CNOOC LTD
Form 6-K
April 13, 2012

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 2012

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 X 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 X

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/ Hua Zhong
Name:	Hua Zhong
Title:	Joint Company Secretary

Dated: April 13, 2012

EXHIBIT INDEX

Exhibit No.	Description
99.1	Announcement dated April 12, 2012, entitled “2011 Hong Kong Annual Report”.
99.2	Announcement dated April 12, 2012, entitled “Notice of Annual General Meeting”.
99.3	Announcement dated April 12, 2012, entitled “Explanatory Statement Relating to General Mandates to Issue Securities and Repurchase Shares and Re-election of Directors”.
99.4	Announcement dated April 12, 2012, entitled “Form of proxy for the Annual General Meeting to be held on 25 May 2012”.

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’s core operation areas are Bohai, Western South China Sea, Eastern South China Sea and East China Sea in offshore China. In overseas, the Group has oil and gas assets in Asia, Africa, North America, South America and Oceania.

As of 31 December 2011, the Group owned net proved reserves of approximately 3.19 billion BOE, and its average daily net production was 909,000 BOE (except as otherwise stated, all amounts of reserve and production in this report include our interests in equity method investees). The Group had 5,377 employees and total assets of approximately RMB384.26 billion.

Content

Financial Summary*
(Amounts expressed in millions of RMB)

Consolidated Statement of Comprehensive Income
(Audited)
Year ended 31 December

	2007	2008	2009	2010	2011
Total revenues	90,724	125,977	105,195	180,036	240,944
Total expenses	(49,525)	(72,112)	(64,870)	(108,891)	(150,337)
(Finance costs)/interest income, net	(1,359)	676	103	(504)	(511)
Exchange gains, net	1,856	2,551	54	995	637
Share of profits of associates and a joint venture	719	374	173	398	567
Investment income	902	476	200	427	1,828
Non-operating (expense)/ income, net	(7)	(62)	(34)	142	(563)
Profit before tax	43,310	57,880	40,821	72,603	92,565
Income tax expense	(12,052)	(13,505)	(11,335)	(18,193)	(22,310)
Profit for the year	31,258	44,375	29,486	54,410	70,255

Consolidated Statement of Financial Position
(Audited)
As at 31 December

	2007	2008	2009	2010	2011
Current assets	54,645	63,770	70,871	99,384	131,923
Property, plant and equipment	118,880	138,358	165,320	186,678	220,567
Investments in associates and a joint venture	2,031	1,785	1,727	22,604	22,997
Intangible assets	1,331	1,206	1,230	1,148	1,033
Available-for-sale financial assets	1,819	1,550	3,120	8,616	7,365
Other non-current assets	1,087	—	—	—	379
Total assets	179,793	206,669	242,268	318,430	384,264
Current liabilities	(21,401)	(18,799)	(31,041)	(68,423)	(70,216)
Non-current liabilities	(24,077)	(27,632)	(37,291)	(34,241)	(51,192)
Total liabilities	(45,478)	(46,431)	(68,332)	(102,664)	(121,408)
Equity	134,315	160,238	173,936	215,766	262,856

*

After the early adoption of IFRS 10-Consolidated Financial Statements, IFRS 11-Joint Arrangements, IFRS 12-Disclosure of Interest in Other Entities, IAS 27 (Revised)-Separated Financial Statements, and IAS 28 (Revised)-Investments in Associate and Joint Venture from January 1, 2011, certain comparative figures have been adjusted to conform with the current period's presentation.

Operating Summary*
Year ended 31 December

	2007	2008	2009	2010	2011
Production					
Net production of crude and liquids (barrels/day)					
Bohai	206,748	218,478	253,884	408,946	405,682
Western South China Sea	34,163	56,761	72,605	84,116	72,006
Eastern South China Sea	103,715	122,813	118,395	121,454	120,563
East China Sea	72	85	63	53	339
Overseas	25,735	23,931	64,749	90,419	83,993
Total	370,433	422,068	509,696	704,988	682,583
Net production of natural gas (mmcf/day)					
Bohai	70.2	74.5	79.2	120.4	123.0
Western South China Sea	237.3	284.7	275.4	354.0	390.4
Eastern South China Sea	27.4	28.1	50.2	139.5	157.8
East China Sea	8.7	6.8	6.0	5.5	18.7
Overseas	200.7	227	242.7	332.2	345.3
Total	544.3	621.1	653.5	951.6	1,035.2
Total net production (BOE/day)					
Bohai	218,447	230,896	267,079	429,008	426,190
Western South China Sea	75,573	106,764	120,745	145,274	138,712
Eastern South China Sea	108,279	127,490	126,765	144,712	146,864
East China Sea	1,518	1,225	1,057	972	3,453
Overseas	61,646	64,353	108,250	148,956	144,511
Total	465,463	530,728	623,896	868,922	859,730
Net production in equity method investees (BOE/day)	3,944	3,142	2,656	34,010	49,270
Total with equity method investees	469,407	533,870	626,552	902,932	909,000
Reserves at year end**					
Net proved crude and liquids reserves (million barrels)					
Bohai	951.3	933.6	1,028.2	997.7	1,000.4
Western South China Sea	208.9	245.8	258.9	260.0	250.5
Eastern South China Sea	226.6	202.4	190.9	225.0	316.1

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East China Sea	17.7	17.8	17.5	18.9	17.7	
Overseas	156.7	178.7	172.2	217.5	384.6	***
Total	1,561.2	1,578.3	1,667.7	1,719.1	1,969.3	
Net proved natural gas reserves (bcf)						
Bohai	761.5	789.2	785.4	728.3	596.2	
Western South China Sea	2,539.2	2,211.7	2,198.6	2,034.1	2,017.2	
Eastern South China Sea	779.4	873.3	843.6	1,254.3	1,222.4	
East China Sea	347.1	342.2	338.9	370.6	303.7	
Overseas	1,768.9	1,406.9	1,777.5	1,557.6	1,487.9	
Total	6,196.1	5,623.3	5,944.0	5,944.9	5,627.4	
Total net proved reserves (million BOE)						
Bohai	1,078.2	1,065.1	1,159.1	1,119.1	1,099.8	
Western South China Sea	632.1	614.4	625.4	599.0	586.7	
Eastern South China Sea	356.5	347.9	331.5	434.1	519.9	
East China Sea	75.5	74.8	74.0	80.7	68.4	
Overseas	451.6	413.2	468.5	477.1	646.3	
Total**	2,593.9	2,515.4	2,658.5	2,710.0	2,921.1	
Net proved reserves in equity method investees (million BOE)	7.3	5.9	4.4	288.3	269.0	
Total with equity method investees	2,601	2,521	2,663	2,998	3,190	
Others						
Reserve life (years)	15.3	13.0	11.7	8.5	9.3	
Reserve life (years, including equity method investees)	15.2	12.9	11.6	9.1	9.6	
Reserve replacement ratio (%)	143	60	163	116	167	
Reserve replacement ratio (%, including equity method investees)	142	59	162	202	158	
Average realized price						
Crude oil (US$/barrel)	66.26	89.39	60.61	77.93	109.75	
Natural gas (US$/mcf)	3.30	3.83	4.01	4.49	5.15	

* After the early adoption of IFRS10 – Consolidated and Financial Statements, IFRS 11 – Joint Arrangements, IFRS 12 – Disclosure of Interest in Other Entities, IAS 27 27 (Revised) – Separated Financial Statements, and IAS 28 (Revised) – Investments in Associate and Joint Venture from January 1, 2011, certain comparative figures have been adjusted to conform with the current period's presentation.

** The net proved reserve estimates from 2007 to 2009 contained in this table were made by the independent consultants. Approximately 11% and 25%, respectively, of our net proved reserve estimates (excluding the equity method investees) in 2010 and 2011 were made by the Company independently and the remaining were made by the independent consultants.

*** Includes 87.4 million barrels of synthetic oil and 8.6 million barrels of bitumen.

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Milestone Events 2011
Milestone Events 2011

DEVELOPMENT AND PRODUCTION

23March	Released the commencement of production of Jinzhou 25-1 oilfield.
13July	Announced that ConocoPhillips China Inc. (“COPC”), the operator of Penglai 19-3 oilfield, a PSC oilfield in Bohai (“Penglai 19-3 oilfield”) informed the Company that the production of Platforms B and C had been suspended.
25July	Released that the Bozhong 28-2S oilfield group which suspended production due to failure of the “Haiyangshiyou 102” single-point mooring system has fully resumed production.
2September	The State Oceanic Administration of the People’s Republic of China (the “SOA”) ordered COPC to suspend water injection, drilling and oil and gas production operations at the entire Penglai 19-3 oilfield, recompose the Oceanic Environmental Impact Assessment (the “EIA”) for the development of Penglai 19-3 oilfield and revise the Overall Development Plan (the “ODP”).
31December	Released the commencement of production of the Lufeng 13-2 adjustment project.

OVERSEAS DEVELOPMENT

31January	Released the acquisition of a 33.3% interest in Chesapeake’s Niobrara shale oil and gas project.
30March	Released the acquisition of one-third interests in each of Exploration Areas 1, 2 and 3A in Uganda from Tullow Oil plc.
20July	Announced the acquisition of OPTI Canada Inc., an oil sands producer in Canada.

6November	Announced the termination of the acquisition of 60% interest in Pan American Energy LLC held by BP by joint venture Bridas Corporation.
22December	Released the completion of the sales of the ONWJ PSC interest in Indonesia to EMPI.

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OTHERS

January	Announced the issuance of guaranteed notes in aggregate principal amount of US$2 billion with maturity terms of 10 and 30 years.
January	Awarded the "Most Outstanding Oil and Energy Company in Asia" for the second year in a row by Euromoney Magazine.
April	Announced that Mr. WANG Yilin was appointed as the Chairman and Non-executive Director of the Company; Mr. FU Chengyu resigned as Chairman and Non-executive Director of the Company.
June	Awarded the "Best Chinese Company" in the "Corporate Governance Asia Recognition Awards" by "Corporate Governance Asia" magazine for the third consecutive year.
November	Announced that Mr. LI Fanrong was appointed as new CEO of the Company; Mr. YANG Hua resigned as CEO and was re-designated from Executive Director to Non-executive Director of the Company and remained as the Vice Chairman of the Company.

Chairman's Statement

Dear shareholders,

CNOOC Limited had already gone through a decade of rapid growth and elevated to a new platform when I assumed the position of chairman for the Company in April 2011. The Company's daily production had surpassed 900 thousand barrels-of-oil-equivalent (BOE); net proved reserve had reached almost 3 billion BOE, with over 80 oil and gas fields in offshore China and overseas businesses spreading over 10 countries. The Company's market value had exceeded US$100 billion. The Company's corporate governance became widely recognized and was crowned with "Energy Company of the Year" by Platts Global Energy Awards.

During 2011, not only did we strive to accomplish all our targets established for the year under the new platform, we also drew from our experience in the last decade to devise more detailed plans for the Company's future, mapping out a blueprint to realize a "New Era of Excellence".

I would like to share with you here the key paths of how we could arrive at this "New Era of Excellence".

First, we will continue to establish a foothold for exploration and development in offshore China where is the home for the Company. In 2011, we have further identified the exploration potential in this area and elevated the level of importance and our support for exploration work. Focusing on breakthroughs for resource replacement, the Company has strengthened its regional research activities and breakthoughs in the new regions and new exploration targets and achieved major progress in the area of the lithological traps in Bohai and high-temperature and high-pressure natural gas in Yinggehai.

With respect to development and production, during the year 2011, we overcame various difficulties and reached a net oil and gas production of 331.8 million BOE, thus sustaining the steady growing trend of our Company's production over years. At the same time, the strategies on regional development and comprehensive adjustments have been further clarified. This would effectively lower the development threshold for oil and gas field in offshore China and fully tap the potential for underground reservoir.

In the future, we will continue to increase our momentum in exploration and development; primarily focus on exploration in mature areas while expanding exploration in new areas and new targets; insist on integrating exploration and development and maintain the Company's oil and gas reserve and production growth.

Second, we will promote deepwater exploration and development. Oil and gas resources are rich in the deepwater South China Sea and will be an important source for our Company's medium and long term development. In recent years, our partners have already made a number of important discoveries in the area, including Liwan 3-1. We have also accumulated rich seismic data, deepened our understanding of the geological structure of the area, and identified a number of exploration targets.

At present, the Company is already well prepared in technical expertise as well as operational and managerial capability and will begin deepwater exploration in 2012. The Company has also taken part in a number of deepwater explorations overseas. In the years to come, deepwater will become the important battlefield of the Company's exploration activities, as well as one of the important sources for reserve and production growth.

Third, we will continue to develop our overseas business. In order to maintain our sustainable growth, we will seek development opportunities globally apart from establishing a foothold at home, offshore China. In 2011, we achieved major breakthroughs in our overseas business development. On one hand, we have successfully established a presence in the resource rich Lake Albert Basin in East Africa. On the other hand, we have further expanded unconventional oil and gas resources such as shale oil and gas and oil sands.

The Company will continue to pursue value-driven acquisition strategies in order to create more room for reserve and production development. While rapidly developing our business overseas, we will enhance asset management and perfect business management system overseas, especially to control the risk on overseas business.

Fourth, we will lead our future development through technology innovation. World leading technology such as offshore heavy oil extraction invented by the Company has made significant contribution to the rapid growth of the Company. In the future, while pursuing the goal of "expanding reserves and increasing production", we will focus on the development of heavy oil and low permeability oil and gas fields. The Company will develop different types of key technologies that are crucial in leading our future growth through independent research and absorbing innovative ideas.

Fifth, we will advocate on building our corporate culture. Health, safety and environmental protection are important components of our corporate culture. The Company is dedicated to pursuing the harmonious evolution between corporation and society and between humans and nature. In 2011, the oil spill accidents of Penglai 19-3 oilfield drew wide attention from the media and the public. As a non-operating partner, we have actively assisted the operator on the follow-up work relating to the accidents in an effort to minimize the impact on the oceanic environment. We have also taken the opportunity to once again carry on a thorough inspection on offshore operation safety so as to protect against future similar incidents.

As a responsible company, we will continue to maintain our transparency and standard corporate governance with the intention to make a timely disclosure and to accept public scrutiny in a humble manner.

In 2011, the Company achieved a net profit of approximately RMB70.26 billion, basic earnings per share reached RMB1.57, a significant increase of 29.1% year over year. In view of the Company's stable and healthy financial position, the Board of Directors (the Board) has recommended a year-end dividend of HK$0.28 (tax inclusive) per share for the year 2011.

In 2011, Mr. Fu Chengyu resigned as Chairman for the Company. Mr. Yang Hua resigned as Chief Executive Officer and was taken over by Mr. Li Fanrong. I wish to take this opportunity to thank Mr. Fu Chengyu as well as the Board led by Mr. Fu for the contributions made to the development of the Company. I believe that Mr. Yang Hua, as a non-executive director, will continue to contribute his wisdom and experience to the major issues such as strategic development of the Company. I also wish to congratulate Mr. Li Fanrong.

Currently, the fragile and imbalanced phenomenon of the world economic recovery has further surfaced while the economy of China has been able to maintain stable and relatively rapid growth. On the other hand, international oil prices are expected to maintain at a high level in view of increasing demand for energy resources. Under such circumstances, there is still plenty of room for growth for the oil and gas exploration and production industry. The blueprint for the Company's "New Era of Excellence" has already been laid out. We will take the opportunity to continue to excel and will spare no effort to complete all our development targets, and pave the way to a more prosperous future for the Company.

WANG Yilin
Chairman

Hong Kong, 28 March 2012

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CEO's Statement

Dear shareholders,

In November 2011, I took over the position of Chief Executive Officer for the Company following the resignation of Mr. Yang Hua. Under his leadership, Mr. Yang has built up a solid foundation for the future development of the Company through the hard work of the management and staff which he has successfully mobilized during his tenure. I wish to take this opportunity here to express my heartfelt respect and gratitude to Mr. Yang.

I have approximately 30 years of experience in the development of offshore oil, witnessing the rapid development of the Company and have a strong passion for the offshore oil industry. It is an honor for me to assume this important task as Chief Executive Officer for the Company. Here, I would like to share with you the Company's performance during the past year as well as our thoughts for the development of the Company in future.

STRIVING FOR OUR ANNUAL TARGETS

In 2011, the Company's development generally went smoothly but was confronted by difficulties that were unprecedented in the past. Under the circumstances, we continued to strive forward with meticulous planning and strengthened management, and achieved a number of breakthroughs in exploration, development and overseas expansion. During this period, I have been deeply impressed by the dedicated performance of the entire staff of the Company, for which I am very proud of.

In concrete terms, the Company has achieved satisfactory results on many fronts through our unreserved efforts in spearheading the Company from a strong foundation.

First, exploration results: the Company continued to broaden its thoughts and increase its investment on exploration activities, and achieved record levels of exploration work including wildcats drilling and seismic data collection. There were 16 new discoveries and the reserve replacement ratio reached 158%. Kenli 9-1 is a mid-sized discovery made in the mature area. The discoveries of lithologic traps in Qinhuangdao 33-2 and Qinghuangdao 33-3, has led to a change in the direction of exploration in the Bohai area which was predominated by the search of structural traps, and has broadened the scope of our exploration territory. The successful appraisal of Dongfang 13-1 in Western South China Seas is also expected to open a new chapter for natural gas exploration in the area.

Deepwater exploration has also progressed in an orderly manner. We have strengthened our seismic data collection in the deepwater South China Sea, paving the way for deepwater exploration in 2012. We will strive to make the deepwater exploration a smooth operation and lay a foundation for the long term growth of the Company. In overseas, we have taken part in the drilling of several deepwater exploration wells in the Gulf of Mexico of the United States.

Second, development and production: In 2011, the Company proactively dealt with various challenges. Through thorough researching on reservoirs, refining water flooding, and enhancing the hourly production rate from oil and gas fields, the Company has been able to maintain a steady growth of oil and gas production from the producing fields. Realizing a net production of 331.8 million BOE, the Company accomplished its post-adjustment annual production target for the year.

In the Company's 2010 annual report, we shared with our shareholders the two "new development policies," the comprehensive adjustments and the regional development. For the comprehensive adjustments, we have focused on moving ahead with the Lufeng 13-2 adjustment project. The project commenced production at the end of 2011 with a daily peak production volume of 33 thousand

BOE. We are very pleased with the results of this project as it represents a solid proof of the Company's success on this new mechanism. We are also working with full steam on the regional development model, with Weizhou 6-9/6-10 oil fields expected to begin production in 2012.

Third, overseas development: in 2011, it was a good sign that the Company's conventional and unconventional resources were moving ahead side by side in the course of its overseas development. On one hand, the Company has successfully extended to the core yet to be developed basin in East Africa, the Lake Albert Basin, through the acquisition of Tullow's one-third interest in the exploration areas 1, 2 and 3A in Uganda. On the other hand, the Company has further expanded its business in the shale oil and gas sector in the United States, and expanded its investment in the oil sands business in Canada through the acquisition of OPTI Canada Inc. to bolster the development of the Company's unconventional resource allocation.

In the future, the Company will maintain a foothold in offshore China, and will continue to develop its overseas assets and expand the scope for long term development on the basis of meeting its targets on resources, risk and return on investment. At the same time, the Company will actively manage its overseas business and streamline its overseas asset portfolio in order to create better value for its shareholders.

Fourth, financial performance: Benefiting from higher realized oil and gas prices, the Company achieved a net profit of approximately RMB70.26 billion in 2011, with a basic earnings per share of RMB1.57, representing a significant increase of 29.1% year over year.

STRENGTHENING THE FOUNDATION FOR GROWTH

Health, safety and environmental protection have always been the foundation for the Company's operation, underlying the Company's management philosophy. Over the years, we have maintained a good track record in the areas of safety and environmental protection. The oil spill accidents of Penglai 19-3 oilfield and malfunction of several other facilities have rung alarms for us. While raising the awareness of safety and environment protection among our staff, we will continue to emphasize the following areas:

1. To further improve the system for production safety management and raise the level of safety management;
2. To strengthen the comprehensive facility management system and raise the level of intrinsic safety;
3. To specify the system to detect and eliminate risk and enhance the risk management ability;
4. To further improve oil spill prevention and response capability.

PLANNING FOR OUR MEDIUM TO LONG TERM DEVELOPMENT

In early 2011, the Company established its production target for the years 2011 to 2015 with a compound annual growth rate of 6-10%. To achieve this, we will continue to establish a foothold in offshore China and develop our overseas business in order to protect the medium and long term sustainable growth of the Company.

First, continue to strengthen our exploration and development work in offshore China, where oil and natural gas resources are relatively rich and the level of exploration is comparably low. We will strengthen our research of the geological structure, and will move on with core areas, new areas and new exploration targets as well as deep water exploration to provide resource base for the Company's development. We will follow the thoughts along regional development and comprehensive adjustments, carefully organize our operation resources and plan our development of new oil and gas fields. Weizhou 6-9/6-10, which is planned to commence production in 2012, represents one of the successful results of our regional development approach. In 2012 and the years to come, a number of comprehensive adjustments projects, including Panyu 4-2/5-1 adjustment, Suizhong 36-1 adjustment Phase II, Jinzhou 9-3 adjustment and Qinhuangdao 32-6 adjustment will gradually commence production, and will become one of the important sources for the Company's future production growth.

Apart from this, we will follow the guideline of "integration of exploration and development" to organize our thoughts, and proceed with rolling exploration and rolling development to fully utilize the benefits of the asset allocation along offshore China to fully utilize the resource potential.

Second, to control the risk of overseas operation: over the past few years, the rapid development of the Company's overseas business has brought along a few challenges. On one hand, we will enhance the control and reliability of our overseas business through the selection of experienced local partners while on the other hand, we will continue to build up our overseas professional team as well as the management system. At the same time, we will move ahead carefully and retreat at appropriate times in an effort to continue to streamline our overseas assets.

Third, to strengthen our cost control: in recent years, the increasingly stringent fiscal policies together with rising inflation have led to a high cost for the industry. In 2011, the Company's all-in cost reached US$30.58 per BOE, an increase of 25.0% year over year. We will continue to consider economic efficiency as our primary goal in the evaluation of our investment projects, to streamline our management in order to increase productivity, and to encourage savings in order to control cost.

Fourth, to maintain and strengthen corporate governance: both the size and the asset allocation of the Company have experienced substantial changes following a decade of rapid development. We will insist on and strengthen corporate governance, as well as our internal control system and risk management on the basis of safety and environmental protection, in order to maintain control of our operational risk.

Looking forward to 2012, we will continue to strengthen our exploration work, to enhance our efforts to achieve breakthroughs in oil and gas exploration, to carefully organize the development and production of oil and gas fields, and to maintain a stable oil and gas production growth. At the same time, we will strive to control the cost under the cost rising environment.

The Company has excelled to a new platform of development. We are facing new challenges and at the same time ample room for development. We will follow the guidelines of the Company's blueprint for "New Era of Excellence" to strive forward in order to create better values for our shareholders and to make a greater contribution to the community.

Li Fanrong
Chief Executive Officer

Hong Kong, 28 March 2012

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 2011, the Company had net proved reserves of 3.19 billion BOE, including approximately 0.27 billion BOE under our equity method investees. In 2011, the Company had a total net oil and gas production of 909,000 BOE per day, including 49,270 BOE per day under our equity method investees.

The following table sets forth the Company's net production, net proved reserves and major exploration areas acreage as of 31 December 2011.

	2011 Net Production			Net Proved Reserves as of 31 December 2011			
	Subtotal (BOE/day)	Oil (Bbls/day)	Gas (Mmcf/day)	Subtotal (Mmboe)	Oil (Mmbbls)	Gas (bcf)	Major Exploration Areas Acreage (Net) (km2)
Offshore China							
Bohai	426,190	405,682	123.0	1,099.8	1,000.4	596.2	42,062
Western South China Sea	138,712	72,006	390.4	586.7	250.5	2,017.2	73,388
Eastern South China Sea	146,864	120,563	157.8	519.9	316.1	1,222.4	55,424
East China Sea	3,453	339	18.7	68.4	17.7	303.7	85,413
Subtotal	715,219	598,590	689.9	2,274.8	1,584.7	4,139.5	256,287
Overseas							
Asia	53,872	17,427	218.7	223.2	81.8	848.7	55,500
Oceania	25,195	5,382	101.1	110.7	19.0	467.8	—
Africa	56,348	56,348	—	133.7	133.7	—	2,947
North America	9,096	4,836	25.6	178.7	150.1 *	171.4	3,429
Subtotal	144,511	83,993	345.3	646.3	384.6	1,487.9	61,876

Total	859,730	682,582	1,035.2	2,921.1	1,969.3	5,627.4	318,163
Equity method investees	49,270	25,704	136.5	269.0	196.3	422.0	—
Total	909,000	708,286	1,171.7	3,190.1	2,165.6	6,049.4	—

* Includes 87.4 million barrels of synthetic oil and 8.6 million barrels of bitumen.

EXPLORATION, DEVELOPMENT AND PRODUCTION

Summary

In offshore China, the Company engages in oil and natural gas exploration, development and production in Bohai, 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 2011, approximately 71.4% of the Company’s net proved reserves and approximately 78.9% of its production were located in offshore China.

For independent operations, in recent years, the Company has been adding more reserves and production mainly through independent exploration and development in offshore China. As of the end of 2011, approximately 77.7% of the Company’s net proved reserves and approximately 71.8% of its production in offshore China were derived from the independent projects.

For PSC operations, China National Offshore Oil Corporation (“CNOOC”), the Company’s controlling shareholder, has the exclusive right to explore and develop oil and natural gas in offshore China with foreign partners through PSCs. CNOOC has transferred to the Company all its rights and obligations under all the PSCs (except those relating to its administrative functions), including new PSCs that will be signed in the future. As of the end of 2011, the Company had 24 PSCs with 22 partners in force.

Overseas, the Company holds interests in oil and natural gas blocks in Indonesia, Iraq, Australia, Nigeria, Uganda, Argentina, the U.S., Canada and various other countries. As of December 31, 2011, the Company’s overseas net proved reserves and net production accounted for approximately 28.6% and 21.1%, respectively, of the Company’s total net proved reserves and total net production.

Exploration

As the Company’s leading business, the Company has considered exploration work as top priority over the years. In 2011, the Company continued its efforts in exploration and achieved a high record in the amount of investments in exploration, drilling and 3D seismic data collection work. The Company’s exploration work has produced fruitful results as we did in recent years, with a reserve replacement ratio reaching 158%.

In 2011, the Company’s independent exploration made an aggregate of 13 new discoveries and successfully appraised 18 oil and gas structures in offshore China, achieving a success rate of 51-71%. The Company’s PSC partners’ exploration efforts resulted in one successfully appraised oil and gas structure, Liuhua 29-1. Overseas, the Company also achieved remarkable results of 3 new discoveries and 2 successfully appraised oil and gas structures.

To ensure resource replacement, the Company conducted exploration in core areas while continuing to explore new areas and new exploration targets. Rich in oil and gas resources, the core areas are the major fields for exploration work. Benefiting from in-depth knowledge in the geological conditions and reservoir formation mechanism, the

Company has recorded a higher success rate in exploration in these areas which are the major sources for its new reserves. During the year of 2011, the new discoveries made in core areas mainly included Kenli 9-1, Bozhong 34-3 and Bozhong 34-4 in Bohai as well as Weizhou 12-1S and Weizhou 11-7N in Western South China Sea.

Regarding exploration activities in new areas and new exploration targets, the Company strengthened regional research and basic research activities during the year of 2011. We focused on certain key technologies, and achieved major breakthroughs in new areas such as shallow lithologic traps with large coverage and high-temperature and high-pressure natural gas.

First, drilling works were carried out in Bohai around the Shijiutuo uplift area and lithologic trap structures with successful appraisals for Qinhuangdao 33-2 and Qinhuangdao 33-3, further expanded the scale of this type of oil and gas reservoirs. Through regional development, the area is expected to grow into a large oilfield group and become an important source of the Company’s future production growth.

This is where the Company achieved a major breakthrough in the exploration of lithologic traps, which changed the direction of the exploration work in Bohai, which used to emphasize on structural traps, and expanded the scope of the exploration area in Bohai.

Secondly, the drilling works of Panyu 10-4W oil and gas structures in Eastern South China Sea revealed significant potential from the shallow formation of the Pearl River Basin. Previous exploration works in the Pearl River Mouth Basin were primarily concentrated on deep formation. Since shallow oil reservoir requires lower drilling costs and has higher economic efficiency, it may become a new breakthrough in the development of the Pearl River Mouth Basin.

Thirdly, the Dongfang 13-1 middle formation of Yinggehai Basin in Western South China Sea was successfully appraised and resulted in higher trial production. The breakthrough in high-temperature and high-pressure natural gas, in particular, is expected to bring a new chapter of exploration of natural gas to the area.

Fourthly, fracturing tests were conducted successfully in the gas reservoir which has low porosity and permeability in East China Sea, creating opportunities for oil and gas reservoirs with low porosity and permeability by bringing a new age of exploration to the area.

These achievements have demonstrated the potentials in offshore China and serve as examples for future exploration work in the area. After getting a better understanding of the geological structure in offshore China, the Company expects the area to continue to be a major source for the Company’s sustainable growth in the future.

In addition, the Company made its first commercial discovery, Wushi 17-2 of Wushi sag, in Western South China Sea, and the area may be developed into a new oil zone. The Company’s successful discovery and appraisal of the oil and gas structures of Enping 23-1 resulted in expansion of Enping sag in Eastern South China Sea. In the deepwater area of the Qiongdongnan Basin, the Company’s partner BG, carried out further appraisals and researches in the area subsequent to the Lingshui 22-1-1 well in 2010.

In 2011, the Company’s major exploratory activities are shown in the table below:

	Exploration Wells				New Discoveries		Successful Appraisal Wells		Seismic Data		
	Independent		PSC						2D		3D
	Wildcat	Appraisal	Wildcat	Appraisal	Independent	PSC	Independent	PSC	Independent	PSC	Independen
Offshore China											

Bohai	19	20	—	—	4	—	16	—	—	—	6,595
Eastern South China Sea	11	3	6	2	2	—	2	2	6,887	3,284	3,431
Western South China Sea	4	20	3	—	3	—	10	—	5,318	—	4,689
East China Sea	4	1	—	—	4	—	1	—	6,709	—	1,107
Subtotal	38	44	9	2	13	—	29	2	18,914	3,284	15,822

Overseas	—	—	11	3	—	3	—	2	—	1,362	—	1,128
Total	38	44	20	5	13	3	29	4	18,914	4,646	15,822	8,768

Engineering Construction, Development and Production
The Company had a heavy-loaded engineering construction program with over 10 new projects under construction in 2011. The Company has carefully allocated its operational resources and created synergy among various parties to ensure smooth progress of the projects.

Currently, the Company's major projects expected to commence production in 2012 include Panyu 4-2/5-1 adjustment project, Weizhou 6-9/6-10, Yacheng 13-4 and Liuhua 4-1. The Company's other new projects under construction, including Suizhong 36-1 phase II adjustment and Kenli 3-2 regional development, are expected to commence production after 2012 and would support the Company's medium to long term production growth.

In 2011, the Company faced unprecedented challenges in development and production. Unfavourable factors, such as the suspension of Penglai 19-3 oilfield, the failure of the "Haiyangshiyou 102" single-point mooring system and the impact of typhoons, which occurred more frequently in 2011 than in the previous years, have created significant pressure on the Company's production. Under such circumstances, the Company has been focusing on the following areas to offset the production shortfall and accomplished its adjusted annual production target:

First, fully maximizing the production capacity of producing oil and gas fields mainly through: keeping the decline rate of matured oilfields at a low level by tracking and conducting research on oil reservoirs as well as applying measures such as infill drilling and stratified water injection accordingly; appointing daily management and oil wells management and increasing production time efficiency; and strengthening communication to secure the gas demand of downstream users and the normal production of gas fields;

Secondly, managing the production of new projects. The Company had two new projects in offshore China that successfully commenced production in 2011, namely Jinzhou 25-1 and Lufeng 13-2 adjustment project. Overseas, the Company's newly acquired Eagle Ford shale oil and gas project in the U.S. has contributed to the Company's production output;

Thirdly, actively responding to emergencies and collaborating with various parties to resume production as soon as possible. Given the failure of the "Haiyangshiyou 102" single-point mooring system, the Company overcame difficulties in technology, resources and construction through detailed rectification programs to promptly resume production of the oilfield; and

Fourthly, minimizing the impact of typhoons. Although the oil and gas fields of the Company were repeatedly impacted by typhoons, the Company's proactive warning systems and proper deployment of resources ensured the safety of the Company's oil and gas fields and prevented the typhoons from causing severe harms to the oil and gas fields affected.

In 2011, the Company's net oil and gas production amounted to 331.8 million BOE. The Company's growth in production has remained steady in recent years.

In 2011, the Company further identified its strategies for future development and planned to focus on the following key tasks in the next few years:

First, integrating resources so that oil and gas fields can commence production on schedule. From 2012 to 2015, over 30 new oil and gas fields of the Company in offshore China are expected to commence production successfully. To ensure timely commencement of the new projects, the Company strives to coordinate its resources more effectively and to formulate plans for procuring equipment in advance in order to ensure steady progress of the projects;

Secondly, continuing the comprehensive adjustment works on large-scale development of producing oil and gas fields based on oil reservoir research results. Over the next few years, with the commencement of production of the Suizhong 36-1 adjustment phase II, Jinzhou 9-3 adjustment and Qinhuangdao 32-6 adjustment projects, comprehensive adjustment projects are expected to become a major driving force for the Company's future production growth;

Thirdly, capitalizing on the Company's concentrated distribution of oil and gas fields in offshore China to promote development in the area so as to share production facilities and enhance economic efficiency. In 2012, the Weizhou 6-9/6-10 project is expected to commence production and become an example to illustrate the success of the Company's regional development in the area; and

Fourthly, researching and developing technology to improve recovery factor of producing oilfields through application of heavy oil thermal production and fracturing technology on oilfields with low permeability;

Fifthly, strengthening the management of overseas projects and actively coordinating with local partners to ensure the safety and stable production of each project.

The Company will strive to achieve a compound annual growth rate of 6-10% for 2011-2015 and lay a solid foundation for its long-term growth.

Overseas Development

Having secured a foothold in offshore China, the Company has been exploring opportunities overseas by considering resources, returns and risks based on a value-driven acquisition strategy.

In recent years, the Company has made significant progress in overseas development and raised its degree of internationalization to a new high level. From a geographic perspective, the Company's operations are located in Asia, Africa, Oceania, North America and South America; as for the Company's resource types, it has shifted from the traditional oil and gas resources to unconventional oil and gas resources such as shale oil and gas as well as oil sands. Overseas reserves, production and oil and gas sales revenue account for 28.6%, 21.1% and 13.7% of the Company's total reserves, production and oil and gas sales revenue, respectively, thereby becoming an integral part of the Company's assets.

To address the needs for its overseas business development, the Company focused on strengthening overseas operation management, improving the management structure and increasing human resources in 2011, so as to strengthen the management of overseas assets.

In 2011, the Company's overseas development achieved the following:

First, expansion of the shale oil and gas business in the U.S. Subsequent to the acquisition of the Eagle Ford project in the U.S. in 2010, the Company purchased a 33.3% undivided interest in the Niobrara project from Chesapeake Energy Corporation at a total consideration of US$1.267 billion. The block has 800,000 net acres.

Secondly, expansion of the oil sands business in Canada. In November 2011, the Company completed the deal of acquiring OPTI Canada Inc. at a consideration of approximately US$2.1 billion. This transaction enables the Company to expand its investment in oil sands which has abundant resource. Through cooperation with the operator Nexen, the Company is able to explore the growth potential of the Long Lake project and three other oil sands leases, which contributes to the reserves and production of the Company in mid to long term.

Thirdly, tapping into the Alberta Basin, a major basin to be developed in East Africa. In March 2011, the Company entered into agreements with Tullow Oil plc to acquire a one-third interest in each of Exploration Areas 1, 2 and 3A in Uganda for approximately US$1.467 billion in cash. The project is expected to become one of Africa's largest onshore oil and gas development projects in recent years. The deal was closed in February 2012.

In addition, the Company announced in December 2011 the sale of CNOOC ONWJ Ltd., a subsidiary of the Company, for approximately US$212 million to EMP International (BVI) Limited. CNOOC ONWJ Ltd. holds a 36.72% working interest in the Offshore Northwest Java PSC in Indonesia.

In sum, the Company has been actively managing its overseas assets as part of its overseas development. Through flexible strategy, the Company balances and optimizes overseas asset portfolio, having taken the resources, returns and risks into consideration, resulting in a more balanced distribution of overseas assets with reserves and production continuing to increase. Meanwhile, the Company has been taping into the unconventional oil and gas industry of shale oil and gas as well as oil sands on an appropriate scale, which provides a basis of rich resource to sustain future development and helps the Company seize growth opportunities in the future and enhance its development potential.

REGIONAL OVERVIEW

OFFSHORE CHINA

Bohai

Bohai is the most important crude oil producing area for the Company. The crude oil produced in this region is mainly heavy oil. As of the end of 2011, the reserve and daily production volume in Bohai were 1,099.8 million BOE and 426,190 BOE/day, respectively, representing approximately 34.5% and 46.9%, respectively, of the Company's total reserves and daily production. The operation area in Bohai is mainly shallow water with a depth of 10 to 30 meters.

Bohai is rich in oil and gas resources and has been one of the Company's primary areas for exploration and development. In recent years, the Company has made several commercial discoveries in this region every year. In 2011, the Company made four successful discoveries in Bohai, namely Qinhuangdao 33-2, Qinhuangdao 33-3, Bozhong 34-3 and Kenli 9-1, all being independent new oil discoveries. In addition, 10 oil and gas structures were successfully appraised, namely Qinhuangdao 33-1 S, Qinhuangdao 33-2, Qinhuangdao 33-3, Kenli 10-1, Bozhong 34-3, Bozhong 34-4, Bozhong 2-1, Jinzhou 20-5, Kenli 6-4 and Qikou 18-2. In 2011, the Company's significant accomplishments in Bohai included:

First, progress has been made in the exploration of lithologic traps surrounding the Shijiutuo uplift area. After successfully discovering Qinhuangdao 33-1S in 2010, the Company drilled two oil and gas structures at shallow formation, namely Qinhuangdao 33-2 and Qinhuangdao 33-3. These discoveries are all lithologic traps, bringing the exploration in Bohai, which had been focusing on structural traps originally, into a new phase. The area may be developed into a new large-scale oilfield group and become another major hotspot for the Company's future growth in production.

Secondly, the exploration of the slopes to the south of the Yellow River Mouth sag was successful with a new discovery of Kenli 9-1.

Thirdly, exploration in proximity to the oilfield of Yellow River Mouth sag achieved satisfactory results with a new discovery of Bozhong 34-3.

Benefiting from these new discoveries and successful appraisals coupled with the increase in reserves from rolling exploration and development of existing oil and gas fields, Bohai's reserve replacement ratio of crude oil was 101.8%, which demonstrates the potential of Bohai as the Company's core exploration area.

On top of overcoming difficulties including inexorable sea ice at the beginning of the year, malfunction of the "Haiyangshiyou 102" single-point mooring system, oilfield suspension across the whole area due to damaging typhoon "Plum" in the second half of the year, and shutdown of the Penglai 19-3 oilfield, the Company's production in Bohai remained steady, which was mainly attributable to:

First, the Company explored the potential of producing oil and gas fields to ensure a steady production. As for the Suizhong 36-1 oilfield, the Company continued the implementation of other adjustment measures such as infill drilling to sustain the production growth of this largest independent oilfield in offshore China. By optimizing water injection and increasing the production time efficiency, the Company maintained steady production at Jinzhou 25-1S and Bozhong 34-1 oilfields.

Secondly, through careful integration and coordination of resources, the Company's new oilfields and new development wells continued to commence production. New development wells at Jinzhou 25-1S oilfield commenced production successfully with increased production; Jinzhou 25-1 oilfield commenced production on time and contributed to its production growth.

Western South China Sea

Western South China Sea is one of the most important natural gas producing areas for the Company. Currently, the typical water depth of the Company's operation area in this region ranges from 40 to 120 meters. As of the end of 2011, the reserves and daily production volume in Western South China Sea reached 586.7 million BOE and 138,712 BOE/day, respectively, representing approximately 18.4% and 15.3%, respectively, of the Company's total reserves and daily production.

In 2011, the Company had 3 independent new discoveries in Western South China Sea, including Weizhou 12-1S, Weizhou 11-7N and Wushi 17-2 and successfully appraised 5 oil and gas structures.

For the Yinggehai Basin, the Company successfully appraised Dongfang 13-1 middle formation, which had been discovered in 2010, assuring the exploration of natural gas under the high temperature and high pressure environment of Yinggehai, which indicates the existence of large-scale gas field under the high temperature and high pressure condition in Yinggehai. The successful appraisal is expected to bring the exploration of natural gas in the Yinggehai Basin into a new phase.

In addition, the discovery of Wushi 17-2 demonstrated the exploration potential of east Wushi, which may be developed into a new oil zone.

As for development and production, typhoons and the natural decline in certain oil and gas fields have affected the Company's production, resulting in a slight decrease in the annual production volume. In this case, the Company continued to implement streamlined management, optimization and improved the production processes of all oil and gas fields. Meanwhile, the Company reduced the impact of typhoons and maintenance downtime on its production activities through detailed planning. In addition, through the key offshore facility checks and the integrated management of marine operations, the Company ensured the normal operation of equipment and maintain high production time efficiency.

During the development of the Yacheng 13-4 gas field, the Company applied a series of deepwater gas field development techniques designed for deepwater oil and gas fields by trials and practice and accumulated technologies and experience that are suitable for future deepwater development.

Eastern South China Sea

Eastern South China Sea is one of the Company's most important crude oil producing areas. Currently, 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 2011, the reserves and daily production volume in Eastern South China Sea reached 519.9 million BOE and 146,864 BOE/day, respectively, representing approximately 16.3% and 16.2%, respectively, of the Company's total reserves and daily production.

In 2011, the Company continued to achieve positive results from the rolling exploratory activities in Eastern South China Sea with two new independent discoveries, namely Enping 23-1 and Enping 23-2. In addition, the Company successfully appraised two oil and gas structures, namely Liuhua 16-2 and Enping 23-1. These new discoveries and successful appraisals increased the reserves in Enping area and enhanced the economic benefits of development in the area.

In addition, the oil and gas structures of Panyu 10-4W drilled in Eastern South China Sea unveiled that the discovery of Yuehai shallow oil formation may be a breakthrough for development in the Pearl River Mouth Basin, which may bring the oil exploration in Eastern South China Sea into a new phase.

In 2011, the Company overcame adverse conditions such as typhoons. The Company's net oil and gas production derived from Eastern South China Sea rose steadily, which was attributable to the Company's active implementation of infill drilling in mature oilfields. The full deployment of enhanced recovery measures helped to increase production. For example, investment in infill drilling of Xijiang 30-2 oilfield has increased the production of the oilfield. In addition, increased gas supply of the Panyu 30-1 gas field to Zhuhai terminal has also contributed to production growth.

Lufeng 13-2 adjustment project commenced production at the end of 2011 and its peak production is expected to reach 33,000 barrels per day. In addition, the Company actively engaged in the development of Panyu 4-2/5-1 adjustment project, which is expected to commence production in 2012. Demonstrating the Company's large-scale comprehensive adjustment for producing oil and gas fields, these comprehensive adjustment projects commenced production successfully and are expected to become a major driver for future growth in production.

In addition, the Company will actively coordinate with its partners to promote the development and construction of the first large-scale deepwater natural gas project Liwan 3-1 in offshore China.

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 2011, approximately 2.2% of the Company’s reserves and 0.6% of the Company’s production were derived from East China Sea.

In 2011, the Company continued to focus on natural gas exploration surrounding the core areas, having four new discoveries and establishing a foundation for future growth in production. The Company has also conducted fracturing test of exploration wells for gas-bearing sands with low porosity and permeability, which achieved positive results and laid a foundation for the exploration of oil and gas reservoirs with low porosity and permeability, bringing the exploration of the area into a new phase.

In 2011, with increasing gas delivery quantity of downstream users, the Company’s production volume in East China Sea increased steadily.

OVERSEAS

Asia
Asia was the first overseas region that the Company entered into and has become one of its major overseas oil and gas producing areas. Currently, the Company holds oil and gas assets in Asia mainly in Indonesia and Iraq. As of the end of 2011, the reserves and daily production volume derived from Asia (excluding China) reached 223.2 million BOE and 53,872 BOE/day, respectively, representing approximately 7.0% and 5.9%, respectively, of the Company’s total reserves and daily production.

Indonesia
In Indonesia, the Company mainly owns interests in the following contracts: the SES PSC, the Malacca Strait PSC and Poleng Technical Assistance Contract. Among these, the Company is the operator of the SES block and owns approximately 65.54% of its interests. All contracts mentioned above are currently at the production stage.

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

In addition, the Company owns interests in the following PSCs: the South East Palung Aru PSC, the Batanghari PSC and the Madura Strait PSC.

In May 2011, the West Madura PSC expired and the Company had not entered into the new PSCs thereafter.

In December 2011, the Company announced the sale of CNOOC ONWJ Ltd., a subsidiary of the Company, for approximately US$212 million to EMP International (BVI) Limited, which has a 36.7205% working interest in Offshore Northwest Java PSC in Indonesia. This was an important step for the Company to actively manage overseas assets and optimize its asset portfolio.

In 2011, the Company had 3 new discoveries in Indonesia. All of these discoveries are located in core areas, which can share production facilities with existing oil and gas fields and benefit from economies of scale.

In 2011, considering that most producing oil and gas fields in Indonesia had become mature, as the operator of the SES, the Company adopted various measures to maintain and increase production such as water flooding and infill drilling, in order to keep the decline rate of these mature oilfields at a low level.

Iraq

In 2010, the Company entered into a technical service contract for the development and production of the Missan oilfields in Iraq, according to which the Company acts as the lead contractor and holds 63.75% participating interest.

In 2011, the Company took over the operation of the Missan oilfield group. Scheduled to commence drilling in 2012, the project has been making steady progress with drilling rigs readily available on site. Cost recovery is expected to begin in 2012 and the project is expected to contribute to the Company's production growth.

For a technical service contract, the cost of operation for the Missan Project is relatively high. Nevertheless, major oil and gas companies in the world have all entered into the exploration and development industry in the Middle East through technical service contracts, demonstrating the common view of the industry in this area.

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 2011, the reserves and daily production volume derived from Oceania reached 110.7 million BOE and 25,195 BOE/day, respectively, representing approximately 3.5% and 2.8%, respectively, of the Company's total reserves and daily 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 2011, the North West Shelf Project generated stable production volumes with economic efficiency.

Africa
Africa is one of the Company's overseas areas with a large reserve base. The Company's assets in Africa are primarily located in Nigeria and Uganda. As of the end of 2011, the reserves and daily production volume derived from Africa reached 133.7 million BOE and 56,348 BOE/day, respectively, representing approximately 4.2% and 6.2%, respectively, of the Company's total reserves and daily production.

Nigeria
The Company owns a 45% interest in the OML 130 block in Nigeria, which is a deepwater project and comprises four oilfields, namely Akpo, Egina, Egina South and Preowei. The Akpo oilfield commenced production in March 2009 and has reached its designed peak production capacity.

In 2011, the Company conducted preliminary development work on the other three oilfields including the Egina oilfield together with the operator.

Uganda
In 2011, the Company signed the sale and purchase agreement to acquire one-third interests of Tullow Oil plc in each of Exploration Areas 1, 2 and 3A in Uganda. Exploration Areas 1, 2 and 3A are located at the Lake Albert Basin in Uganda, which is one of the most promising basins with oil and gas resources in Africa.

In February 2012, the Company and Tullow Oil Plc closed the deal. The Company will operate the new Kanywataba exploration license in the former EA 3A, and the Kingfisher production license which was converted due to the discovery in the former EA 3A. Tullow and TOTAL S.A. will operate EA 2 and EA 1, respectively.

Other Regions in Africa

Besides Nigeria and Uganda, the Company also owns interests in several blocks in Equatorial Guinea, the Republic of Congo and Algeria. These blocks are currently under exploration.

North America

The Company holds interests in oil and gas blocks in the U.S., Canada as well as Trinidad and Tobago in North America. In addition, the Company also holds interests in MEG Energy Corporation ("MEG") in Canada. As of the end of 2011, the Company's reserve and daily production volume derived from North America reached 178.7 million BOE and 9,096 BOE/day, respectively, representing approximately 5.6% and 1.0%, respectively, of the Company's total reserves and daily production.

The U.S.
The Company has acquired a 33.3% interest in each of the two shale projects in the U.S., namely the Eagle Ford project, which is located in South Texas with 600,000 net acres, and the Niobrara project, which is located in northeast Colorado and southeast Wyoming with 800,000 net acres. The operator of these projects is Chesapeake.

The Eagle Ford project commenced production in 2011 and achieved a steady increase in production volume. The Company plans to work with the operators to fine tune various operations, including drilling, fracturing as well as midstream and downstream construction in order to increase production. Meanwhile, the Niobrara project is being actively developed.

The development of shale oil and gas has become one of the growth areas for the world's oil and gas exploration and development. The Company expects that participation in such business could help it to achieve sustainable growth and create value for its shareholders.

In addition, the Company participates in the drilling of four deepwater exploration wells at the Gulf of Mexico, and owns several exploration blocks in Alaska.

Canada
In 2005, the Company acquired part of the shares of MEG in Canada. In August 2010, MEG's shares started trading on the Toronto Stock Exchange in Canada, resulting in a large appreciation of the value of the Company's interest in MEG. Currently, the Company owns 14.2% of the shares of MEG.

In 2011, the Company completed the acquisition of equity interest in OPTI, an oil sands producer in Canada. The major assets acquired included a 35% working interest in Long Lake and three other oil sands projects located in the Athabasca region of northeastern Alberta.

The Long Lake project is currently at the production stage and is expected to contribute to the Company's production with approximately 10,000 barrels per day in 2012. Currently, the Company has deployed engineers and managers to participate in the development and management of the project.

Canada is a prime location in the world with rich oil sands resources. Since oil sands are expected to become one of the new growth areas of oil and gas exploration and development in the future, the Company expects that making a foothold in the region could help to achieve sustainable growth of the Company.

In addition, the Company also owns a 60% interest in the Northern Cross (Yukon) Ltd., which owns oil and gas blocks in the Yukon area in Canada.

Trinidad and Tobago
In 2009, the 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 commenced production of crude oil in 2005. The natural gas field commenced production in 2011, leading to a significant increase in the production volume.

South America

The Company mainly holds a 50% interest in Bridas Corporation. The Company's interest in this project is accounted by the equity method. As of the end of 2011, the Company's reserves and daily production volume derived from South America reached 266.4 million BOE and 46,877 BOE/day, respectively, representing approximately 8.4% and 5.2%, respectively, of the Company's total reserves and daily production.

Argentina

In March 2010, the Company announced to reorganize Bridas into a 50-50 joint venture with BEH for approximately US$3.1 billion in cash. With the completion of the transaction, each of the Company and BEH holds a 50% interest in Bridas, and makes management decisions jointly. Bridas holds a 40% interest in Pan American Energy in Argentina ("PAE").

Through its affiliates (including the interest in PAE), Bridas maintains oil and gas exploration and production activities in Argentina. Following the acquisition, the Company has deployed senior management staff to participate in the daily management of Bridas. In 2011, the enhanced recovery measures of Bridas' major producing blocks took effect and kept production stable, making a significant contribution to the production growth of the Company.

In November 2010, Bridas and BP PLC ("BP") entered into a share purchase agreement under which Bridas proposed to acquire the 60% interests in PAE held by BP. In November 2011, Bridas sent to BP a letter to terminate the agreement. As a result of the termination, the Company would continue its participating interest in PAE through Bridas in accordance with the original co-management arrangement with BEH.

SALES AND MARKETING

Sales of Crude Oil

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

The Company's crude oil sale prices are mainly determined by the prices of international benchmark crude oil of similar quality, with certain premiums or discounts subject to prevailing 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 2011, the international crude oil market continued to be affected by contingencies and geopolitical tensions, with the international oil prices (Brent) staying at high levels most of the time. Meanwhile, the upgrading of refineries in Asia in recent years increased the refining capacity of heavy oil; the earthquake and tsunami in Japan, coupled with the escalation of conflicts in the Middle East and North Africa regions, further boosted the benchmark crude oil prices in the Far East. Overall, the demand for crude oil, product oil and fuel oil in Asia remained strong and further pushed up the oil prices in the Far East in 2011.

Capturing the opportunities of strong demand for crude oil in China and the higher benchmark oil prices in the Far East, the Company has been closely monitoring market movements and meeting the customers' demand to keep the Company's average realized oil price at a higher level. In 2011, the Company's average realized oil price was US$109.75/barrel, representing an increase of 40.8% year over year.

Sales of Natural Gas

The Company's natural gas sales prices are determined by the Company's negotiations with its customers. The Company's natural gas sales agreements are generally long-term contracts, which normally provide the periodic price adjustment mechanism. The Company's natural gas customers are primarily located on the southeastern coast of China, including Hong Kong Castle Peak Power Company Limited, CNOOC Gas and Power Group, and China BlueChemical Ltd.

The LNG sourced by the Company from the North West Shelf Project in Australia and the Tangguh LNG Project in Indonesia is mainly based on long-term supply contracts and is sold to various customers in the Asia-Pacific region, including LNG Terminals in Guangdong Dapeng and Fujian Putian, China.

In 2011, the Company's average realized gas price was US$5.15/Mcf, representing a 14.7% increase over the previous year, which is mainly benefitted from: (i) the Company's negotiation with major customers that increased the sales price after the PRC government raised the onshore natural gas benchmark price in the first half of 2010; (ii) higher price for natural gas from oil and gas fields that have commenced production recently; (iii) higher sales price for certain production of Tangguh LNG in Indonesia in the spot market.

RESEARCH AND DEVELOPMENT (R&D)

In 2011, the Company continued to focus on the R&D of exploration, development and engineering of offshore oil and gas to secure stable growth in reserves and production. The Company has applied certain research findings to the operations and generated positive results, and one of the exploration research findings was honored with the Second-Class State Technological Progress Award of China in 2011.

Major Scientific Project Development

With a view to strengthening the Company's key technologies and proactively developing technologies for the Company's sustainable development in the mid to long term, the Company has established a number of major projects on key technologies in 2011, mainly focusing on major technology aspects including: new areas and technologies for offshore oil exploration, efficient development and enhancement of oil recovery of offshore oilfield, deepwater oilfield development projects and exploration and development for low porosity and low permeability oil and gas fields.

In addition, the Company has been engaged for a number of Chinese national research projects such as "Formation and exploration technologies of large and medium-sized offshore oil and gas fields", and has made steady progress in 2011.

Innovative Development of Key Technologies

To provide strong technical support for new discoveries of oil and gas reserves and to maintain and increase oil and gas production, the Company increased the research and application of its exploration development technology in 2011. By using the new technology combined with exploration, drilling and testing, the Company successfully conducted drilling at the Bozhong 21-2-1 wildcat, the deepest exploratory well in Bohai, at a depth of 5,141 meters with the discovery of natural gas, which substantially expanded the exploration territory of Buried Hill Structure in Bohai.

Oil pipeline acidizing technology was first applied to the horizontal wells in the Bohai oilfield, which effectively reduced pollution and improved the production capacity. In the Suizhong 36-1 oilfield, blockage removal technology for horizontal wells has been successfully applied to six production wells, enhancing the osmotic pressure of oil pay with increased yield.

In addition, the Company's drilling and construction works achieved innovative technology breakthroughs. The Yacheng 13-1 gas field achieved a success in well completion technology of high temperature and ultra-low pressure drilling, ensuring safe drilling operations with significant difference in drilling pressure.

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 the Committee. The Company cannot invest in any projects that have been vetoed by the Committee. Therefore, decision making risks can be minimized by implementing the appropriate mechanisms.

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 that such regulations not only represent regulatory requirements imposed by the market, but also motivate the Company to improve its management system and create value for its 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.

In respect of risk management, in 2007, the Company officially adopted the COSO-ERM framework to ensure that all key risk factors are closely monitored and to keep the risk impact to the minimum.

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 of a more robust development.

HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION (HSE)

As an offshore exploration and production company, the Company faces significant operational risks and always emphasizes on HSE. The Company promotes the philosophy and culture of HSE among its employees. The Company strives to establish a comprehensive management system to improve the employees' awareness of HSE during operations and strengthen their risk identification and risk management skills.

Facing the complex situation of safety and environmental protection, the Company continued to improve the management system and promote intrinsic safety management while strengthening inspection and training as well as improving emergency response in 2011.

In 2011, the Company continued to enhance the risk identification and control on HSE and tried to identify and prevent key risks. The Company conducted investigations on four branches in China and timely rectified the potential risks identified in respect of certain safety and environmental protection issues. The Company prepared a report to summarize the self-examination results of all business units.

The Company conducted safety inspections on all oil and gas fields as well as the production facilities to prevent 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 has also imposed HSE standards on its 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.

In order to improve the emergency response capability, the Company's headquarters conducted numerous professional trainings in areas such as safety certifications and safety supervision in 2011. More than 400 person-times of employees participated in these trainings. Further, over 30,000 person-times of staff members and contractors attended the professional trainings conducted by various branches of the Company.

In 2011, there was no accident causing critical casualties. The Company's Occupational Safety and Health Administration ("OSHA") statistics maintained at a good level, and the Company's 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	11,251,681	5	0.09	3	0.05	62	1.10	0
Staff of the Company and direct contractors	66,079,145	47	0.14	26	0.08	932	2.82	0

Review on oil spill accidents of Penglai 19-3 oilfield

Penglai 19-3 oilfield, located in Bohai, is an oilfield operated under a PSC, pursuant to which COPC is the operator and responsible for the daily operations of the oilfield.

According to the report from the operator, a seepage of oil from the seabed was found near Platform B in early June 2011. It was also observed in mid June that a small-scale influx occurred in one of the wells being drilled in Platform C, resulting in another oil spill.

After the accident occurred, the Company, in accordance with the provisions provided in related contracts and agreements and upon the request of the operator, initiated the emergency response plan and deployed numerous personnel and resources to assist and support the operator on the oil spill follow-up work.

On 13 July 2011, the operator informed the Company that the SOA requested the operator to suspend production from Platforms B and C until the risk of oil spill has been eliminated.

On 2 September 2011, the SOA ordered the operator to suspend water injection, drilling and oil and gas production operations (the "Three Suspensions") at the entire Penglai 19-3 oilfield; to take effective measures to continue screening out the potential oil spill risks, seal all sources of oil spillage and complete the cleanup work in a timely manner; to recompose the EIA for the development of Penglai 19-3 oilfield and, upon further approval on the EIA, to resume the operations gradually; to revise the ODP, and the "Three Suspensions" will only be lifted after the approval of the ODP.

On 12 September 2011, CNOOC announced that it approved the Depressurization Plan and Sealing Plan of the operator.

On 11 November 2011, the SOA announced the investigation conclusion made by the joint investigation team of the government that, "ConocoPhillips China Inc. violated the Overall Development Plan during the production operation on Penglai 19-3 oilfield, had defects in its procedures and management, and did not take necessary measures after obvious accident signs emerged, which altogether eventually resulted in an accident involving liabilities, causing significant oceanic pollution by oil spill."

CORPORATE CITIZEN

The Company always aims at becoming and remaining an outstanding corporate citizen and is committed to social responsibility. The Company is required not only to enhance its core competitiveness, achieve sustainable development and create value for its shareholders, but also to pay close attention to the interests of other stakeholders, so as to accomplish harmonious developments between the enterprise and the society, as well as between humanity and nature.

The Company's social responsibility ideology is to become a driving force for sustainable energy supply, a leading force for clean and green energy development and a motivating force for harmonious development of the stakeholders and the society.

By continuing to follow the above ideology, the Company fulfilled its social responsibilities in 2011 primarily in three key areas:

1. A driving force for sustainable energy supply

The Company achieved significant progress in exploration, development and production in 2011 with 16 new discoveries of oil and gas and maintained stable growth in oil and gas reserves and production.

The Company also made significant progress in overseas development through engaging in the Niobrara Shale Project in the U.S. and the acquisition of OPTI in Canada to further expand the Company's investment in unconventional oil and gas fields, which provides a resource base for the Company's long-term development.

With increasing reserves and production volume, the Company has gradually broadened its energy supply to the PRC and the world and become a driving force for sustainable energy supply. We regard this as the most important part of our social responsibility.

2. A leading force for clean and green energy development

In 2011, the Company increased its participation in the shale oil and gas project in North America while developing the conventional natural gas business. In the PRC, the Company acquired a shale gas block in Anhui province and commenced exploration works. In the future, the Company plans to continue developing clean energy to create a better environment.

In 2011, the Company strengthened its safety and environmental protection measures and effectively improved its HSE capability.

In addition, the Company continued to encourage energy conservation. As a result, unit energy consumption and carbon dioxide emissions were under effective control.

3. A motivating force for the harmonious development of the stakeholders and the society

In 2011, the Company participated in various charitable activities such as helping the poor and the students in need, and donating to disaster victims. During the year, the Company continued to fulfill its donation commitment to the Sichuan earthquake-hit areas. In addition to the assistance fund provided to the disaster zones in each of 2008, 2009 and 2010, the Company, by way of cost reduction and efficiency enhancement, donated an additional RMB70 million for the reconstruction of the disaster zones.

In 2011, the Company assisted in improving the learning conditions of children in 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 outstanding students from mainland China to attend this university.

The Company was also involved in community building by encouraging a harmonious environment between the enterprise and the community in order to achieve mutual benefit and promotion. In 2011, the Company's operating vessels participated in a number of marine rescues. The Company rescued drowning fishermen and cargo ship crew members on several occasions.

At the end of December 2011, CNOOC officially submitted a registration application to the Ministry of Civil Affairs of the People's Republic of China for establishment of "CNOOC Marine Environmental and Ecological Protection Public Welfare Foundation" ("the Foundation"). The Foundation was launched by CNOOC and will focus primarily on marine environmental and ecological protection as well as related scientific research and technology advancement and other charitable public welfare projects. Upon approval on the registration, the Foundation will prioritize the work on marine environmental protection and comprehensive treatment. CNOOC Limited, as the donator, contributed RMB500 million to protect the marine environment and restore the marine ecosystem.

The Company actively carries out its social responsibility in overseas as well. The Company donated A$100,000 to the Queensland government for the flood victims in Australia and donated disaster relief of US$50,000 to the debris-flows-stricken Bulambuli District in Eastern Uganda.

In 2012, the Company plans to republish its "Corporate Social Responsibility Report" to summarize its social responsibility performance.

Human Resources

Human resources are the Company's valuable assets. Throughout the years, the Company has built a professional and highly efficient work force, who are capable of tackling the challenges. This is essential to the Company's success. In order to meet the growing demand for human resources as a result of its rapid growth, in 2011, the Company conducted organizational integration and restructuring, performance evaluation, occupational qualification, cultivation of international talents, and establishment of talent task force.

Organizational integration and restructuring
To cope with its rapid development, the Company consolidated the responsibilities of various departments and streamlined their structure through restructuring in 2011.

Optimizing the performance evaluation system
In 2011, leveraging its experience of performance evaluation in 2010, the Company further adjusted the performance evaluation benchmark for various departments, each of which has established a self-evaluation mechanism.

Establishing an occupational qualification system
In 2011, the Company further improved and applied the capability model for professional and technical personnel in order to provide a scientific and reliable standard, professional and effective training system, reasonable and objective assessment and evaluation system as well as an auxiliary appraisal system for promotion. The Company believes this would help to increase their morale and cultivate an explorative and creative atmosphere.

Cultivation of international talents force
To cultivate international management and technical talents, in 2011, the Company provided its international talents with trainings such as domestic full-time training, overseas technical degrees, domestic and overseas MBA educations as well as overseas short-term trainings.

Establishing a talent force
In 2011, the Company focused on recruiting senior professionals that it needed, and established a mechanism to attract and retain talents. The Company also established a scientific and systematic evaluation mechanism. To better motivate its talents, the Company established and continuously improved its recruitment and compensation incentive mechanism.

Strengthening operations and staff training
In 2011, the Company promoted the principle of "five-goods" (namely, good HSE, good task completion, good on-site management, good cost savings and good team building) for offshore operations to improve the management of offshore production facilities and the execution capability of the team.

In 2011, the Company conducted 6,492 trainings with 72,782 person-times of 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 2011, the Company was awarded the "Corporate Governance Asia Recognition Awards — One of the Best Companies in China" for the third consecutive year 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 2011, 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") and will comply with the Corporate Governance Code and Corporate Governance Report (the "New CG Code") as set out in Appendix 14 of the Listing Rules with effect from 1 April 2012, 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. The Company values the importance of corporate governance and in light of the recently published New CG Code, the Company has enhanced the disclosure of summary of the Company's key corporate governance practices during 2011 below.

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 its leadership and control and be collectively responsible for promoting its success by directing and supervising its affairs. Directors should take decisions objectively in the best interests of the issuer. The board should regularly review the contribution required from a director to perform his responsibilities to the issuer, and whether he is spending sufficient time performing them."

- The Board consisted of ten members, including two Executive Directors, four Non-executive Directors and four Independent Non-executive Directors, as of 31 December 2011.

- The list of Directors, their respective biographies, and their respective roles in the Board Committees and the management are set out on pages 40 to 45 and 135 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 meeting are held at least four times a year at approximately quarterly intervals. Seven Board meetings have been held in 2011. In addition to the Board meetings, 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.

- The Board will regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether he is spending sufficient time performing them in accordance with the New CG Code which will become effective from 1 April 2012.

Attendance at full Board meetings in 2011:

	No. of Meetings attended (7 meetings in total) by Director	by alternate
Executive Directors		
Li Fanrong	7	0
Wu Guangqi (Note 1)	4	3
Non-executive Directors		
Wang Yilin (Chairman) (Note 2)	4	0
Fu Chengyu (Former Chairman) (Note 3)	3	0
Yang Hua (Vice Chairman) (Note 4)	7	0
Zhou Shouwei (Note 5)	5	2
Wu Zhenfang	7	0
Independent Non-executive Directors		
Edgar W. K. Cheng (Note 6)	4	2
Chiu Sung Hong	7	0
Lawrence J. Lau	7	0
Tse Hau Yin, Aloysius	7	0
Wang Tao	7	0

Note 1: Mr. Wu Guangqi appointed Mr. Yang Hua as his alternate to attend the Board meeting via teleconference held on 4 January 2011 and to vote on his behalf. Mr. Wu Guangqi appointed Mr. Yang Hua as his alternate to attend the Board meeting held on 27 May 2011 and to vote on his behalf. Mr. Wu Guangqi appointed Mr. Li Fanrong as his alternate to attend the Board meeting via teleconference held on 14 July 2011 and to vote on his behalf.

Note 2: Mr. Wang Yilin was appointed as Chairman of the Board and Non-executive Director of the Company on 15 April 2011.

Note 3: Mr. Fu Chengyu resigned as Chairman of the Board and Non-executive Director of the Company on 15 April 2011.

Note 4: Mr. Yang Hua resigned as Chief Executive Officer of the Company and was re-designated from Executive Director to Non-executive Director of the Company with effective from 23 November 2011.

Note 5: Mr. Zhou Shouwei appointed Mr. Yang Hua as his alternate to attend the Board meeting via teleconference held on 4 January 2011 and to vote on his behalf. Mr. Zhou Shouwei appointed Mr. Yang Hua as his alternate to attend the Board meeting held on 24 August 2011 and to vote on his behalf.

Note 6: Dr. Edgar W. K. Cheng appointed Professor. Lawrence J. Lau as his alternate to attend the Board meetings via teleconference held on 4 January 2011 and 15 April 2011. On 3 November 2011, Dr. Edgar W. K. Cheng resigned as Independent Non-executive Director and a member of the Nomination Committee of the Company due to personal health reason.

- 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 two 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.

- 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 within a reasonable time 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 will not be dealt with by a written resolution but a Board meeting will be convened for that matter. Independent Non-executive Directors who have no material interest in the transaction will be present at such Board meeting.

- The Company has arranged appropriate insurance cover in respect of legal action against its Directors.

A.2 Chairman and Chief Executive

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

- The roles of the Chairman and CEO of the Company are separate and are not performed by the same individual. Mr. Wang Yilin serves as the Chairman of the Board and Mr. Li Fanrong serves as the CEO of the Company.

- The Chairman ensures that all Directors are properly briefed on issues arising at Board meetings and is responsible for ensuring that Directors receive, in a timely manner, adequate information, which must be accurate, clear, complete and reliable.

- One of the important roles of the Chairman is to provide leadership for the Board. The Chairman ensures that the Board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. The Chairman delegates the responsibility of drawing up the agenda for each board meeting to the Joint Company Secretary who will take into account, where appropriate, any matters proposed by the other Directors for inclusion in the agenda, and the Chairman is primarily responsible for approving the agenda.

- The Chairman takes primary responsibility for ensuring that good corporate governance practices and procedures are established.

- The Chairman encourages all Directors to make a full and active contribution to the Board's affairs and takes the lead to ensure that the Board acts in the best interests of the Company. The Chairman encourages Directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that Board decisions fairly reflect Board consensus.

- The Chairman holds meetings with the Independent Non-executive Directors without the Executive Directors present at least annually.

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- The Chairman ensures that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the Board as a whole.

- The Chairman promotes a culture of openness and debate by facilitating the effective contribution of Non-executive Directors and Independent Non-executive Directors in particular and ensuring constructive relations between executive and non-executive directors.

- The CEO 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 Chairman and the CEO 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.

A.3 Board composition

Principle: "The board should have a balance of skills and experience appropriate for the requirements of the issuer's business. It should ensure that changes to its composition can be managed without undue disruption. It 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."

- 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's value with the highest standards of integrity and ethics. 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.

- As of 31 December 2011, the Board consisted of ten members: two of them were Executive Directors, four of them were Non-executive Directors and four of them were Independent Non-executive Directors. All Directors were identified by categories of Executive Directors, Non-executive Directors and Independent Non-executive Directors in all corporate communications that set out the names of the Directors of the Company. An updated list of the Directors identifying their role and function has been published and maintained on the Company's website and on the Hong Kong Stock Exchange's website.

- The Executive Directors of the Company are all individuals with immense experience in the Company's respective fields of operation. Both of them are engineers who are familiar with the Company's businesses and have cooperated with leading global players in the oil and gas industry. Mr. Wu Guangqi and Mr. Li Fanrong have around 30 years experience in petroleum exploration and operation respectively.

- 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 30 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, economic, financial and investment fields. They have extensive experience and knowledge of corporate management, making significant contributions to the Company's strategic decisions.

- 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 diverse backgrounds of the Board members ensure that they can fully represent the interests of all shareholders of the Company.

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- 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 of the Independent Non-executive Directors are independent.

A.4 & A.5 Appointments, re-election and removal & Nomination Committee
Principle: "There should be a formal, considered and transparent procedure for the appointment of new directors. There should be plans in place for orderly succession for appointments. 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 two Independent Non-executive Directors (Professor Lawrence J. Lau and Mr. Wang Tao) and a Non-executive Director (Mr. Zhou Shouwei) as of 31 December 2011 with Mr. Zhou Shouwei as the Chairman of the Nomination Committee. For the purpose of fully complying with the New CG Code in respect of the requirement on the Chairman of the Nomination Committee, Mr. Wang Yilin, the Chairman of the Board, was appointed as the Chairman of the Nomination Committee with effect from 28 March 2012 and Mr. Zhou Shouwei ceased acting as the Chairman and a member of the Nomination Committee with effect from the same day. A list of the present members of the Nomination Committee is set out under the section headed "Company Information" on page 135 of the annual report.

- The role of the Nomination Committee is to determine the policy and 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 to serve as directors and senior management of the Company 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. When nominating an Independent Non-executive Director who has served the Company for more than nine years, the Board will propose that the shareholders vote by way of a separate resolution on any decision to retain such Independent Non-executive Director and include in the circular to shareholders the reasons why the Board considers such Director to still be independent and shall be re-elected.

- 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 recommendation 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).

- Our Non-executive Directors are appointed for a term of one year. However, none of existing Independent Non-executive Directors are appointed for a specific term, which constitutes a deviation from the CG Code provision. Further explanation is set out under the section of "Compliance with the code on corporate governance practices" on page 36.

- All Directors, including those appointed for a specific term are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Articles of Association of the Company (as amended and adopted by special resolution of the Company on 27 May 2009) ("Articles") and the CG Code.

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

— Reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and its committees and made recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

— Identified individuals suitably qualified to become Board members and selected or made recommendations to the Board on the selection of individuals nominated for directorships.

— Assessed the independence of Independent Non-executive Directors.

— Made recommendations to the Board on relevant matters relating to the appointment or re-election of Directors.

- Following the adoption of the new CG Code, the Nomination Committee will make recommendations to the Board on the succession planning for Directors, in particular the Chairman and CEO.

- During the year ended 31 December 2011, the Nomination Committee recommended to the Board the following candidates as Directors according to the nomination policy and procedure of the Nomination Committee:

— the appointment of Mr. Wang Yilin as Chairman of the Board and Non-executive Director of the Company

— the re-election of Mr. Wang Yilin as Non-executive Director, Mr. Li Fanrong as Executive Director, Professor. Lawrence J. Lau and Mr. Wang Tao as Independent Non-executive Directors of the Company

— the re-designation of Mr. Yang Hua from Executive Director to Non-executive Director of the Company

Attendance of individual members at Nomination Committee meetings in 2011

Directors	No. of Meetings attended (3 meetings in total) by committee member	by alternate
Zhou Shouwei (Chairman) (Note 1)	2	1
Edgar W. K. Cheng (Note 2)	0	2
Lawrence J. Lau	3	0
Wang Tao	3	0

Note 1: Mr. Zhou Shouwei appointed Mr. Wang Tao as his alternate to attend the Nomination Committee meeting held on 22 March 2011 and to vote on his behalf. With effect from 28 March 2012, Mr. Wang Yilin was appointed as the Chairman of the Nomination Committee and Mr. Zhou Shouwi cease serving as Chairman and a member of the Nomination Committee any longer.

Note 2: Dr. Edgar W. K. Cheng appointed Professor Lawrence J. Lau as his alternative to attend the Nomination Committee meeting held on 22 March 2011 and to vote on his behalf. Dr. Edgar W. K. Cheng appointed Professor Lawrence J. Lau as his alternative to attend the Nomination Committee meeting via teleconference held on 15 April 2011 and to vote on his behalf. On 3 November 2011, Dr. Edgar W. K. Cheng resigned as Independent Non-executive Director and a member of the nomination committee of the Company due to personal health reason.

A.6 Responsibilities of Directors

Principle: "Every director must always know his responsibilities as a director of an issuer and its conduct, business activities and development. 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 appraised of the latest developments relevant to the operations and business of the Company, and their responsibilities under statutes and common law, the Listing Rules, legal and other regulatory requirements as well as the Company's business and governance policies, so that they are able to discharge their responsibilities properly. Directors will participate in continuous professional development to develop and refresh their knowledge and skills, including but not limited to training arranged by the Company on the roles, functions and duties of a listed company's director according to the requirements of the New CG Code with effect from 1 April 2012.

- The Non-executive Directors and the Independent Non-executive Directors actively participate in Board meetings and Committees meetings to exercise their independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct of the Company. They are responsible for taking the lead where potential conflicts of interest arise.

- The Non-executive Directors and the Independent Non-executive Directors are invited to serve on the Audit, Remuneration and Nomination Committees of the Company.

- During 2011, each Non-executive Director or Independent Non-executive Director attended or otherwise appointed an alternate to attend all regularly scheduled meetings of the Board and Committees on which such Non-executive Director or Independent Non-executive Director sat in, and reviewed the meeting materials distributed in advance for such meetings and shared their skills and expertise with the Board or the relevant Committee. All of the Non-executive Directors and Independent Non-executive Directors of the Company make a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments. Following the adoption of the New CG Code, the Non-executive Directors and the Independent Non-executive Directors will be responsible for scrutinising our performance in achieving agreed corporate goals and objectives and monitoring our performance reporting.

- Mr. Wang Yilin, Chairman of the Board, Mr. Yang Hua, Vice Chairman of the Board, together with several Independent Non-executive Directors (Mr. Chiu Sung Hong, Professor Lawrence J. Lau and Mr. Tse Hau Yin, Aloysius), attended the annual general meeting in 2011 and responded to questions raised by the shareholders. Following the adoption of the New CG Code, the Non-executive Directors and Independent Non-executive Directors will attend general meetings of the Company where practicable.

A.7 Supply of and access to information

Principle: "Directors should be provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and perform their duties and responsibilities."

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

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by professional advisers on specific transactions as appropriate.

- For regular Board meetings and Board Committee meetings, the agenda and accompanying Board papers are 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, who will provide full and prompt response to queries raised by the Directors. All Directors are entitled to have access to Board papers, minutes and related materials upon reasonable notice.

B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND BOARD EVALUATION

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

Principle: "An issuer should disclose its directors' remuneration policy and other remuneration related matters. The procedure for setting policy on executive directors' remuneration and all directors' remuneration packages should be formal and transparent. Remuneration levels should be sufficient to attract and retain directors to run the company successfully without paying more than necessary. No director should be involved in deciding his own remuneration."

- The Remuneration Committee currently comprises two Independent Non-executive Directors (Mr. Chiu Sung Hong and Mr. Tse Hau Yin, Aloysius) and one Non-executive Director (Mr. Wu Zhenfang) with Mr. Chiu Sung Hong as the Chairman of the Remuneration Committee. The Remuneration Committee is delegated with the authority for determining 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 135 of the annual report.

- The major responsibilities and authorities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure of the remuneration of Directors and senior management of the Company, determining the service contracts and 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 making 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 industry standards and prevailing market conditions. The Remuneration Committee is mindful that levels of remuneration must be sufficient to attract and retain the Directors and senior management is needed to run the Company successfully, but at the same time the Company should avoid setting remunerations which are in excess of those necessary for this purpose. The Directors' emolument package comprises the Director's fees, basic salaries and allowances, bonuses, share options and others. The following factors are considered in determining the Directors' remuneration package:

— Business needs and company development;

— Responsibilities of the Directors and their individual contribution;

— Changes in appropriate markets, for example, supply/demand fluctuations and changes in competitive conditions; and

— The desirability of performance-based remuneration.

Details of the remuneration, as well as the share option benefits of Directors for the year ended 31 December 2011, are set out on pages 88 to 89 of the annual report.

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

The Company seeks to apply similar principles when determining the remuneration packages for senior management with reference to the board's corporate goals and objectives. Other general staff, and employees are rewarded on a performance-rated basis with other fringe benefits such as social insurance, pension funds and medical cover.

Please refer to notes 10 and 11 to the financial statements on pages 88 to 90 for details of Directors' remuneration and senior management's remuneration by band 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 is determined by the Board where the vote of the Directors concerned will not be counted in relation to their remuneration.

- The Remuneration Committee also administers 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 consults the Chairman and CEO about its proposal relating to the remuneration of other Executive Directors and have access to independent professional advice if necessary.

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

— Reviewed and approved the remuneration packages of the Company's individual Executive Directors and senior management of the Company;

— Made recommendations to the Board on the Company's policy and structure for Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

— Assessed performance of Executive Directors and approved the terms of their service contracts;

— Made recommendations to the Board on the remuneration of the Company's Non-executive Directors;

— Made recommendations to the Board regarding the adoption of share option schemes and any other equity-based compensation plans; and

— Evaluated and assessed the effectiveness of the Remuneration Committee and the adequacy of the Remuneration Committee Charter and recommended the proposed changes to the Board.

Attendance of individual members at Remuneration Committee meetings in 2011

Directors	No. of Meetings attended (4 meetings in total) by committee member	by alternate
Chiu Sung Hong (Chairman)	4	0
Tse Hau Yin, Aloysius	4	0

Wu Zhenfang	4	0

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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, by providing of a monthly management report, to ensure that the Board 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.

- Directors of the Company will also discuss and analyse the performance of the Group, the long term business model and corporate strategies of the Company for achieving the Company's objectives and generating or preserving value over the longer term. Please refer to the relevant section in Management's Discussion and Analysis on pages 53 to 59 for details.

- 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.

- 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, the 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 reports, interim reports and announcements made through the Hong Kong Stock Exchange's website and the Company's website, 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 117 to 129).

- The Company's Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern as referred to in C.1.3 of the CG Code.

- The statement by the auditor of the Company regarding its reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 60.

C.2 Internal controls

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

- The Directors regularly receive reports from the management of the Company regarding the establishment, review and evaluation of the Company's financial, operational and compliance, 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. The Company would review, among other things, adequacy of resources, staff's qualifications and experience, training programmes and budget of our accounting and financial reporting functions.

- The Company has established and maintains 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. Based on the Company's strategies, the Investment and Risk Management Committee 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 omissions resulting from financial reporting.

- 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 conducts 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 2011, and has not discovered any material weakness through the evaluation. On the basis of such evaluation, the Directors consider that as of 31 December 2011, 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, and made a reference to the "Basic Standard for Enterprise Internal Control" and its ancillary guidelines which were issued by PRC regulatory authorities so that sufficient attention and monitoring will be paid to all key business risks of the Company.

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 to consider how it will apply financial reporting and internal control principles and maintain an appropriate relationship with the issuer's auditors. The audit committee established under the 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 135 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.

- 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 omissions resulting from financial reporting. The Audit Committee also meets at least twice a year with our external auditors.

- 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 they are tabled to the Board for approval, and discussed with senior management and the external auditors over such accounts;

— 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; and

(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;

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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 and approved the Company's audit and non-audit 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;

– 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; and

– Reviewed the arrangements by which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and ensure that proper arrangements are in place for fair and independent investigation and for appropriate follow-up actions.

• 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 provided with sufficient resources, including independent access to and advice from external auditors.

Attendance of individual members at Audit Committee meetings in 2011

Independent Non-executive Directors	No. of Meeting attended (4 meetings in total) by committee member	by alternate
Tse Hau Yin, Aloysius (Chairman and Financial Expert)	4	0
Chiu Sung Hong	4	0
Lawrence J. Lau	4	0

D. DELEGATION BY THE BOARD

D.1 Management functions

Principle: “An issuer should have a formal schedule of matters specifically reserved for board approval. The board should

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give clear directions to management on the matters that must be approved by it before decisions are made on the issuer's behalf."

- 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 Board delegates its management and administration functions to management and gives clear directions as to the powers of management at the same time, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on the Company's behalf of the Company.

- The day-to-day management is conducted by senior management and employees of the Company, under the direction of the CEO 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 Company formalises the functions reserved to the Board and those delegated to management and reviews those arrangements periodically to ensure that they remain appropriate to the Company's needs.

- The primary functions performed by the Board include:

(i) Reviewing and approving long-term strategic plans and annual operating plans, and monitoring the implementation and execution of those plans;

(ii) Reviewing and approving significant financial and business transactions and other major corporate actions; and

(iii) 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.

- The Board and the senior management have respective responsibilities, accountabilities and contributions. The primary functions performed by the senior management are to conduct the daily business and implement the above-mentioned affairs approved and delegated by the Board and other matters as the Board may from time to time request.

- Following the adoption of the New CG Code, the Directors will review such delegation arrangements periodically to ensure they remain appropriate to our needs.

- Directors clearly understand delegation arrangements in place. The Company has formal letters of appointment for directors setting out the key terms and conditions of their appointment.

D.2 & D.3 Board Committees & Corporate Governance Functions
Principle: "Board committees should be formed with specific written terms of reference which deal clearly with their authority and duties."

- The Company has established an Audit Committee, a Remuneration Committee and a Nomination Committee (each a "Committee") and has established a specific written committee charter (the "Charter") which deal clearly with its authority and duties. The Charters of the Committees are published on the websites of the Hong Kong Stock Exchange and the Company. These Committees will report to the Board on their decisions and recommendations.

- The Board has delegated the responsibility for performing certain corporate governance related duties and functions to the Audit Committee and the Nomination Committee.

- The Audit Committee shall review the Company’s business ethics and compliance policies, related reports and training

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programs as appropriate and shall also be responsible for performing the corporate governance duties set out below:

(i) Developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the board;

(ii) Reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements and make recommendations to the Board in that regard;

(iii) Developing, reviewing and monitoring the Code of Ethics for Directors and Senior Officers and make recommendations to the Board in that regard; and

(iv) Reviewing the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report and make recommendations to the Board in that regard.

- The Nomination Committee shall be responsible for reviewing and monitoring the training and continuous professional development of directors and senior management and make recommendations to the Board in that regard.

E. COMMUNICATION WITH SHAREHOLDERS

E.1 Effective communication

Principle: "The board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with them 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, and the external auditors of the Company, are available to answer questions from shareholders at annual general meetings and extraordinary general meetings of the Company.

- The Chairmen of the Board and all Committees, or in his absence an alternate appointed by him will, whenever possible, propose separate resolutions for each substantially separate issue at general meetings of the Company.

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The Company's management ensures the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

•The Board established a shareholders' communication policy and review it on a regular basis to ensure its effectiveness.

E.2 Voting by Poll

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

- In 2011, all votes of shareholders at the general meeting of the Company were taken by poll or otherwise in accordance with the Listing Rules. The Chairman of a meeting ensured that shareholders were familiar with the procedures of voting by poll in the general meeting of the Company.

- The results of the poll are published on the Hong Kong Stock Exchange's website and the Company's website.

F. Company Secretary

Principle: "The company secretary plays an important role in supporting the board by ensuring good information flow within the board and that board policy and procedures are followed. The company secretary is responsible for advising the board through the chairman and/or the chief executive on governance matters and should also facilitate induction and professional development of directors."

- During 2011, Mr. Jiang Yongzhi and Ms. Tsue Sik Yu, May acted as the Joint Company Secretaries of the Company. On 22 March 2012, Mr. Jiang Yongzhi resigned as Joint Company Secretary and Mr. Zhong Hua was appointed as Joint Company Secretary of the Company with effect from the same day. The biographies of Mr. Zhong Hua, Ms. Tsue Sik Yu, May and Mr. Jiang Yongzhi are set out on page 45 of this report. The Nomination Committee of the Company has the responsibility to make recommendation for suitable candidates for the appointment of company secretary to the Board and the Board has the responsibility to approve their selection, appointment or dismissal by physical meeting of the Board.

- The Joint Company Secretary will report to Chairman of the Board and/or the CEO.

- Following the adoption of the New CG Code, each of the Joint Company Secretaries will take no less than 15 hours of relevant professional training.

- 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.

SHAREHOLDERS' COMMUNICATION AND RIGHTS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

The procedures for shareholders to convene an Extraordinary General Meeting of the Company ("EGM") are governed by Article 60 of the Articles and section 113 of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong). On the requisition of shareholders of the Company holding at the date of lodgement of the requisition not less than one twentieth of such of the paid-up share capital of the Company as at the date of lodgement carries the right of voting at general meetings, the Directors must proceed duly to convene an EGM.

The requisition must state the objectives (which must be capable of being effectively achieved) of the meeting, be signed by the shareholders who propose to convene the meeting, and be lodged at the registered office of the Company. The Directors must thereafter within 21 days from the lodgement of the requisition proceed duly to convene a meeting for a day not more than 28 days after the date on which the notice convening the meeting is given.

Whilst giving the above requisition, shareholders are recommended to provide written explanation of the reasons and material implications relating to the proposed resolution to enable all of the shareholders to properly consider and determine the proposed resolution.

The Company will, upon receipt of a properly lodged requisition referred to above, issue a notice of extraordinary general meeting of the proposed resolutions and (if applicable) circulars containing further information relating to the proposed resolution in accordance with the Listing Rules.

Further enquiries relating to the above or enquiries that Shareholders wish to be put to the Board may be addressed to the Joint Company Secretaries of the Company at 65/F, Bank of China Tower, 1 Garden Road, Hong Kong.

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 2011, except for deviation from provision A.4.1 only. The following summarises the requirement under the relevant CG Code provision and the Company's reasons for such deviation.

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 Independent Non-executive Directors of the Company have retired from the office by rotation and have been re-elected in the past three years. 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.

CHANGES IN DIRECTORS AND SENIOR MANAGEMENT

During the year ended 31 December 2011, there were following changes in Directors and senior management.

On 15 April 2011, Mr. Fu Chengyu resigned as Chairman of the Board of Directors and Non-executive Director of the Company and Mr. Wang Yilin was appointed as Chairman of the Board of Directors and Non-executive Director of the Company with effect from the same day.

On 3 November 2011, Dr. Edgar W. K. Cheng resigned as independent non-executive director and a member of the nomination committee of the Company due to personal health reason.

On 23 November 2011, Mr. Yang Hua resigned as CEO of the Company and was re-designated from an Executive Director to a Non-executive Director of the Company. Mr. Yang continues to serve as the Vice Chairman of the Board. Mr. Li Fanrong was appointed as CEO of the Company on the same day.

On 22 March 2012, Mr. Jiang Yongzhi resigned as Joint Company Secretary and Mr. Zhong Hua, the Chief Financial Officer, was appointed as Joint Company Secretary of the Company with effect from the same day.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B) of the Listing Rules, there is no any other change in information of Directors of the Company except the disclosures in this annual report.

CODE OF ETHICS

The Board adopted a Code of Ethics for Directors and Senior Management ("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. As part of its continued efforts to improve its corporate governance standards, the Board conducted an annual review to the Code of Ethics since 2009, and the current version of the Code of Ethics was reviewed and adopted in August 2011.

The Company has provided all its Directors and senior officers with a copy of the Code of Ethics and requires them to comply with the 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 Code of Ethics. 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 breaches will result in dismissal.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the above-mentioned Code of Ethics which has 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 2011, 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 2011. 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 RMB17.67 million (approximately US$2.61 million) for the financial year ended 31 December 2010 and RMB19.31 million (approximately US$3.06 million) for the financial year ended 31 December 2011.

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 RMB1.64 million (approximately US$0.24 million) for the financial year ended 31 December 2010 and approximately RMB0.68 million (approximately US$0.11 million) for the financial year ended 31 December 2011.

Tax Fees
The aggregate fees billed for professional service rendered by the Auditors for tax compliance, tax advice and tax planning were RMB0.41 million (approximately US$0.06 million) for the financial year ended 31 December 2010 and RMB0.72 million (approximately US$0.11 million) for the financial year ended 31 December 2011.

All Other Fees
The aggregate fees billed for professional service rendered by the Auditors for risk management advisory services, and information systems reviews were RMB0.42 million (approximately US$0.06 million) for the financial year ended 31 December 2010 and RMB1.25 million (approximately US$0.20 million) for the financial year ended 31 December 2011.

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 2010 and for the financial year ended 31 December 2011.

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 Sates 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.cnoocltd.com/encnoocltd/gsgz/socg/default.shtml

Directors and Senior Management

Executive Directors

1	Li Fanrong
2	Wu Guangqi

Non-executive Directors

3	Wang Yilin (Chairman)
4	Yang Hua (Vice Chairman)
5	Zhou Shouwei
6	Wu Zhenfang

Independent Non-executive Directors

7	Chiu Sung Hong
8	Lawrence J. Lau
9	Tse Hau Yin, Aloysius
10	Wang Tao

EXECUTIVE DIRECTORS

Li Fanrong

Born in 1963, Mr. Li is a professor-level senior engineer. He obtained a B.S. degree majoring in oil production from Jiang Han Petroleum Institute (now Yangtze University) 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 28 years. He joined China National Offshore Oil Corporation (the "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 served as an Assistant President of CNOOC. Mr. Li has worked as President of CNOOC Energy Technology & Services Limited since February 2009, and has served 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. He was appointed as Chief Executive Officer of the Company with effect from 23 November 2011.

Wu Guangqi

Born in 1957, Mr. Wu is a geologist, professor-level 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.

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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 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

Wang Yilin

Born in 1956, Mr Wang is a professor-level senior engineer. He graduated from China University of Petroleum majoring in petroleum geology and exploration and received a doctorate degree. He has nearly 30 years of working experience in China's oil and gas industry. From June 1996 to September 1999, Mr. Wang served as the deputy director and chief exploration geologist of Xinjiang Petroleum Administration Bureau. From September 1999 to May 2004, he served as the general manager of Xinjiang Oilfield Company. From June 2001 to May 2004, he served as the senior executive of Xinjiang Petroleum Administration Bureau. From July to December 2003, he served as the Assistant to General Manager of China National Petroleum Corporation ("CNPC"). From December 2003 to April 2011, he served as the Deputy General Manager of CNPC. From July 2004 to July 2007, he also served as the safety director of CNPC. From November 2005 to 14 April 2011, he served as a Director of PetroChina Company Limited, a company listed on the New York Stock Exchange, The Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange respectively. Since 8 April 2011, Mr. Wang serves as Chairman of China National Offshore Oil Corporation. Mr. Wang was appointed as Chairman and Non-executive Director of the Company with effect from 15 April 2011.

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. Mr. Fu resigned as Chairman of the Board of

Directors and Non-executive Director of the Company on 15 April 2011.

Yang Hua

Born in 1961, Mr. Yang is a professor-level 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 30 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, M&A, 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, President of the Company from March 2009 to September 2010, and was appointed as Vice Chairman of the Board and Chief Executive Officer of the Company with effect from 16 September 2010. Mr. Yang also served as an Assistant President of CNOOC from November 2006 to April 2010 and as Vice President of CNOOC from April 2010 to August 2011. Mr. Yang was appointed as Director and President of CNOOC in August 2011. In addition, he serves as Chairman and Director of CNOOC China Limited and CNOOC International Limited, both being subsidiaries of the Company. 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 July 2011, Chairman and Director of CNOOC Southeast Asia Limited, a subsidiary of the Company, from July 2009 to September 2010, Chairman and Director of CNOOC Deepwater Development Limited from January 2010 to September 2010 and a Director of CNOOC Finance Corporation Limited, a subsidiary of CNOOC, from May 2005 to December 2010. Mr. Yang was appointed as an Executive Director of the Company with effect from 31 August 2005. He resigned as Chief Executive Officer of the Company and was re-designated from an Executive Director to a Non-Executive Director of the Company with effect from 23 November 2011.

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.

Wu Zhenfang
Born in 1952, Mr. Wu is a professor-level senior engineer and graduated with a bachelor degree from Dalian University of Technology, majoring in Offshore Petroleum Engineering and Construction. He later received an EMBA degree from 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 was appointed as Vice President of CNOOC in August 2004. Mr. Wu also served as the Chairman and President of CNOOC Gas and Power Group, the 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 Oil & Petrochemicals Co., Ltd., 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 was 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. Dr. Cheng resigned as independent non-executive director and a member of the nomination committee of the Company and the independent non-executive director of Shui On Land Limited due to personal health reason on 3 November 2011.

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 Tianda Holdings Limited (formerly 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 170 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 and 2012 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, Vice-Chairman of CITIC Capital Holdings Limited, Hong Kong, an Independent Non-executive Director of Semiconductor Manufacturing International Corporation, Hong Kong and Far EasTone Telecommunications Company Limited, Taipei. 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 member 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 served as the Honorary Chairman and an Executive Director of Sino Union Energy Investment Group Limited (Formerly 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 30 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 June 2008.

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 is a professor-level senior engineer. He 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 30 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 is a professor-level senior engineer. He received his B.S. degree from China University of Petroleum and MBA from Tsinghua University. He has around 30 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 and Science and Technology Development 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 is a professor-level senior engineer. 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 Manager of Exploration Department of CNOOC Naihai 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.

Zhong Hua
Born in 1960, Mr. Zhong is Chief Financial Officer and Joint Company Secretary 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 30 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. On 22 March 2012, Mr. Zhong was appointed as a Joint Company Secretary of the Company.

Fang Zhi
Born in 1962, Mr. Fang is a Vice President of the Company and the General Manager 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, Manager and Deputy General Manager of Exploration and Development Department of CNOOC Nanhai East Corporation, the 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 General Manager of CNOOC International Limited. In December 2011, Mr. Fang was appointed as Vice President and General Manager of International Cooperation Department of the Company and General Manager of CNOOC International Limited. Mr. Fang also serves as the head of the Foreign Affairs Bureau of CNOOC.

JOINT COMPANY SECRETARIES

Zhong Hua
Please refer to the biography of Mr. Zhong on page 44 for details.

Jiang Yongzhi
Born in 1973, Mr. Jiang was 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. Mr. Jiang resigned as a Joint Company Secretary of the Company on 22 March 2012.

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.

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 2011.

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 2011 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 101 to 102 for details of the loans and borrowings of the Group as at 31 December 2011.

PROPERTY, PLANT AND EQUIPMENT

Please refer to note 16 to the consolidated financial statements on pages 93 to 94 for net movements in property, plant and equipment of the Group for the year ended 31 December 2011.

RESERVES

The distributable reserves of the Company as at 31 December 2011, as calculated under Section 79B of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong), amounted to RMB35,664 million.

Please refer to the consolidated statement of changes in equity on page 63 and note 30 to the consolidated financial statements on page 106 for movements in the reserves of the Group and the Company, respectively, for the year ended 31 December 2011.

SUBSIDIARIES, ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES

Particulars of the Company's subsidiaries, associates and jointly-controlled entities as at 31 December 2011 are set out in notes 18, 19 and 20 to the consolidated financial statements on pages 95 to 99.

DIVIDENDS

An interim dividend of HK$0.25 (tax inclusive) per share was declared on 24 August 2011, and paid to the shareholders of the Company on 30 September 2011.

The Board recommended a payment of a final dividend of HK$0.28 (tax inclusive) per share for the year ended 31 December 2011, payable on 28 June 2012 to all shareholders on the register of members of the Company on 6 June 2012 subject to shareholders' approval.

RETIREMENT BENEFITS

Please refer to note 32 to the consolidated financial statements on page 110 for details of the retirement benefits of the Group for the year ended 31 December 2011.

MAJOR SUPPLIERS AND CUSTOMERS

Purchases from the largest supplier of the Group for the year ended 31 December 2011 represented approximately 17% of the Group's total purchases. The total purchases attributable to the five largest suppliers of the Group accounted for approximately 43% of the total purchases of the Group for the year ended 31 December 2011.

Sales to the largest customer for the year ended 31 December 2011 represented approximately 22% of the Group's total revenue. The total sales attributable to the five largest customers of the Group accounted for approximately 39% of the Group's total revenue for the year ended 31 December 2011.

For the year ended 31 December 2011, 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 2011 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 2011:

(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 RMB6,676 million.

(b) The aggregate annual volume of transactions for the provision of oil and gas development and support services did not exceed RMB24,067 million.

(c) The aggregate annual volume of transactions for the provision of oil and gas production and support services did not exceed RMB8,228 million.

(d) The aggregate annual volume of transactions for the provision of marketing, management and ancillary services did not exceed RMB821 million.

(e) The aggregate annual volume of transactions for FPSO vessel leases did not exceed RMB1,401 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 RMB152,315 million.

(b) The aggregate annual volume of the transactions for the long term sales of natural gas and liquefied natural gas did not exceed RMB8,034 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 RMB 9,800 million and 5% of the relevant percentage ratios under the Listing Rules for the period from 1 January 2011 to 31 December 2011.

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 107 to 109 for a summary of the related party transactions which include the Group's continuing connected transactions.

The Company entered into a new comprehensive framework agreement on 1 November 2010 with CNOOC for the provision (1) by the Group to CNOOC and/or its associates and (2) by CNOOC and/or its associates to the Group 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 new comprehensive framework agreement is for a period of three years from 1 January 2011. The new 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 new 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 of continuing connected transactions	Annual caps

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)	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,