of Management at MIT as a Sloan Fellow. Mr. Yang joined CNOOC in 1982 and has over 29 years of experience in petroleum exploration and production. From 1982 to 1992, Mr. Yang served in a number of positions in CNOOC Research Center including the Director of Field Development Department, the Manager of Reservoir Engineering Department and the Project Manager. Thereafter, Mr. Yang was mainly involved in international business, corporate finance and capital market operations in the Company and its subsidiaries. From 1993 to 1999, he served as the Deputy Chief Geologist, the Deputy Director and the Acting Director for Overseas Development Department of the Company and the Vice President of CNOOC International Limited, a subsidiary of the Company. In 1999, Mr. Yang became a Senior Vice President of the Company and served as Chief Financial Officer of the Company from January 2005 to September 2010, Executive Vice President of the Company from October 2005 to March 2009, and President of the Company from March 2009 to September 2010. He was Director and President of CNOOC Southeast Asia Limited, a subsidiary of the Company, from 2002 to 2003, General Manager of CNOOC China Limited, a subsidiary of the Company, from February 2009 to September 2010, Chairman and Director of CNOOC Southeast Asia Limited, a subsidiary of the Company, from July 2009 to September 2010, and Chairman and Director of CNOOC Deepwater Development Limited from January 2010 to September 2010. He also served as an Assistant President of CNOOC from January 2009 to April 2010 and a Director of CNOOC Finance Corporation Limited, a subsidiary of CNOOC, from May 2005 to December 2010. Mr. Yang was appointed as Vice Chairman of the Board and Chief Executive Officer of the Company with effect from 16 September 2010. He serves as Chairman and Director of CNOOC China Limited and CNOOC International Limited, both being subsidiaries of the Company. He also serves as Vice President of CNOOC. Mr. Yang was appointed as an Executive Director of the Company with effect from 31 August 2005.

Li Fanrong

Born in 1963, Mr. Li is a senior engineer. He obtained a B.S. degree majoring in oil production from Jiang Han Petroleum Institute in China in 1984, and received an MBA degree from the Business School of Cardiff University in United Kingdom in July 2003. Mr. Li has been working in the oil and gas industry in China for more than 27 years. He joined CNOOC in 1984. From 1984 to 1989, he was a Petroleum Engineer in Nanhai East Oil Corporation of

CNOOC. From 1989 to 2001, he worked as Offshore Platform Supervisor in Huizhou Oil Field for ACT (AGIP-Chevron-Texaco) Operators Group, later as Production Manager in Liuhua Oil Field Joint Operating Group with Amoco Orient Company, and Assistant to President of CNOOC China Limited Shenzhen Branch and Managing Director of Lufeng 22-1 Oil Field Joint Operating Group with Statoil (Orient) Inc. From January 2002 to November 2005,

Mr. Li worked as Vice President of CNOOC China Limited Shenzhen Branch and Chief Representative of Joint Management Committee in CACT (CNOOC-AGIP-Chevron-Texaco) Operators Group. From November 2005 to February 2007, he worked as General Manager of Development and Production Department of the Company. From February 2007 to January 2009, he worked as President of CNOOC China Limited Shenzhen Branch. From January 2009 to April 2010, he was appointed as an Assistant President of CNOOC. Mr. Li serves as President of CNOOC Energy Technology & Services Limited since February 2009, and serves as Vice President of CNOOC since May 2010. Mr. Li was appointed as President of the Company with effect from 16 September 2010. He also serves as a Director of CNOOC China Limited and CNOOC International Limited, and Chairman and Director of CNOOC Southeast Asia Limited and CNOOC Deepwater Development Limited, all being subsidiaries of the Company. Mr. Li was appointed as a Non-executive Director of the Company with effect from 24 May 2010 and was re-designated from Non-executive Director to Executive Director with effect from 16 September 2010.

Wu Guangqi

Born in 1957, Mr. Wu is a geologist, senior economist and Certified Senior Enterprise Risk Manager and graduated with a B.S. degree from the Ocean University of China, majoring in Marine Geology. He also holds a master degree in Management from China University of Petroleum and a doctor degree in Management from Huazhong University of Science and Technology. Mr. Wu joined CNOOC in 1982. From 1994 to 2001, he served as the Deputy General Manager of CNOOC Oil Technical Services Company, a subsidiary of CNOOC, the Director of the Administration Department of CNOOC and the Director of the Ideology Affairs Department of CNOOC successively. Mr. Wu was appointed as an Assistant President of CNOOC in 2003, and has been the Vice President of CNOOC since 2004. Mr. Wu also served as an Independent Non-executive Director of China Yangtze Power Limited, a company listed on the Shanghai Stock Exchange, from May 2003 to July 2010, and the Chief Compliance Officer of the Company since 1 June 2005. Mr. Wu also serves as a Director of CNOOC China Limited, CNOOC International Limited and CNOOC Deepwater Development Limited, all being the subsidiaries of the Company. Mr. Wu was appointed as an Executive Director of the Company with effect from 1 June 2005.

NON-EXECUTIVE DIRECTORS

Fu Chengyu

Born in 1951, Mr. Fu received a B.S. degree in geology from the Northeast Petroleum Institute in China and a master degree in petroleum engineering from the University of Southern California in the United States. He has over 31 years of experience in the oil industry in the China. He previously worked in China's Daqing, Liaohe and Huabei oil fields. He joined CNOOC in 1982 and served as the Chinese Deputy Chief Representative, Chief Representative, Secretary to the Management Committees and Chairman of the Management Committees formed through joint ventures between CNOOC and Amoco, Chevron, Texaco, Phillips Petroleum, Shell and Agip, and later as the Deputy General Manager of CNOOC Nanhai East Corporation, a subsidiary of CNOOC, Vice President of Phillips Asia Inc., General Manager of the Xijiang Development Project, General Manager of CNOOC Nanhai East Corporation and Vice President of CNOOC. Subsequently, he became Executive Vice President, President and Chief Operating Officer of the Company in 2001. From September 2002 to August 2010, he served as Chairman of China Oilfield Services Limited ("COSL"), a company listed on The Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange, a subsidiary of CNOOC. Mr. Fu served as Chief Executive Officer of the Company from October 2003 to September 2010, the Chairman of the Board of Directors of CNOOC China Limited from October 2003 to September 2010 and Chairman of the Board of Directors of CNOOC International Limited from August 1999 to September 2010, both being subsidiaries of the Company. Mr. Fu was appointed as Chairman of the Board of the Company on October 2003. He became the President of CNOOC in October 2003. He also serves as Chairman of CNOOC Finance Corporation Limited and Zhonghai Trust Co. Ltd. Mr. Fu is also a Chairman of the Presidium of China Federation of Industrial Economics and the Vice-chairman of China Chamber of International Commerce. Mr. Fu was appointed as an Executive Director of the Company with effect from 23 August 1999 and was re-designated from Executive Director to Non-executive Director with effect from 16 September 2010.

Zhou Shouwei

Born in 1950, Mr. Zhou, a member of Chinese Academy of Engineering, received a doctorate degree from the Southwest Petroleum Institute in China majoring in petroleum and natural gas engineering. He joined CNOOC in 1982. Mr. Zhou served as the Deputy General Manager of CNOOC Bohai Corporation, a subsidiary of CNOOC and the General Manager of CNOOC China Limited

Tianjin Branch. He was appointed as an Executive Vice President of the Company in September 1999 and served as the President of the Company from July 2002 to March 2009. Since 2000, Mr. Zhou has been a Vice President of CNOOC. He also served as a Director and the General Manager of CNOOC China Limited, a subsidiary of the Company. From October 2004 to July 2009, Mr. Zhou served as a Director of CNOOC International Limited, a subsidiary of the Company. From April 2003 to July 2009, Mr. Zhou also served as the Chairman of CNOOC Southeast Asia Limited, a subsidiary of the Company. From December 2003 to December 2010, Mr. Zhou served as the Chairman of Offshore Oil Engineering Co., Ltd., a listed company on the Shanghai Stock Exchange and a subsidiary of CNOOC. Mr. Zhou was appointed as an Executive Director of the Company with effect from 23 August 1999 and was re-designated from Executive Director to Non-executive Director with effect from 31 March 2009.

Cao Xinghe

Born in 1949, Mr. Cao graduated from Tianjin Politics and Law Management College majoring in Economic Laws and later studied MBA in Capital University of Economics and Business. Mr. Cao has over 40 years of experience in the petroleum industry since he started work in 1965. He worked for Shengli oilfield and Dagang oilfield before he joined CNOOC in 1982. From 1985 to 2003, Mr. Cao worked as the Manager of Bohai Oil Commercial Company, later as the Manager of Bohai Oil Transportation Company, both being subsidiaries of CNOOC, and Deputy General Manager and General Manager of CNOOC Bohai Corporation, a subsidiary of CNOOC, successively. From April 2003 to July 2004, Mr. Cao worked as Assistant President of CNOOC and became Vice President of CNOOC in August 2004. Mr. Cao also serves as Chairman of the Board of Directors of CNOOC Energy Technology & Services Limited and Chairman of the Board of Directors of China Ocean Oilfields Services (Hong Kong) Limited, both being subsidiaries of CNOOC. Mr. Cao was appointed as an Executive Director of the Company with effect from 31 August 2005 and was re-designated from Executive Director to Non-executive Director with effect from 1 September 2006. Mr. Cao retired as a Non-Executive Director of the Company on 24 May 2010.

Wu Zhenfang

Born in 1952, Mr. Wu is a senior engineer and graduated with a bachelor degree from Dalian University of Technology, majoring in Offshore Petroleum Engineering and Construction. He later studied EMBA in Shanghai Jiao Tong University. Mr. Wu joined the petroleum industry in 1971. He joined CNOOC in 1980 when it was still in the pre-establishment stage. From 1993 to 2000, he was Deputy General Manager of CNOOC Nanhai West Corporation, a subsidiary of CNOOC and the President of CNOOC Chemical Limited, a subsidiary of CNOOC. He was also the Chairman of the Board of Directors of Fudao Fertilizer Limited and CNOOC Chemical Limited, both being subsidiaries of CNOOC, from 2001 to 2003 and from 2003 to 2005 respectively. From 2003 to 2004, Mr. Wu was an Assistant President of CNOOC and then appointed Vice President of CNOOC in August 2004. Mr. Wu also served as the Chairman and President of CNOOC Gas and Power Group (formerly known as CNOOC Gas and Power Limited), as the Chairman and General Manager of CNOOC Oil & Petrochemicals Co., Ltd., both being subsidiaries of CNOOC, as well as the Chairman of a number of subsidiaries of CNOOC. Mr. Wu also serves as Chairman of CNOOC and Shell Petrochemical Co. Ltd and a number of subsidiaries of CNOOC. Mr. Wu was appointed as an Executive Director of the Company with effect from 31 August 2005 and was re-designated from Executive Director to Non-executive Director with effect from 1 September 2006.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Edgar W. K. Cheng

Born in 1943, Dr. Cheng was a graduate from the University of Notre Dame and the Medical College of Wisconsin, USA. He was Clinical Associate Professor of Medicine at Cornell University Medical College and practiced medicine and conducted clinical research at the Memorial Sloan-Kettering Cancer Centre in New York. Dr. Cheng was a former Chairman of the University Grants Commission in Hong Kong, a former member of the Education Commission and former Chairman of the Council of The Chinese University of Hong Kong. In addition to his academic experience, Dr.

Cheng is currently the Chairman of the World-Wide Investment Co. Ltd. and had been in many other financial market positions such as Chairman of the Stock Exchange of Hong Kong, Vice-Chairman and non-executive director of the Hang Seng Bank Ltd., Vice President of the International Federation of Stock Exchange, Founding Chairman of the Hong Kong Securities Institute, Chairman of the Steering Committee on the Feasibility Study on the Financial Services Institute, Member of the Board of Directors of the Hong Kong Futures Exchange Ltd., Member of the Conference Board's Global Advisory Council, an independent non-executive director of the Standard Chartered Bank (Hong Kong) Ltd., a member of the Board of Directors of the Hong Kong Institute for Monetary Research and an independent non-executive

director of American International Assurance Co. Ltd. He is currently an independent non-executive director of Shui On Land Limited. In his other public service capacity, Dr. Cheng served as the Head of the Central Policy Unit of the Government of Hong Kong Special Administrative Region from 1999 to 2001. He was a member of the Greater Pearl River Delta Business Council, a member of the Commission on Strategic Development and Chairman of the Council for Sustainable Development. He is currently a member of the Judicial Officers Recommendation Commission. Dr. Cheng also plays an active role in Hong Kong-China affairs. He was appointed by the Chinese Government as a Hong Kong Affairs Advisor (1991–1997). He became a Member of the Preparatory Committee and also the Selection Committee for the Hong Kong Special Administrative Region of the National People’s Congress (1996-1997). At present, he is a member of the 11th Chinese People’s Political Consultative Conference National Committee. Dr. Cheng was appointed as an Independent Non-executive Director of the Company with effect from 24 May 2006.

Chiu Sung Hong

Born in 1947, Mr. Chiu received an LL.B. degree from the University of Sydney. He was admitted as a solicitor of the Supreme Court of New South Wales and the High Court of Australia. He has over 30 years’ experience in legal practice and had been a director of a listed company in Australia. Mr. Chiu was the founding member of the Board of Trustees of the Australian Nursing Home Foundation and served as the General Secretary of the Australian Chinese Community Association of New South Wales. Mr. Chiu is also an Independent Non-executive Director of Yunnan Enterprises Holdings Limited since April 2008, a company listed on The Stock Exchange of Hong Kong Limited. Mr. Chiu was appointed as an Independent Non-executive Director of the Company with effect from 7 September 1999.

Lawrence J. Lau

Born in 1944, Professor Lau graduated with a B.S. (with Great Distinction) in Physics and Economics from Stanford University in 1964, and received his M.A. and Ph.D. degrees in Economics from the University of California at Berkeley in 1966 and 1969 respectively. He joined the faculty of the Department of Economics at Stanford University in 1966, becoming Professor of Economics in 1976, the first Kwoh-Ting Li Professor in Economic Development in 1992, and Kwoh-Ting Li Professor in Economic Development, Emeritus in 2006. From 2004 to 2010, Professor Lau served as Vice-chancellor (President) of The Chinese University of Hong Kong. He is also concurrently Ralph and Claire Landau Professor of Economics at The Chinese University of Hong Kong. Professor Lau specializes in economic development, economic growth, and the economies of East Asia, including that of China. He has authored, co-authored, or edited five books and published more than 160 articles and notes in professional journals. A member of the 11th National Committee of the Chinese People’s Political Consultative Conference and a Vice-Chairman of its Subcommittee of Population, Resources and Environment. Professor Lau also serves as a non-official member of the HKSAR Government’s Executive Council, as a member of the Commission on Strategic Development, the Exchange Fund Advisory Committee and its Currency Board and Governance Sub-Committees, the Greater Pearl River Delta Business Council and the Honours Committee, 2011 Non-Official Justices of the Peace (JP) Selection Committee and as an adviser to the Hong Kong-Taiwan Economic and Cultural Cooperation and Promotion Council. He was appointed a Justice of the Peace in Hong Kong in July 2007. He currently serves as Chairman of CIC International (Hong Kong) Co., Limited, as Vice-Chairman of the Board of Directors of CITIC Capital Holdings Limited in Hong Kong, as an Independent Non-executive Director of Far Eastone Telecommunications Company Limited and Shin Kong Life Insurance Company Limited in Taiwan, and as a member of the Board of Directors of Precoat, Inc. in the United States of America. Professor Lau was appointed as an Independent Non-executive Director of the Company with effect from 31 August 2005.

Tse Hau Yin, Aloysius

Born in 1948, Mr. Tse is a fellow of The Institute of Chartered Accountants in England and Wales, and the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Mr. Tse is a past president and the current Chairman of the Audit Committee of the HKICPA. He joined KPMG in 1976, became a partner in 1984 and retired in March 2003. Mr. Tse was a non-executive Chairman of KPMG’s operations in the PRC and a member of the KPMG China advisory board from 1997 to 2000. Mr. Tse is currently an independent non-executive director of China Telecom Corporation

Limited, Wing Hang Bank Limited, Linmark Group Limited, SJM Holdings Limited and Sinofert Holdings Limited, companies listed on The Stock Exchange of Hong Kong Limited. He was an independent non-executive director of China Construction Bank Corporation, which is listed on the HKSE Main Board from 2004 to 2010. Mr. Tse is also a member of the International Advisory Council of the People's Municipal Government of Wuhan. Mr. Tse was appointed as an Independent Non-executive Director of the Company with effect from 8 June 2005.

Wang Tao

Born in 1931, Mr. Wang studied at the Moscow Institute of Oil in the former Soviet Union from 1954 to 1963, where he obtained his deputy doctoral degree in Geological Mineralogy. Mr. Wang is the Chairman of the Chinese National Committee for World Petroleum Council and the Chairman of Chinese-Saudi Arabia Friendship Association. He also serves as adjunct professor and/or doctoral advisor in several institutions, including China University of Petroleum. Mr. Wang has been working in the oil and gas sector for more than 50 years, and served as the Chief Geologist in Beijing Research Institute of Petroleum Science, the Deputy Commander and Chief Geologist of the North China Oil Exploration Command Office, the Deputy Director-General and Chief Geologist of Liao River Petroleum Exploration Bureau and the Principal of the Preparation and Construction Office for the Pearl River Mouth Project in the Command Office of South China Sea Oil Exploration. He became the General Manager of CNOOC Nanhai East Corporation in June 1983, the Minister and Secretary of the Party Leadership Group of the Ministry of Petroleum Industry in June 1985 and the General Manager and Secretary of the Party Leadership Group of China National Petroleum Corporation in May 1988 successively. He was also a Member of the 12th, 13th and 14th Central Committees of the Communist Party of China, a Member of the Standing Committee of the 9th National People's Congress and the Vice-chairman of the Environmental Protection and Resources Conservation Committee of the National People's Congress. He also served successively as the Vice Chairman and Senior Vice Chairman of the World Petroleum Council from 1994 to 2005. Mr. Wang is the Honorary Chairman and an Executive Director of Sino Union Petroleum & Chemical International Limited, a company listed on The Stock Exchange of Hong Kong Limited. Mr. Wang was appointed as Independent Non-executive Director of the Company with effect from 29 May 2008.

OTHER MEMBERS OF SENIOR MANAGEMENT

Yuan Guangyu

Born in 1959, Mr. Yuan is an Executive Vice President of the Company, responsible for the operation safety, engineering and construction, and drilling and completion. Mr. Yuan is a senior engineer. He graduated from China University of Petroleum with a bachelor's degree in drilling engineering. He obtained a master degree from the Capital University of Economics and Business in 2001. He graduated from the CEO Class and the EMBA program of China Europe International Business School in 2004 and 2007 respectively with an MBA degree. With over 29 years of experience in the oil and gas industry, Mr. Yuan joined CNOOC in 1982, having served as Deputy Manager of CNOOC Bohai Drilling Company, Deputy General Manager of CNOOC China Offshore Oil Northern Drilling Company, Deputy General Manager of Operational Department of CNOOC, General Manager of CNOOC China Offshore Oil Northern Drilling Company, Chairman of the Board of Directors and General Manager of CNOOC Services, and Vice Chairman of the Board of Directors, Executive Director, Chief Executive Officer and President of COSL. Mr. Yuan also serves as the Director of CNOOC China Limited, CNOOC International Limited, CNOOC Southeast Asia Ltd. and CNOOC Deepwater Development Limited, all being the subsidiaries of the Company. In November 2006, Mr. Yuan was appointed as the Assistant President of CNOOC. In March 2009, Mr. Yuan was appointed as the Executive Vice President of the Company.

Zhu Weilin

Born in 1956, Mr. Zhu is the Chief Geologist of CNOOC, Executive Vice President of the Company and General Manager of Exploration Department of the Company. Mr. Zhu graduated from Shanghai Tongji University with a Ph.D. degree. Mr. Zhu joined CNOOC in 1982. Prior to 1999, he conducted researches in CNOOC Research Center and served as the Deputy Director and Director of the Research Department and Deputy Chief Geologist and Chief Geologist of the Research Center. From 1999 to 2007, Mr. Zhu served as the Deputy Manager of Exploration Department of CNOOC, Deputy General Manager and General Manager of Exploration Department of the Company, General Manager of CNOOC China Limited Zhanjiang Branch and Vice President of the Company. Mr. Zhu also serves as the Director of CNOOC China Limited and CNOOC Deepwater Development Limited, both being the subsidiaries of the Company. Mr. Zhu has spent a long time in exploration research and management of oil and natural gas in offshore China. He was granted the Special Subsidies from the government, nominated as candidate for the

“National Hundred, Thousand, and Ten Thousand Talent Project”, named as an Excellent Science and Technology Worker of the Nation and awarded the Li Siguang Award for Geosciences, the highest tribute in geosciences awards level. In August 2007, Mr. Zhu was appointed as the Chief Geologist of CNOOC and Executive Vice President of the Company, responsible for the Company’s oil and gas exploration operations.

Zhao Liguo

Born in 1953, Mr. Zhao is the General Counsel of the Company. He graduated from the Faculty of Law, Peking University in 1983 with a bachelor of laws' degree. In 1988, he studied at the Law School of Niigata University in Japan for a year. Mr. Zhao joined CNOOC in 1983. He served as Head of Contract Negotiation Division, Deputy General Manager and General Manager of Legal Department of CNOOC. At present, he serves as the General Counsel of CNOOC and the Company. Mr. Zhao was granted PRC lawyer qualification in 1985 and corporate counsel qualification in 1998. He is an arbitrator of China International Economic and Trade Arbitration Commission and a member of the China Maritime Arbitration Commission. Mr. Zhao also serves as the Director of CNOOC China Limited and CNOOC International Limited, both being the subsidiaries of the Company. Mr. Zhao was appointed as the General Counsel of the Company effective 2 November 2009.

Chen Bi

Born in 1961, Mr. Chen is an Executive Vice President of the Company and is responsible for development, production and sales of the Company. Mr. Chen graduated from the Southwest Petroleum University and received a bachelor degree in oil production. He received a master degree of petroleum engineering from Edinburgh Heriot-Watt University in 1988, an MBA degree from Tsinghua University in 2000 and an honorary doctoral degree in petroleum engineering from Edinburgh Heriot-Watt University in 2010. Mr. Chen joined CNOOC in 1982 and has over 29 years of experience in the oil and natural gas industry. He served as the Deputy Manager of CNOOC Nanhai West Corporation Oil Production Company, Director of Production Section, Deputy Manager and General Manager of Development and Production Department of the Company, and General Manager of CNOOC China Limited Tianjin Branch. Mr. Chen also serves as the Director of CNOOC China Limited, CNOOC International Limited and CNOOC Deepwater Development Limited, all being the subsidiaries of the Company. In December 2005, Mr. Chen was appointed as Vice President of the Company and General Manager of CNOOC China Limited Tianjin Branch. In March 2009, Mr. Chen was appointed as the Executive Vice President of the Company.

Chen Wei

Born in 1958, Mr. Chen is a Senior Vice President of the Company and the General Director of CNOOC Research Institute (formerly CNOOC Research Center). He received his B.S. degree from China University of Petroleum and MBA from Tsinghua University. He has over 29 years of experience in the oil and gas industry. Mr. Chen joined CNOOC in 1984 and previously served as the Deputy Manager for the Development Department, the Deputy Manager of the Overseas Research Department, the Manager of the Information Department, and the Deputy Director of CNOOC Research Center. He has also served as General Manager of Human Resources Department of CNOOC, and the Senior Vice President of the Company and General Manager of Administration Department of the Company. In July 2003, Mr. Chen was appointed as the Director of CNOOC Research Center (later became President of CNOOC Research Institute).

Zhang Guohua

Born in 1960, Mr. Zhang is a Senior Vice President of the Company and the General Manager of CNOOC China Limited Shanghai Branch. He graduated from Shandong Oceanographic Institute (now Ocean University of China) with a bachelor degree. He studied in the Business Institute of University of Alberta in Canada in 2001. He joined CNOOC in 1982 and served as Deputy Chief Geologist and General Manager of Exploration Department of CNOOC Nanhai West Corporation, a subsidiary of CNOOC, Chief Geologist of CNOOC Research Center, Assistant to General Manager of CNOOC China Limited and the General Manager of Exploration Department of the Company. In October 2005, Mr. Zhang was appointed as General Manager of CNOOC China Limited Shanghai Branch.

Fang Zhi

Born in 1962, Mr. Fang is a Vice President of the Company and the President of CNOOC International Limited and is responsible for the Company's International affairs. He graduated from Zhejiang University with a bachelor degree in science and received a MBA degree from University of Birmingham in 1995. Mr. Fang joined CNOOC in 1982. He

served as Deputy Director of the Research Center of CNOOC Nanhai East Corporation, Deputy General Manager of CNOOC-AMOCO Liuhua Joint Operating Group, Deputy General Manager of Exploration and Development Department of CNOOC Nanhai East Corporation, the Deputy General Manager and General Manager of CNOOC China Limited Shenzhen Branch, and the President of CNOOC Southeast Asia Ltd. Mr. Fang also

serves as the Director of CNOOC International Limited and CNOOC Southeast Asia Ltd., both being the subsidiaries of the Company. In October 2005, Mr. Fang was appointed as the Vice President of the Company. In April 2009, Mr. Fang was appointed as President of CNOOC International Limited.

Zhong Hua

Born in 1960, Mr. Zhong is Chief Financial Officer of the Company. Mr. Zhong is a senior engineer and graduated from Southwest Petroleum Institute with a bachelor's degree in Oil Exploitation. He received a master's degree in Petroleum Engineering from Heriot-Watt University in the United Kingdom in 1988. He joined CNOOC in 1982, and has been working in the oil and gas industry for over 29 years. From 1982 to 1999, Mr. Zhong served as Petroleum Engineer, Expro Northsea Staff in UK, Deputy Manager of Downhole Services Company, Manager of Wei 10-3 Oilfield, Oilfield Superintendent of CNOOC Indonesia Project, Supervisor of Ya 21-1-3 HTHP Well Testing Project, Deputy Manager of Drilling and Exploitation Institute, Manager of Science and Technology Department and Manager of Administration Department of China Offshore Oil Nanhai West Corporation. From September 1999 to August 2005, Mr. Zhong was General Manager of Administration Department and General Manager of Development and Planning Department of CNOOC Ltd. From August 2005 to September 2010, Mr. Zhong served as Vice President, Executive Vice President, Executive Vice President and Chief Financial Officer of COSL. On 16 September 2010, Mr. Zhong was appointed as Chief Financial Officer of the Company.

JOINT COMPANY SECRETARIES

Jiang Yongzhi

Born in 1973, Mr. Jiang is the Joint Company Secretary of the Company. He is a CFA Charterholder and qualified PRC lawyer. In 1995, Mr. Jiang graduated from China University of Political Science and Law with a bachelor of laws degree majoring in International Economic Law. In 1997, he completed his study in Mattei School ("La Scuola Superiore della' Mattei") in Milan, Italy with a Master degree in Energy and Environmental Management and Economics, majoring in Management of Energy Company. In 2003, he obtained his MBA degree from Kelley School of Business, Indiana University in United States of America, majoring in Finance and Accounting. From 1995 to 2001, Mr. Jiang worked in China National Petroleum Corporation and then in Petrochina Company Limited as a legal counsel for the international business. Mr. Jiang joined the Company in 2003. He firstly served as the Senior Supervisor of Mergers & Acquisitions in the Controllers Department, then as the Commercial Manager in CNOOC International Limited, a subsidiary of the Company, and as the Assistant Chief Financial Officer of the Company from 2007 to 2009. Mr. Jiang serves as the General Manager of the Investor Relations Department and Director of the Office for the Board of Directors of the Company since 14 December 2009. Mr. Jiang was appointed as the Joint Company Secretary of the Company with effect from 29 January 2010.

Tsue Sik Yu, May

Born in 1973, Ms. Tsue Sik Yu, May is the Joint Company Secretary of the Company. She graduated from Curtin University of Technology in Australia with a bachelor of commerce in accounting. Ms. Tsue furthered her education at The Hong Kong Polytechnic University in Master of Corporate Governance from 2004 to 2006. She is an associate member of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries since 2007. Furthermore, she is also a fellow member and certified risk trainer of the Institute of Crisis and Risk Management and an associate member of CPA Australia. From August 1998 to March 1999, Ms. Tsue worked in LG International (HK) Ltd. as a senior accounts clerk. Ms. Tsue joined China Ocean Oilfield Services (HK) Limited in 1999 as an accountant. She helped to manage the finance of the CNOOC Insurance Limited since 2000 and became its employee in 2004 as a manager of finance department. She serves as company secretary of CNOOC Insurance Limited since March 2007. Ms. Tsue was appointed as Joint Company Secretary of the Company with effect from 25 November 2008.

CHANGES IN DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

On 29 January 2010, Mr. Xiao Zongwei resigned as the Joint Company Secretary of the Company and Mr. Jiang Yongzhi was appointed as the Joint Company Secretary of the Company with effect from the same day.

With effect from 24 May 2010, Mr. Cao Xinghe retired as a Non-executive Director of the Company.

With effect from 24 May 2010, Mr. Li Fanrong was appointed as a Non-executive Director of the Company.

With effect from 16 September 2010, Mr. Fu Chengyu was no longer the Chief Executive Officer of the Company; Mr. Yang Hua was appointed as the Chief Executive Officer of the Company and was no longer the President and Chief Financial Officer of the Company; Mr. Li Fanrong was appointed as the President of the Company and Mr. Zhong Hua was appointed as Chief Financial Officer of the Company.

With effect from 16 September 2010, Mr. Yang Hua was appointed as the Vice Chairman of the Board of Directors of the Company; Mr. Fu Chengyu was re-designated from Executive Director to Non-executive Director of the Company and Mr. Li Fanrong was re-designated from Non-executive Director to Executive Director of the Company.

Report of the Directors

The directors (the “Directors”) of the Company are pleased to present their report together with the audited financial statements of the Company for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES`

The principal activity of the Company is investment holding of its subsidiaries. These subsidiaries are principally engaged in the exploration, development, production and sales of crude oil and natural gas and other petroleum products.

SUMMARY OF FINANCIAL INFORMATION AND OPERATING RESULTS

Please refer to the financial summary on page 2 for a summary of the assets and liabilities of the Group as at 31 December 2010 and the operating results of the Group for the year then ended.

LOANS

Please refer to note 27 to the consolidated financial statements on pages 96 to 98 for details of the loans and borrowings of the Group as at 31 December 2010.

PROPERTY, PLANT AND EQUIPMENT

Please refer to note 16 to the consolidated financial statements on page 87 to 88 for net movements in property, plant and equipment of the Group for the year ended 31 December 2010.

RESERVES

The distributable reserves of the Company as at 31 December 2010, as calculated under Section 79B of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong), amounted to RMB33,573 million.

Please refer to the consolidated statement of changes in equity on pages 59 and note 30 to the consolidated financial statements on pages 102 to 103 for movements in the reserves of the Group and the Company, respectively, for the year ended 31 December 2010.

SUBSIDIARIES, ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES

Particulars of the Company’s subsidiaries, associates and jointly-controlled entities as at 31 December 2010 are set out in notes 18, 19 and 20 to the consolidated financial statements on pages 90 to 93.

DIVIDENDS

An interim dividend of HK\$0.21 per share was declared on 19 August 2010, and paid to the shareholders of the Company on 17 September 2010.

The Board recommended a payment of a final dividend of HK\$0.25 per share for the year ended 31 December 2010, payable on 9 June 2011 to all shareholders on the register of members of the Company on 27 May 2011 subject to shareholders’ approval.

RETIREMENT BENEFITS

Please refer to note 32 to the consolidated financial statements on page 107 for details of the retirement benefits of the Group for the year ended 31 December 2010.

MAJOR SUPPLIERS AND CUSTOMERS

Purchases from the largest supplier of the Group for the year ended 31 December 2010 represented approximately 21% of the Group's total purchases. The total purchases attributable to the five largest suppliers of the Group accounted for approximately 49% of the total purchases of the Group for the year ended 31 December 2010.

Sales to the largest customer for the year ended 31 December 2010 represented approximately 19% of the Group's total revenue. The total sales attributable to the five largest customers of the Group accounted for approximately 33% of the Group's total revenue for the year ended 31 December 2010.

For the year ended 31 December 2010, except for the continuing connected transactions with its indirect controlling shareholder CNOOC and its associates, as disclosed in the section entitled "Connected Transactions" below, none of the Directors or their respective associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interests in the five largest suppliers or customers of the Group.

CHARITABLE DONATIONS

Please refer to page 22 of the annual report for information concerning the donations by the Group during the year.

CONNECTED TRANSACTIONS

The Independent Non-executive Directors have confirmed that the following continuing connected transactions for the year ended 31 December 2010 to which any member of the Group was a party were entered into by the Group:

1. in the ordinary and usual course of its business;
2. either (a) on normal commercial terms, or (b) if there was no available comparison, on terms no less favourable to the Group than those available from independent third parties; and
3. in accordance with the relevant agreement governing them and on terms that were fair and reasonable and in the interests of the Company and the shareholders as a whole.

The Independent Non-executive Directors have further confirmed that for the year ended 31 December 2010:

(i) Provision of exploration, oil and gas development, oil and gas production as well as marketing, management and ancillary services by CNOOC and/or its associates to the Group:

(a) The aggregate annual volume of transactions for the provision of exploration and support services did not exceed RMB9,066 million.

(b) The aggregate annual volume of transactions for the provision of oil and gas development and support services did not exceed RMB26,759 million.

(c)The aggregate annual volume of transactions for the provision of oil and gas production and support services did not exceed RMB7,253 million.

(d)The aggregate annual volume of transactions for the provision of marketing, management and ancillary services did not exceed RMB967 million.

(e)The aggregate annual volume of transactions for FPSO vessel leases did not exceed RMB3,250 million.

(ii)The aggregate annual volume of transactions for the provision of management, technical, facilities and ancillary services, including the supply of materials by the Group to CNOOC and/or its associates did not exceed RMB100 million;

(iii) Sales of petroleum and natural gas products by the Group to CNOOC and/or its associates:

(a)The aggregate annual volume of transactions for the sales of petroleum and natural gas products (other than long term sales of natural gas and liquefied natural gas) did not exceed RMB181,782 million.

(b)The aggregate annual volume of the transactions for the long term sales of natural gas and liquefied natural gas did not exceed RMB8,763 million.

(iv)The maximum daily outstanding balance (including accrued interest) placed by the Group with CNOOC Finance Corporation Limited (“CNOOC Finance”) (excluding funds placed for the purpose of extending entrustment loans pursuant to the entrustment loan services) did not exceed RMB4,480 million for the period from 1 January 2010 to 19 August 2010. During such period, the maximum daily outstanding balance did not exceed 2.5% of the relevant percentage ratios under the Listing Rules. Under the amendment to the Listing Rules in June 2010, the Company announced on 20 August 2010 to revise the maximum daily outstanding balance (including accrued interest) placed by the Group with CNOOC Finance (excluding funds placed for the purpose of extending entrustment loans pursuant to the entrustment loan services) not to exceed RMB9,800 million. For the period from 20 August 2010 to 31 December 2010, the maximum daily outstanding balance did not exceed RMB9,800 million and 5% of the relevant percentage ratios under the revised Listing Rules.

The independent auditors of the Group have reviewed the continuing connected transactions referred to above and confirmed to the Board of Directors that the continuing connected transactions:

- 1.have received the approval of the Board;
- 2.were in accordance with the pricing policies as stated in the Company’s financial statements;
- 3.were entered into in accordance with the relevant agreements governing the transactions; and
- 4.have not exceeded the caps disclosed in previous announcements.

Please also refer to note 31 to the consolidated financial statements on pages 103 to 106 for a summary of the related party transactions which include the Group’s continuing connected transactions.

The Company entered into a comprehensive framework agreement on 1 November 2010 with CNOOC for the provision of a range of products and services which may be required and requested from time to time by either party and/or its associates in respect of the continuing connected transactions. The term of the comprehensive framework agreement is for a period of three years from 1 January 2011. The comprehensive framework agreement is substantially on the same terms as the terms contained in the comprehensive framework agreements the Company entered into on 8 November 2007. The continuing connected transactions under the comprehensive framework agreement and the relevant annual caps for the three years from 1 January 2011 were approved by the independent

shareholders of the Company on 24 November 2010 and are set out below.

Categories Annual caps
of
continuing
connected
transactions

Provision of exploration, oil and gas development, oil and gas production as well as marketing, management and ancillary services by CNOOC and/or its associates to the Group

50

- (a) Provision of exploration and support services For the three years ending 31 December 2013, RMB6,676 million, RMB7,431 million and RMB7,737 million, respectively
- (b) Provision of oil and gas field development and support services For the three years ending 31 December 2013, RMB24,067 million, RMB37,906 million and RMB38,822 million, respectively
- (c) Provision of oil and gas field production and support services For the three years ending 31 December 2013, RMB8,228 million, RMB9,051 million and RMB9,956 million, respectively
- (d) Provision of marketing, management and ancillary services For the three years ending 31 December 2013, RMB820.98 million, RMB856.52 million and RMB905.09 million, respectively
- (e) FPSO vessel leases For the three years ending 31 December 2013, RMB1,401 million, RMB1,390 million and RMB1,546 million, respectively

Provision of management, technical, facilities and ancillary services, including the supply of materials by the Group to CNOOC and/or its associates

Provision of management, technical, facilities and ancillary services, including the supply of materials to For the three years ending 31 December 2013, RMB100 million, and RMB100 million,

CNOOC
and/or its
associates respectively

Sales of petroleum and natural gas products by the Group to CNOOC and/or its associates

(a) Sales of For the three years ending
petroleum
and natural gas 31 December 2013,

51

products (other than long term sales of natural gas and liquefied natural gas) RMB152,315 million, RMB158,163 million and RMB165,561million, respectively

- (b) Long term sales For the three years ending of natural gas and liquefied natural gas 31 December 2013, RMB8,034 million, RMB9,146 million and RMB21,155 million, respectively

Financial services provided by CNOOC Finance to the Group

On 20 August 2010, the Company also entered into a renewal agreement with CNOOC Finance to renew the financial services framework agreement entered into by the Company and CNOOC Finance dated 14 October 2008 for the provision of a range of financial services by CNOOC Finance to the Group. The renewal agreement is effective from 1 January 2011 to 31 December 2013. The continuing connected transactions under the renewal agreement are exempted from independent shareholders' approval requirements, but subject to the reporting, annual review and announcement requirements.

The maximum daily outstanding balance (including accrued interest) placed by the Group with CNOOC Finance (excluding funds placed for the purpose of extending entrustment loans pursuant to the entrustment loan services) should not exceed RMB9,800 million for the period from 1 January 2011 (being the effective date of the renewal agreement) to 31 December 2013.

SHARE CAPITAL

Please refer to note 29 to the consolidated financial statements on page 99 for details of movements in the Company's share capital for the year ended 31 December 2010.

SHARE OPTION SCHEMES

The Company has adopted the following share option schemes for the grant of options to the Company's Directors, senior management and other eligible grantees:

1. Pre-Global Offering Share Option Scheme;
2. 2001 Share Option Scheme;
3. 2002 Share Option Scheme; and
4. 2005 Share Option Scheme.

Under these share option schemes, the Remuneration Committee of the Board will from time to time propose for the Board's approval for grant of and the number of share options to be granted to the relevant grantees. The maximum aggregate number of shares (including those that could be subscribed for under the Pre-Global Offering Share Option

Scheme, the 2001 Share Option Scheme, the 2002 Share Option Scheme and the 2005 Share Option Scheme) which may be issued upon exercise of all options to be granted shall not exceed 10% of the total issued share capital of the Company as at 31 December 2005, being the date on which the shareholders of the Company approved the 2005 Share Option Scheme, excluding share options which have lapsed in accordance with the terms of the share option scheme.

Please refer to the note 29 to the consolidated financial statements on pages 99 to 102 for details regarding each of these share option schemes of the Company. Save as those disclosed in the annual report, no right to subscribe for equity or debt securities of the Company has been granted by the Company to, nor have any such rights been exercised by, any other person during the year ended 31 December 2010.

During the year ended 31 December 2010, the movements in the options granted under all of the above share option schemes were as follows:

Name of category of grantee	Number of share options				Date of grant of share options	Exercise period of share options*	Exercise price of share options HK\$ per share	Price of the Company's shares immediately before the grant date of options HK\$ per share	Weighted Average Price of the Company's shares immediately before the exercise date of options HK\$ per share
	At 1 January 2010	Granted during the year	Exercised during the year	Expired during the year					
Executive Directors									
Yang Hua	1,150,000	—	—	—	12 March 2001 to 12 March 2011**	1.19	1.23	—	—
	1,150,000	—	—	—	2 August 2001 to 27 August 2011	1.232	1.46	—	—
	1,150,000	—	—	—	24 February 2003 to 24 February 2013	2.108	2.09	—	—
	1,150,000	—	—	—	5 February 2004 to 5 February 2014	3.152	3.13	—	—
	1,610,000	—	—	—	31 August 2005 to 31 August 2015	5.62	5.75	—	—
	1,770,000	—	—	—		5.56	5.30	—	—

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						14 June 2006	14 June 2006 to 14 June 2016					
	1,857,000	—	—	—	—	1,857,000	25 May 2007	25 May 2017	7.29	7.43	—	—
	1,857,000	—	—	—	—	1,857,000	29 May 2008	29 May 2018	14.828	14.20	—	—
	2,835,000	—	—	—	—	2,835,000	27 May 2009	27 May 2019	9.93	9.33	—	—
	—	2,000,000	—	—	—	2,000,000	20 May 2010	20 May 2020	12.696	12.22	—	—
Wu Guangqi	1,610,000	—	—	—	—	1,610,000	31 August 2005	131 August 2015	5.62	5.75	—	—
	1,770,000	—	—	—	—	1,770,000	14 June 2006	14 June 2016	5.56	5.30	—	—
	1,857,000	—	—	—	—	1,857,000	25 May 2007	25 May 2017	7.29	7.43	—	—
	1,857,000	—	—	—	—	1,857,000	29 May 2008	29 May 2018	14.828	14.20	—	—
	1,857,000	—	—	—	—	1,857,000	27 May 2009	27 May 2019	9.93	9.33	—	—
	—	1,857,000	—	—	—	1,857,000	20 May 2010	20 May 2020	12.696	12.22	—	—
Non-executive Directors												
Fu Chengyu***	1,750,000	—	—	—	—	1,750,000	12 March 2001	12 March 2011**	1.19	1.23	—	—

						27				
						August				
						2001 to				
					2	727				
					A u g u s t	August				
1,750,000	—	—	—	—	1,750,000	2001	2011	1.232	1.46	—

	1,150,000	—	—	—	1,150,000	24 February 2003	24 February 2003 to 24 February 2013	2.108	2.09	—	—
	2,500,000	—	—	—	2,500,000	5 February 2004	5 February 2004 to 5 February 2014	3.152	3.13	—	—
	3,500,000	—	—	—	3,500,000	31 August 2005	31 August 2005 to 31 August 2015	5.62	5.75	—	—
	3,850,000	—	—	—	3,850,000	14 June 2006	14 June 2006 to 14 June 2016	5.56	5.30	—	—
	4,041,000	—	—	—	4,041,000	25 May 2007	25 May 2007 to 25 May 2017	7.29	7.43	—	—
	4,041,000	—	—	—	4,041,000	29 May 2008	29 May 2008 to 29 May 2018	14.828	14.20	—	—
	4,041,000	—	—	—	4,041,000	27 May 2009	27 May 2009 to 27 May 2019	9.93	9.33	—	—
	—	2,100,000	—	—	2,100,000	20 May 2010	20 May 2010 to 20 May 2020	12.696	12.22	—	—
Z h o u Shouwei	1,400,000	—	—	—	1,400,000	12 March 2001	12 March 2001 to 12 March 2011**	1.19	1.23	—	—
	1,750,000	—	—	—	1,750,000	27 August 2001	27 August 2001 to 27 August 2011	1.232	1.46	—	—
	1,750,000	—	—	—	1,750,000	24 February 2003	24 February 2003 to 24 February 2013	2.108	2.09	—	—

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						2003 to 24 February 2013				
	1,750,000	—	— —	—	1,750,000	5 February 2004	2014	3.152	3.13	— —
							31 August 2005 to 31 August 2015	5.62	5.75	— —
	2,450,000	—	— —	—	2,450,000	31 August 2005	2016	5.56	5.30	— —
							14 June 2006 to 14 June 2016	5.56	5.30	— —
	2,700,000	—	— —	—	2,700,000	14 June 2006	2017	7.29	7.43	— —
							25 May 2007 to 25 May 2017	7.29	7.43	— —
	2,835,000	—	— —	—	2,835,000	25 May 2007	2018	14.828	14.20	— —
							29 May 2008 to 29 May 2018	14.828	14.20	— —
	2,835,000	—	— —	—	2,835,000	29 May 2008	2019	9.93	9.33	— —
							27 May 2009 to 27 May 2019	9.93	9.33	— —
	1,800,000	—	— —	—	1,800,000	27 May 2009	2020	12.696	12.22	— —
							20 May 2010 to 20 May 2020	12.696	12.22	— —
	—	1,800,000	— —	—	1,800,000	20 May 2010	31 August 2005 to 31 August 2015	5.62	5.75	— —
C a o Xinghe****	800,000	—	— (800,000)	—	—	31 August 2005	2016	5.56	5.30	— —
							14 June 2006 to 14 June 2016	5.56	5.30	— —
	1,770,000	—	— (1,770,000)	—	—	14 June 2006	2017	7.29	7.43	— —
							25 May 2007 to 25 May 2017	7.29	7.43	— —
	1,857,000	—	— (1,857,000)	—	—	25 May 2007	29 May 2008 to	14.828	14.20	— —
	1,857,000	—	— (1,857,000)	—	—	29 May 2008				— —

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	1,800,000	—	—	(1,800,000)	—	—	27 May 2009	29 May 2018				
								27 May 2009 to 27 May 2019	9.93	9.33	—	—
	—	1,800,000	—	(1,800,000)	—	—	20 May 2010	20 May 2010 to 20 May 2020	12.696	12.22	—	—
W u Zhenfang	800,000	—	—	—	—	800,000	31 August 2005	31 August 2005 to 31 August 2015	5.62	5.75	—	—
	1,770,000	—	—	—	—	1,770,000	14 June 2006	14 June 2006 to 14 June 2016	5.56	5.30	—	—
	1,857,000	—	—	—	—	1,857,000	25 May 2007	25 May 2007 to 25 May 2017	7.29	7.43	—	—
	1,857,000	—	—	—	—	1,857,000	29 May 2008	29 May 2008 to 29 May 2018	14.828	14.20	—	—
	1,800,000	—	—	—	—	1,800,000	27 May 2009	27 May 2009 to 27 May 2019	9.93	9.33	—	—
	—	1,800,000	—	—	—	1,800,000	20 May 2010	20 May 2010 to 20 May 2020	12.696	12.22	—	—
Independent Non-executive Directors												
Chiu Sung Hong	1,150,000	—	—	—	—	1,150,000	5 February 2004	5 February 2004 to 5 February 2014	3.152	3.13	—	—

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						12 March 2001 to 12 March 2011**	1.19	1.23	—	—
Other Employees	3,250,000	—	—	—	3,250,000	2001				
						27 August 2001 to 27 August 2011				
in aggregate	9,950,000	—	—	(650,000)	9,300,000	2001	1.232	1.46	—	—
						24 February 2003 to 24 February 2013				
	12,449,966	—	—	(1,800,000)	10,649,966	2003	2.108	2.09	—	—
						5 February 2004 to 5 February 2014				
	20,749,935	—	—	(3,100,001)	17,649,934	2004	3.152	3.13	—	—
						31 August 2005 to 31 August 2015				
	35,756,667	—	—	(8,526,667)	27,230,000	2005	5.62	5.75	—	—
						14 June 2006 to 14 June 2016				
	48,583,333	—	—	(8,213,333)	40,370,000	2006	5.56	5.30	—	—
						25 May 2007 to 25 May 2017				
	58,919,000	—	—	(11,071,000)	47,848,000	2007	7.29	7.43	—	—
						29 May 2008 to 29 May 2018				
	63,514,000	—	—	(2,482,000)	61,032,000	2008	14.828	14.20	—	—
						27 May 2009 to 27 May 2019				
	80,400,000	—	—	(4,174,000)	76,226,000	2009	9.93	9.33	—	—
						20 May 2010 to 20 May 2020				
	—	94,831,000	—	(2,496,000)	92,335,000	2010	12.696	12.22	—	—
Total	420,263,901	106,188,000	—	(52,397,001)	474,054,900					

*Except for share options granted under the Pre-Global Offering Share Option Scheme, all share options granted are subject to a vesting schedule pursuant to which one third of the options granted vest on the first, second and third anniversaries of the date of grant, respectively, such that the options granted are fully vested on the third anniversary of the date of grant.

**50 per cent of the share options granted are vested 18 months after the date of grant, the remaining 50 per cent are vested 30 months after the date of grant.

***Mr. Fu Chengyu was re-designated to Non-executive Director of the Company with effect from 16 September 2010.

**** Mr. Cao Xinghe retired as a Non-executive Director of the Company with effect from 24 May 2010.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption of the Company's shares by the Company or any of its subsidiaries during the year ended 31 December 2010.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 31 December 2010, the following persons (other than the Directors and chief executives of the Company) had interests in the shares of the Company as recorded in the register required to be kept by the Company under section 336 of the Securities and Futures Ordinance ("SFO"):

	Ordinary Shares Held	Percentage of Total Issued Shares
(i) CNOOC (BVI) Limited ("CNOOC (BVI)")	28,772,727,268	64.41%
(ii) Overseas Oil & Gas Corporation, Ltd. ("OOGC")	28,772,727,273	64.41%
(iii) CNOOC	28,772,727,273	64.41%

Note: CNOOC (BVI) is a wholly-owned subsidiary of OOGC, which is in turn a wholly-owned subsidiary of CNOOC. Accordingly, CNOOC (BVI)'s interests are recorded as the interests of OOGC and CNOOC.

All the interests stated above represent long positions. Save as disclosed above, as at 31 December 2010, the Company is not aware of any other person having interests or short positions (other than the Directors and chief executives of the Company) in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

Please refer to pages 37 to 42 for information concerning the Directors and senior management of the Company.

DIRECTORS' INTERESTS

Apart from holding personal interests in options to subscribe for shares in the Company granted under the share option schemes of the Company as disclosed in this annual report, as at 31 December 2010, none of the Directors and chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or as being recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the HKSE pursuant to the Model Code. All the interests held by the Company's directors and chief executive represent long positions.

DIRECTORS' SERVICE CONTRACTS AND INTERESTS IN CONTRACTS

No re-electing Director has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than normal statutory obligations).

Save as disclosed in this annual report, as at 31 December 2010 or during the year, none of the Directors had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which

the Company or any of its subsidiaries was a party.

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EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Please refer to notes 10 and 11 to the consolidated financial statements on pages 81 to 83 for details of the emoluments of the Directors and the five highest paid individuals of the Company.

MATERIAL LEGAL PROCEEDINGS

As at 31 December 2010, the Company was not involved in any material litigation or arbitration and no material litigation or arbitration were pending or threatened or made against the Company so far as the Company is aware.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to high standards of corporate governance through the establishment of an efficient framework of policies, procedures and systems. Mr. Fu Chengyu (“Mr. Fu”) is the Chairman of the Board. In addition to the role of the Chairman of the Board, Mr. Fu was also the Chief Executive Officer of the Company until 15 September 2010. This constituted a deviation from CG Code provision A.2.1. From 16 September 2010, Mr. Yang Hua has been appointed as the Vice Chairman and Chief Executive Officer of the Company. Mr. Fu remains the Chairman of the Board. Accordingly, the Company is now in compliance with CG Code Provision A.2.1.

Except as disclosed above and deviation from the CG Code provisions A.4.1, the Company has complied with the code provisions of the CG Code as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2010.

Please refer to the Corporate Governance Report on pages 33 to 34 for details.

AUDITORS

Ernst & Young was appointed as the auditors of the Company for the year ended 31 December 2010 and has audited the accompanying financial statements. A resolution to re-appoint Ernst & Young as auditors of the Company will be proposed at the forthcoming Annual General Meeting to be held on 27 May 2011.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, the Directors confirmed that based on information that is publicly available to the Company and within the knowledge of the Directors, the Company had maintained sufficient amount of public float as required under the Listing Rules.

VOTING BY POLL

Pursuant to new Rule 13.39(4) of the Listing Rules effective from 1 January 2009, all votes of shareholders have been taken by poll in the annual general meeting and extraordinary general meeting of the Company held in 2010.

By Order of the Board
Fu Chengyu
Chairman

Hong Kong, 23 March 2011

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

In 2010, the world economy continued to recover from the financial crisis with the support of the governments' loosening monetary policies and economic stimulus plan. The economy in China also developed rapidly and steadily with Government's proactive fiscal policy. Due to rising demands, international oil prices increased considerably over the previous year. On the other hand, the prices of raw materials and oilfield services continued to rise given the increasing inflation pressure. In addition, the oil spill incident at Gulf of Mexico also adversely affected the oil industry.

In the face of both opportunities and challenges, CNOOC Limited concentrated on its own business operation and achieved remarkable results.

In 2010, due to the strong production growth from the new oilfields, better than expected production growth from the mature oilfields by applying comprehensive adjustment measures, together with the production contribution from the acquisitions during the year, the net oil and gas production surged substantially by 44.4%. In exploration perspective, the Company made a number of discoveries in the mature regions as well as breakthroughs in the new areas and frontiers, especially in the deepwater region of South China Sea where the Company achieved a new discovery of Liuhua 29-1, demonstrating that the medium to long term development of the Company is upheld not only by core areas, but there is also ample potential in the new areas.

In 2010, CNOOC Limited took significant step in its overseas development by successfully expanding its scope of business to South America and the Middle East region and making its first debut in shale oil and gas exploration and development in North America. These acquisitions provided ample space for the Company's long term development.

In 2010, the Company recorded strong financial performance, benefitting from rapid growth in oil and gas production, increase in realized oil and gas prices, and its comparatively low cost structure.

For the year ended 31 December 2010, the Company's oil and gas sales were RMB149,118.7 million (US\$22,008.8 million, with the exchange rates applicable for 2010 at 6.7754), representing an increase of 77.7% year over year. Net profit amounted to RMB54,409.5 million (US\$8,030.4 million), representing an increase of 84.5% over last year.

For the year ended 31 December 2010, the Company's basic and diluted earnings per share were RMB1.22 and RMB1.21 respectively.

Looking forward to the year 2011, the world economy is expected to maintain its pace of recovery, and the economy of China is expected to maintain its rapid growth. With the rising inflation pressure, the world economy remained uncertain. In addition, the operating costs in the industry may continue to rise, and this will put pressure on the Company's cost control efforts.

2011 is expected to be a year of stable growth for the Company with increased investment in exploration and more than 10 new projects under construction. In addition, the Company plans to improve the value of its existing resources, to promote the regional development of oil and gas fields as well as large-scale comprehensive adjustments. In this regard, the Company's capital expenditure is expected to continue to rise. We expect that the rapid growth of Company's production will continue over the next few years.

FINANCIAL RESULTS

Consolidated net profit

Our consolidated net profit increased 84.5% to RMB54,409.5 million (US\$8,030.4 million) in 2010 from RMB29,485.6 million in

2009. The primary driving factors for the profit increase were higher production and sales volume, higher realized prices, and effective operating cost control. However, these positive factors were partially offset by higher special oil gain levy, higher income tax payments due to production volume and higher realized prices, and higher depreciation.

Revenues

Our oil and gas sales increased 77.7% to RMB149,118.7 million (US\$22,008.8 million) in 2010 from RMB83,914.4 million in 2009, mainly due to the substantial increase in oil and gas production and higher realized oil prices. We sold 262.8 million barrels of crude oil in 2010, representing an increase of 40.6% from 186.9 million barrels in 2009. Sales volume of our natural gas increased 56.8% to 65.4 million BOE (379,595 Mmcf) in 2010 from 41.7 million BOE (238,480 Mmcf) in 2009. In 2010, our oil and gas production was 328.8 million BOE, of which offshore China and overseas operations contributed 262.8 million BOE and 66.0 million BOE, respectively. The overseas production accounted for 20.1% of our total net production in 2010, compared with 17.4% in 2009.

The average realized crude oil price increased by US\$16.98 per barrel, or 28.0%, to US\$77.59 per barrel in 2010 from US\$60.61 per barrel in 2009. The average realized natural gas price increased by US\$0.26/Mcf, or 6.5%, to US\$4.27/Mcf in 2010 from US\$4.01/Mcf in 2009. In 2010, having taken the opportunities arising from strong domestic demand for crude oil in China and the higher benchmark oil price in the Far East, we have achieved higher realized oil prices by closely monitoring the market movements and understanding the customers' needs. On the other hand, based on the development of the domestic natural gas market, we raised the natural gas sales prices for certain customers through negotiations, which improved the overall natural gas prices.

In 2010, our net marketing profit, which is marketing revenues less costs of purchases, decreased 29.4% to RMB209.4 million (US\$30.9 million) from RMB296.7 million in 2009. Our realized marketing profit margin, which is our net marketing profit calculated as a percentage of marketing revenues, decreased from 1.4% in 2009 to 0.7% in 2010, primarily due to less willingness to purchase oil at increasing price by our major customers.

Operating expenses

Our operating expenses increased 29.7% to RMB16,204.1 million (US\$2,391.6 million) in 2010 from RMB12,490.4 million in 2009. Apart from the commencement of production of new oil and gas fields, the increase of operating expenses is also mainly attributable to the intensive operation workload of the existing producing fields. Operating expenses per BOE decreased 10.0% to RMB49.3 (US\$7.27) per BOE in 2010 from RMB54.8 (US\$8.03) per BOE in 2009. Operating expenses per BOE offshore China decreased 9.5% to RMB44.7 (US\$6.60) per BOE in 2010 from RMB49.4 (US\$7.23) per BOE in 2009. The decrease is attributable to the economies of scale resulted from the increase in oil and gas production. Overseas operating expenses per BOE decreased 16.3% to RMB67.7 (US\$9.99) per BOE in 2010 from RMB80.9 (US\$11.84) per BOE in 2009, primarily contributed by increased production percentage from low-cost oil and gas fields, such as Akpo oilfield in OML130, as well as the lower operating costs of newly-acquired oil and gas fields.

Taxes other than income tax

Our taxes other than income tax increased 111.0% to RMB8,204.0 million (US\$1,210.9 million) in 2010 from RMB3,888.6 million in 2009, primarily as a result of increased tax payments due to the increase in oil and gas production and higher realized oil and gas prices, as well as including the local tax payments on our recently acquired overseas projects, such as Bidas.

Exploration expenses

Our exploration expenses increased 72.6% to RMB5,579.9 million (US\$823.6 million) in 2010 from RMB3,233.7 million in 2009, primarily as a result of our continuously enhancing exploratory activities including more wells being drilled and more seismic data being acquired. In 2010, our independent exploration activities consisted of 48 wildcat wells and 33 appraisal wells. Meanwhile, we acquired 22,598 km² 2D and 10,887 km² 3D seismic data in 2010. The

continuing efforts made on the above mentioned items brought up a series of important discoveries on reserves.

Depreciation, depletion and amortization

Our depreciation, depletion and amortization increased 73.7% to RMB27,687.1 million (US\$4,086.4 million) in 2010 from RMB15,942.9 million in 2009. Our average depreciation, depletion and amortization per barrel increased by 20.3% to RMB84.2 (US\$12.43) per BOE in 2010 from RMB70.0 (US\$10.25) per BOE in 2009, mainly attributable to the commencement of production

on new oil and gas fields in 2009 and 2010, which were developed under the environment of increasing prices of raw materials and services over the past few years.

The dismantlement provisions related depreciation, depletion and amortization costs increased 78.9% to RMB1,662.0 million (US\$245.3 million) in 2010 from RMB929.1 million in 2009. Our average dismantling costs per barrel increased 24.0% to RMB5.06 (US\$0.75) per BOE in 2010 from RMB4.08 (US\$0.60) per BOE in 2009. In addition to the new oil and gas fields and higher projected service fees and raw material prices, the increase in dismantlement cost is also attributable to the increased dismantlement obligations as a result of re-evaluation of expected work commitments.

Special Oil Gain Levy

Our Special Oil Gain Levy increased 178.5% to RMB17,705.6 million (US\$2,613.2 million) in 2010 from RMB6,357.3 million in 2009, primarily as a result of our increased sales volume and higher realized oil prices offshore China.

Impairment and provision

Our impairment and provision increased 284.1% to RMB26.5 million (US\$3.9 million) in 2010 from RMB6.9 million in 2009, primarily due to the inventory provision during the year.

Selling and administrative expenses

Our selling and administrative expenses increased 35.3% to RMB3,062.6 million (US\$452.0 million) in 2010 from RMB2,264.0 million in 2009, mainly due to the increased selling expenses resulting from the higher sales volume, and the commission expenses incurred in 2010 for the acquisitions of new projects. Our selling and administrative expenses per barrel decreased 6.2% to RMB9.32 (US\$1.38) per BOE in 2010 from RMB9.94 (US\$1.46) per BOE in 2009, primarily as a result of the economies of scale from increased production.

Finance costs/Interest income

Our finance costs increased 128.6% to RMB1,222.0 million (US\$180.4 million) in 2010 from RMB534.5 million in 2009, primarily due to the interest payment from additional debt obligations as well as the increase in unwinding of discount on provision for dismantlement in 2010. Our interest income increased 10.3% to RMB703.8 million (US\$103.9 million) in 2010 from RMB638.3 million in 2009 as a result of more interest earned from the enlarged scale of banking deposits.

Exchange gains, net

Our net exchange gains increased 1,749.1% to RMB994.8 million (US\$146.8 million) in 2010 from RMB53.8 million in 2009, primarily as a result of the exchange rate fluctuation in Renminbi during the year. In 2010, the exchange rates of Renminbi against U.S. dollar and Hong Kong dollar increased 3.1% and 3.5%, respectively.

Investment income

Our investment income increased 113.9% to RMB427.5 million (US\$63.1 million) in 2010 from RMB199.9 million in 2009, primarily attributable to the increased investments on corporate wealth management products under the condition that the products are of good liquidity and low risk.

Share of profits of associates

Contributed by good performance of our associated companies, our share of profits of associates increased 14.6% to RMB198.9 million (US\$29.4 million) in 2010 from RMB173.5 million in 2009.

Income tax expense

Our income tax expense increased 60.9% to RMB18,240.4 million (US\$2,692.2 million) in 2010 from RMB11,335.5 million in 2009, primarily as a result of the increase in revenues and profit due to the increase of sales volume and average realized oil and gas prices. Our effective tax rate decreased to 25.1% in 2010 from 27.7% in 2009, primarily as a result of the tax benefit obtained in 2010 of OML130 project in Nigeria.

CAPITAL RESOURCES AND LIQUIDITY

Overview

Our primary source of cash during 2010 was cash flow from operating activities. We used cash primarily to fund capital spending program and dividends.

Cash generated from operating activities

In 2010, our cash inflow from operating activities was RMB83,498.2 million (US\$12,323.7 million) as compared to RMB49,624.2 million in 2009, representing an increase of 68.3% from 2009. The increase in cash inflow from operating activities was mainly due to the increase of sales volume and higher realized oil and gas prices. The increase was also partially offset by corresponding costs, expenditures and other working capital occupied.

Cash used in investing activities

Net cash outflow from investing activities in 2010 was RMB64,800.0 million (US\$9,564.0 million), representing an increase of RMB27,493.0 million, or 73.7% from RMB37,307.0 million in 2009. The increase in cash outflow from investing activities was mainly due to the RMB20,760.6 million used for reorganizing Bridas Corporation to a 50%/50% joint venture with Bridas Energy Holding Ltd., and RMB3,546.3 million used for acquisition of 24.5% interest in Block 15/34 located in the Pearl River Basin, South China Sea from Devon Energy Corporation; and RMB7,762.4 million used for acquisition of 33.3% undivided interest of Eagle Ford Shale project in Texas from Chesapeake Energy Corporation.

In 2010, our capital expenditures, other than the acquisitions mentioned above, decreased 25.1% to RMB29,512.1 million (US\$4,355.8 million) from RMB39,376.3 million in 2009, primarily as a result of the decrease in the number of on-going projects, the improvement of operational efficiency, and the adverse impact on operations due to adverse weather conditions. Our development expenditures in 2010 are primarily related to the development of OML130, Bozhong26-3, Jinzhou25-1, Jinzhou25-1S, Penglai19-3, Jinxian1-1, Lufeng13-2 and the expenses incurred for improving the recovery factor of the producing fields.

In addition, our cash used in investing activities was also attributable to purchase of available-for-sale financial assets of RMB32,129.0 million (US\$4,742.0 million) and held-to-maturity financial assets of RMB6,351.1 million (US\$937.4million). Our cash generated from investing activities was mainly from the proceeds from the sales of RMB21,881.8 million (US\$3,229.6 million) of available-for-sale financial assets and RMB3,310.9 million (US\$488.7 million) of held-to-maturity financial assets respectively, and from reducing RMB8,894.4 million (US\$1,312.7 million) in time deposits with maturity of more than three months.

Cash used in financing activities

Net cash outflow from financing activities in 2010 was RMB1,284.2 million (US\$189.5 million), representing a decrease of RMB8,119.1 million, or 86.3% from RMB9,403.3 million in 2009. In 2010, the net cash outflow was mainly due to the distribution of dividends of RMB14,389.8 million (US\$2,123.8 million) and the repayment of bank loans of RMB4,303.8 million (US\$635.2 million). It was partially offset by cash inflow which was mainly due to bank borrowings of RMB17,245.6 million (US\$2,545.3 million).

At the end of 2010, our total debt outstanding was RMB33,346.7 million (US\$5,035.2 million), compared to RMB18,692.2 million at the end of 2009. The increase in debt in 2010 was primarily attributed to the acquisition activities and increase in general borrowings. Our gearing ratio, which is defined as interest bearing debt divided by the sum of interest bearing debt plus equity, was 13.4%.

MARKET RISKS

Our market risk exposures primarily consist of fluctuations in oil prices, exchange rates and interest rates.

Oil price risk

As our realized oil prices are mainly determined by reference to oil prices in international market, international oil prices are highly volatile and could have a significant impact on our revenue and profit.

Currency risk

Substantially all of the Company's oil and gas sales are denominated in Renminbi and U.S. dollars. On 21 July 2005, China reformed its exchange rate regime by adopting a managed floating exchange rate approach that is based on market supply and demand and with reference to a basket of currencies. Renminbi is no longer pegged to U.S. dollars. In 2010, Renminbi appreciated approximately 3.1% against U.S. dollars. At the reporting date, approximately 62.1% (2009: 69.1%) of the Group's cash and cash equivalents and time deposits with maturity over three months were denominated in Renminbi, and the remaining amounts were denominated in U.S. dollars and Hong Kong dollars.

Interest rate risk

As at the end of 2010, the interest rates of 25% of the Company's debt borrowings were fixed. The weighted average term of the Company's debt was approximately 2.7 years.

Please also refer to note 37 to the consolidated financial statements on pages 111 to 113 for other risk factors.

EMPLOYEES

As at 31 December 2010, the Company has a total of 4,650 employees.

Since 4 February, 2001, the Company has adopted 4 stock option plans that were applicable to directors, senior management team members and other qualified beneficiaries and exercised thereafter in accordance with each stock option plan.

The Company has set up a recruitment system that was primarily market driven, and has adapted a more appropriate salary structure.

For more information on employees and human resources, please refer to "Human Resources" in "Business Overview" section of this annual report.

CHARGES ON ASSETS

Together with the other joint venture partners and the operator of the NWS Project, CNOOC NWS Private Limited, our wholly owned subsidiary, signed a Deed of Cross Charge and an Extended Deed of Cross Charge pursuant to which certain liabilities incurred or to be incurred, if any, by us in respect of the NWS Project are secured by our interest in the NWS Project.

CONTINGENT LIABILITIES

(a) On 8 January 2006, the Company signed a definitive agreement with South Atlantic Petroleum Limited ("SAPETRO") to acquire a 45% working interest in the Offshore Oil Mining Lease 130 ("OML130") in Nigeria (the "OML130 Transaction") and the OML130 Transaction was completed on 20 April 2006.

In 2007, a local tax office in Nigeria (the "Nigeria local tax office") conducted a tax audit on SAPETRO. According to the preliminary tax audit results, the Nigeria local tax office has raised a disagreement with the tax filings made for the OML130 Transaction.

The tax audit assessment made by the Nigeria local tax office has been contested by the Company in accordance with Nigerian laws. After seeking legal and tax advice, the Company's management believes that the Company has reasonable grounds in making the contest. Consequently, no provision has been made for any expenses which might arise as a result of the dispute.

(b) The Company has extended interest-free intercompany loans to CNOOC International Limited, a wholly-owned subsidiary, to provide onward funding to its subsidiaries domiciled outside the PRC. Upon receipt of the Chinese Resident Enterprise Approval, the Company may be liable to pay taxes on the deemed interest income for the intercompany loan to CNOOC International starting from 1 January 2008. The Company is currently applying to, and awaiting confirmation from its in-charge tax authority for an exemption on this possible deemed interest income.

Independent Auditors' Report

To the shareholders of CNOOC Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of CNOOC Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 57 to 114, which comprise the consolidated and company statements of financial position as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong
23 March 2011

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Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

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

	Notes	Group 2010	2009
REVENUE			
Oil and gas sales	6	149,118,670	83,914,379
Marketing revenues		32,445,867	20,751,961
Other income		1,488,548	528,737
		183,053,085	105,195,077
EXPENSES			
Operating expenses		(16,204,099)	(12,490,363)
Taxes other than income tax	12 (ii)	(8,204,043)	(3,888,641)
Exploration expenses		(5,579,864)	(3,233,683)
Depreciation, depletion and amortization	8	(27,687,095)	(15,942,902)
Special oil gain levy	7	(17,705,577)	(6,357,304)
Impairment and provision	22, 23	(26,536)	(6,903)
Crude oil and product purchases		(32,236,448)	(20,455,217)
Selling and administrative expenses		(3,062,608)	(2,263,957)
Others			