



Scope of this report:

China National Offshore Oil Corporation as a whole.

Reporting period:

1 January 2010 – 31 December 2010;

Period under review for the “Eleventh Five-Year Plan” is from 1 January 2006 to 31 December 2010.

Basis of preparation:

To satisfy the needs of stakeholders and the general public for basic corporate information in a true, objective, timely and comprehensive manner.

About the data used:

Financial data of the Company used in this report are verified data audited by third parties. Unless otherwise specified, the currencies stated in the report refer to Renminbi.

Special note on this report:

- This report consolidates the annual report and the sustainability report of the Company for the first time;
- This report has been prepared in compliance with the “Guidelines on Fulfilling Social Responsibilities by State-owned Enterprises” issued by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC;
- This report has been prepared by reference to the standards recommended by Global Reporting Initiative (GRI).

Publication:

This report is prepared English and Chinese, and is available in printed version and web publication (<http://www.cnooc.com.cn>).



The Logo of CNOOC

The basic elements of the logo of China National Offshore Oil Corp. consist of its initials “CNOOC” which are embraced by blue curves and ripples which represent the China Seas. The design in red formed by the capital letters “CNOOC” depicts the silhouette of an offshore drilling platform against the rising sun, symbolizing prosperity in the offshore oil industry in China.



Chairman's Statement



Wang Yilin
Chairman & Party Committee Secretary

Dear friends:

Time elapses so quickly and in the blink of an eye we have already turned a new page into the second decade of the 21st Century.

The year 2010 was a milestone in the development of CNOOC. During the year, through persistently adhering to the scientific outlook on development, we perseveringly overcame unimaginable challenges, and succeeded in the development of our "offshore Daqing oilfield". Production and operations in the year recorded the best-ever results in our history, with total oil and gas production reaching 64.94 million tonnes of oil equivalent, realizing sales revenue of RMB354.8 billion and total profit of RMB97.7 billion, and total assets as at the end of the year hitting RMB617.2 billion. As a result, the overall strength, core competitiveness and social influence of the Company were substantially enhanced, and new progress was made in our globalization drive, remarkable achievements were made in our energy conservation and emission reduction tasks and significant breakthroughs were made in our scientific and technical innovations, thus accomplishing all our targets set for the "Eleventh Five-year Plan".

During the "Eleventh Five-year Plan" period, CNOOC firmly grasped the important strategic opportunities arising from the social and economic development of the State, vigorously overcame the serious impact brought about by the international financial crisis, worked hard with a pioneering spirit, forged ahead with determination, deepened reform and stayed innovative for better growth with an aim to achieve the strategic goal of developing itself into an internationally leading energy company. As a result, we achieved good development progress in a rapid and healthy way. We completed the transformation from an upstream company into an integrated energy company, basically established modern corporate framework and systems, formed a development model with CNOOC's own features, and developed a set of offshore oil technologies with international competitive edge, thus bringing the Company into a new era of development.

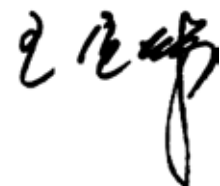
Our vigorous efforts in the past five years were repaid with a set of remarkable operating results. During the past five years, our aggregate production of oil and gas amounted to 236 million tonnes, the volume of our new reserves exceeded 1 billion tonnes, our aggregate sales revenue reached approximately RMB1,100 billion, and total assets and net assets were RMB617.2 billion and RMB390.8 billion respectively at the end of the period, representing an increase of 2.4 and 2.6 times respectively, and the accumulated appreciation rate of our state-owned assets reached 190%. During the period from 2007 to 2010, the ranking of the Company in Fortune Global 500 was up from 469 to 252, and that the ranking in terms of revenues of China's national enterprises, from 13 to 6. These admirable figures were not only a demonstration of our achievements over the years, but also an encouragement and inspiration for us to embark on our new missions and make new breakthroughs.

The successful completion of the "offshore Daqing oilfield" is an important achievement made in the development of the Chinese offshore oil industry, which witnesses the hardships experienced by several generations of CNOOC employees in the process of pursuing and going for their dreams and making their dreams come true, for which we

are very pleased and encouraged. During the process of building "offshore Daqing oilfield", while concentrating our efforts on achieving the goal of an annual output of 50 million tonnes oil equivalent, we also focused on exploring the principles of development and deepened our understanding on how to improve a state-owned enterprise. Firstly, we shall fulfil our responsibilities and serve the country dedicatedly. Over the years, employees of CNOOC have always adhered to the main theme of "contributing petroleum to China", and vigorously promoted the "spirit of Daqing" and the "spirit of an iron man", strived to increase oil and gas output, made their contribution to secure national energy supplies, and promoted leap-forward development of the offshore oil enterprise itself. This fully proved that the substantial development and great leap-forward of a state-owned enterprise could only be achieved when the development and improvement of the state-owned enterprise was closely linked to the nation's future and destiny, and only when the enterprise had a deep understanding on and was committed to take up its political, economical and social responsibilities. Secondly, we shall focus on strategic guidance and seize high ground for development. We shall consciously follow the principles, proactively adapt to new changes in the environment and accurately foresee the new trends of development, in order to continuously cultivate our strategic insights, and lead the Company to achieve a sustainable and healthy growth. Thirdly, we shall have a broad mind and be innovative, and be ready to push ahead with reform. Be open to reform is the "means" for a state-owned enterprise to overcome difficulties, and to have a broad mind and be innovative is the "essential tool" for a state-owned enterprise to grow rapidly. To consistently maintain "development" as our "primary task", be determined to break down old conventions, be open-minded to accept new ideas, be courageous to reform old systems and be efficient in applying new models, the Company will gain strong impetus for sustained development.

With a spirit of pride and enthusiasm, we have embarked on our new journey in 2011. With proper understanding of the market situation, we shall make detailed plans, foresee the challenges ahead and proactively respond to them, fully complete our production and operation tasks, focus on strengthening the fundamentals of development, and the quality and effectiveness of development, to further improve the level of scientific development of the Company, ensure an encouraging start for the "Twelfth Five-year Plan", and achieve more remarkable operating results as a tribute to the 90th anniversary of the CPC.

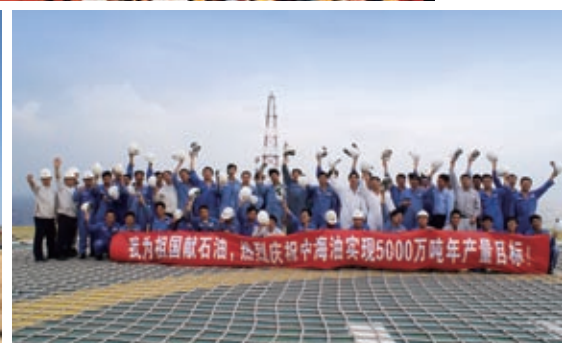
Looking at the development trend of the global energy industry, oceans, which are rich in oil and gas resources, will sure be an alternate for the world's energy and thus have a bright future. During the 12th Five-year Plan period, the task to develop marine economy has become a focal point of the nation's strategy. And the ambitious goal of building a moderately prosperous society in all respects also sets higher demands for energy supply, and therefore, CNOOC workers have to take on heavier responsibilities. In the new historical journey, we shall bear in mind the entrustments and expectations of the central leaders such as President Hu Jintao, firmly adhere to the theme of scientific development, always concentrate on the transformation of the mode of development, take "growing stronger and better" as the basic requirement, aim as building a "world-class leading enterprise with international competitiveness", carefully implement the five strategies of "synergetic development, scientifically driven, talent-oriented, cost effective and green and low-carbon", construct a new energy industrial system with CNOOC features, scale new heights and achieve better results, endeavour to become one of the top international oil companies, accelerate the construction of a world-class energy enterprise, and to strive for the better and more rapid development of the Chinese offshore oil industry.



Focus of the Year

On 19 December 2010, CNOOC exceeded an annual oil and gas output of 50 million tonnes of oil equivalent, which marked the completion of the "Offshore Daqing Oilfield" and the realization of the dream of generations of CNOOC employees.

Having informed the good news of the successful completion of China's first "offshore Daqing oilfield", central party leaders, including Secretary General Hu Jintao, made various important instructions which highly praised and earnestly encouraged the development of the Chinese offshore oil industry and expressed their greater expectations on CNOOC, which were received as a great inspiration as well as a strong driving force to the staff of CNOOC and masterminded the direction of future development of China's offshore oil industry.



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Annual Key Data

Sales revenue RMB **354.8** billion

Total assets RMB **617.2** billion

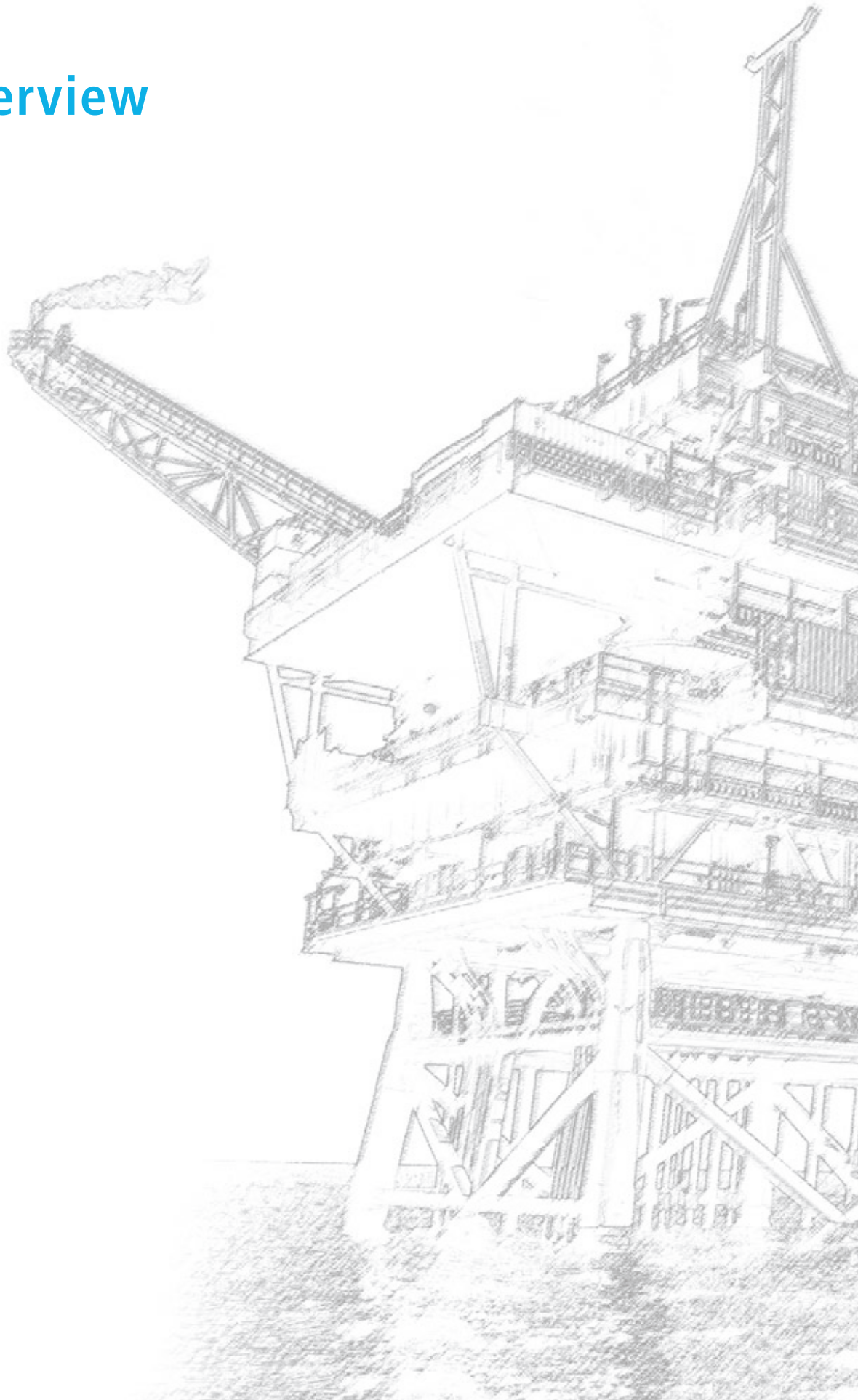
Oil and gas production
64.94 million tonnes
oil equivalent

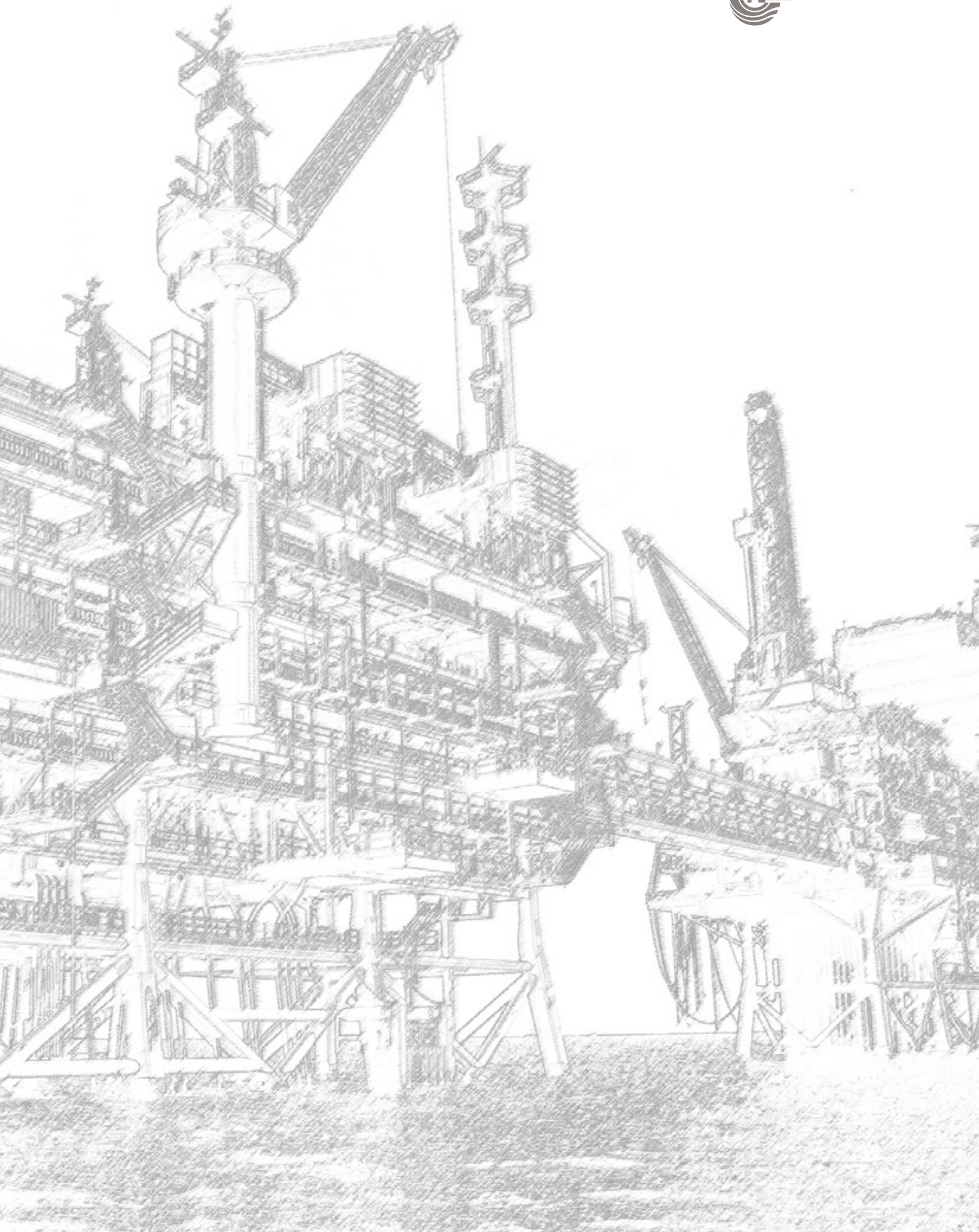
Oil refining capability
33.5 million tonnes

Ranked **252** in World's
top 500 enterprises

Payment of taxes and fees
RMB **85.8** billion

Overview





Company Profile

Brief introduction on the Company

China National Offshore Oil Corporation (hereinafter referred to as “CNOOC”, the “Company”, the “Group”, “We” or “us”) is a large state-owned enterprise directly under the State-owned Assets Supervision and Administration Commission of the State Council of China, and the largest offshore oil and gas producer in China. The Company was founded in 1982 and headquartered in Beijing.

Since its foundation, CNOOC has maintained a good momentum of development, and has evolved from a pure upstream oil and gas exploration company into an integrated energy group with outstanding principle businesses and complete industry chain, the Company has formed six business segments, namely oil and gas exploration and development, professional and technical services, oil refining, chemicals, fertilizers and sales, natural gas and power generation, financial services and new energy resources. During the “Eleventh Five-year Plan” period, while focusing on the “Eleventh Five-year Plan” objectives and highlighting the construction of an “offshore Daqing oilfield”, the Company has firmly grasped the important strategic opportunities arising from China’s economic and social development and responded effectively to the material adverse impact of the global financial crisis with the spirit of deepening reform and promoting development through innovation, and made outstanding achievements in capacity building in energy supply, construction of industry value chain, internationalization construction, modern enterprise system building and formation of soft power, thus the Company has entered into a new phase of development.



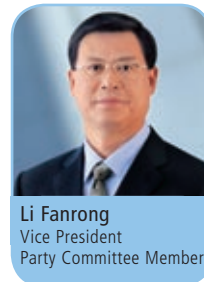
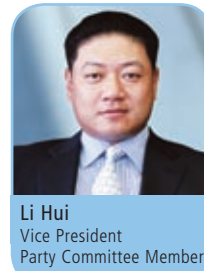


Six major business segments



Corporate Governance

Management



Major changes in the management

On 8 April 2011, Wang Yilin was appointed Chairman and Party Committee Secretary of CNOOC, and Fu Chengyu retired from the post of General Manager and Party Committee Secretary of CNOOC any more.

On 28 April 2010, Li Hui, Yang Hua, Liu Jian and Li Fanrong were appointed Deputy General Managers and Party Committee Members of CNOOC.



Corporate governance structure

The corporate governance structure is comprised of various professional committees, namely the Party Committee, the Management Committee and its Investment and Budget Committee, the Decision-making Committee for Financial Services and the Charity and Welfare Committee.

The Party Committee

is the Company's core leadership, its main responsibilities include the full implementation of the directions, principles and policies of the CPC Central Committee and major national strategic plans set for the Company, and ensure the preservation and appreciation of state-owned assets; the selection and appointment of management personnel of the Company, and team building under the principle of "cadres and talents controlled by the Party"; and be responsible for Party building, spiritual civilization construction and ideological and political work, anti-corruption administration and construction of work style of cadres; and the formulation of the Company's major reform plans, proposals, measures and related policies involving corporate reform, development and overall stability. The Party Committee makes decisions in accordance with the principles of "collective leadership, democratic centralism, individual consultations and decision-making by meetings".

The Management Committee

is the highest administrative and operation decision-making body of the Company. Its main responsibilities are to determine the Company's development direction, development strategies and business policies, decide on major management issues such as medium and long-term development planning; establish sound corporate decision-making, operation, management system and rules and regulations, management practices and management procedures; establish sound and effective supervision and control systems and related management systems, management practices and management procedures; and be responsible for the accuracy and reliability of important information relating to the Company's production and operation as well as financial accounting, financial statements and tax information. The management committee implements a management system combining collective decision-making with the "restricted general manager accountability system".

Decision-making Committee for Financial Services

It is a management and decision-making body for the Group's financial services which is responsible for reviewing and approving the Group's policies in respect of funds management and financial services management, the Group's medium to long term development plans for financial services, and the Group's plans for external financing, reviewing significant financial investment projects and submitting proposals to and for the approval of the Management Committee.

The Investment and Budget Committee

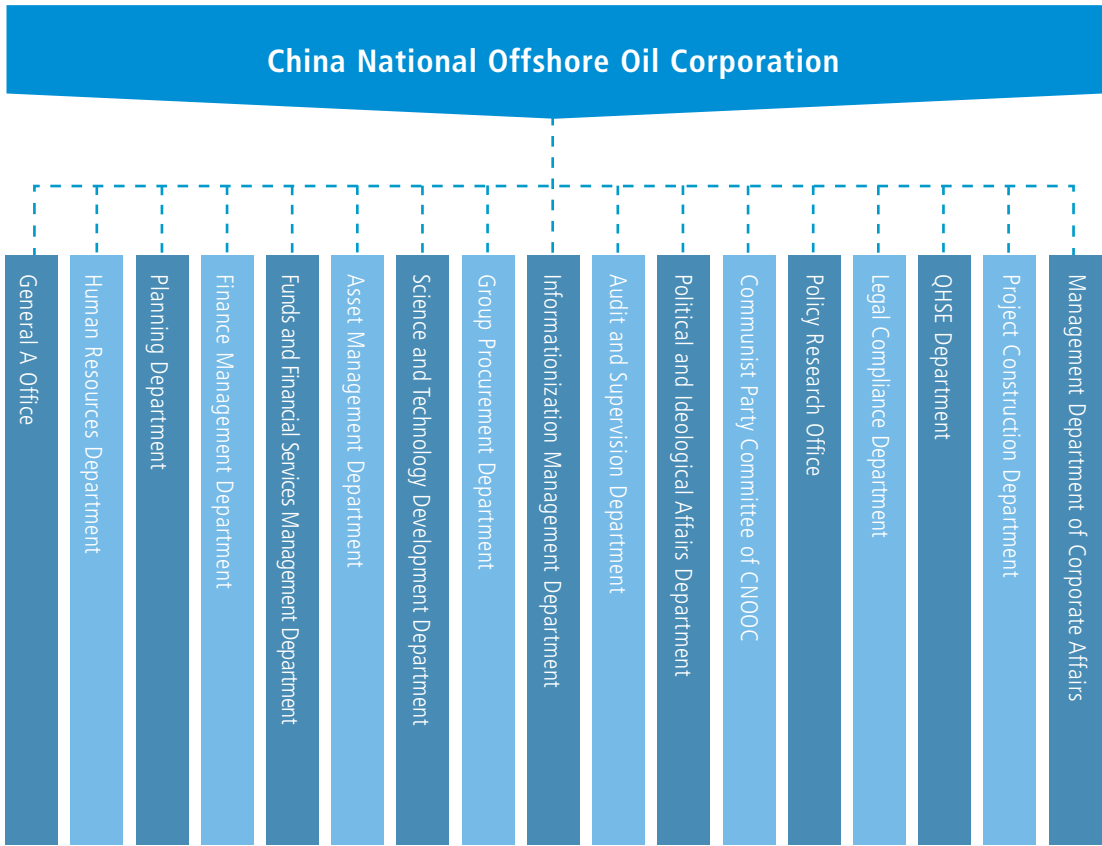
is the examination and approval body of the Company for decision-making in relation to major investment projects. It is responsible for implementing the investment management policies of the Company, and reviewing of major construction projects, major equipment projects, major equity transfer and assets transfer (acquisition) projects with investment amount exceeding RMB100 million or the equivalent in foreign currencies.

Charity and Welfare Committee

It is a management and decision-making body for the Group's charity and welfare activities which is in charge of the supervision and monitoring of poverty-relief projects in state-designated areas, the aid-Tibet projects and the selection, determination and supervision of aid projects for domestic and overseas regions hit by natural disasters, and rendering of assistance to families within the Group which suffered from material damages due to incidents.

Organizational structure

Organizational structure of various departments under the headquarters





Group control

We have established a sound corporate governance structure within listed companies for conducting standardized governance thereof. Our listed companies strictly comply with the laws and regulations of the jurisdictions where they are listed, the regulatory rules governing listed companies, and endeavour to follow the best practices adopted by the capital market as far as their own conditions permit.

For non-listed companies, we implement standardized management and establish a relatively sound corporate governance structure in accordance with the requirements of modern enterprise system as do with their listed counterparts; our Headquarter appoints directors to govern them in accordance with the systems and rules for listed companies; appoint designated supervisors to monitor them according to laws; each of their controlled and participated entities is managed through corporate governance structure.

Our headquarter is gradually changing its role to a parent holding company and serve as "Four Centers": strategic planning center, investment decision-making center, resource allocation center and support service center; contribute "Six Values": provide important decision, risk management and control, industrial chain Coordination, special resources and expertise, management philosophy and corporate culture and government public relations value for strategic business units.

We have gradually established an all-round, full-process and comprehensive system, which covers "all levels". That is, we have a set of basic systems at Group level, management measures at Management level and detailed operational rules at team level; and "all sections". This means we have sub-systems in respect of each part of business, namely disciplines and compliance, internal audit, finance management, HR management, control of sourcing, project management, production and R&D, sales and trade and QHSE.



Corporate Values

Corporate vision

CNOOC intends to become a world-class energy corporation with great social responsibility and high reputation.

Corporate philosophy

People-oriented

CNOOC regards and meets people's demands, and respects people's value, improve people's quality, give full play to people's abilities, guarantee people's rights and interests, strengthen cohesion and make people and the enterprise develop together.

Responsibilities

CNOOC tries to provide good quality energy for the development of the state and powerfully support social advance; sticks to the Scientific concept of development and sustainable development to realize harmonious and unified economic benefits, social benefits and environmental benefits.

Create win-win benefits

CNOOC follows the principle of win-win effects and mutual-benefits, seek for the ways of cooperation to create win-win benefits, integrate resources, supplement each other by own advantages, co-develop harmoniously and exert our potentials to realize the best allocation of resources, optimal organization, best utilization of talents and maximum value.

Be credible

During operation, CNOOC is credible, open and transparent, keeps promises, and maximizes the corporate value on the premise of not impairing social interests or the interests of other parties concerned.

Innovation

We cultivate creativity and development ability, learn new information, new knowledge and new concepts, establish advanced concepts and systems, break through the limitation of regulations, develop the best technologies and techniques, and achieve first-class performance and pattern.



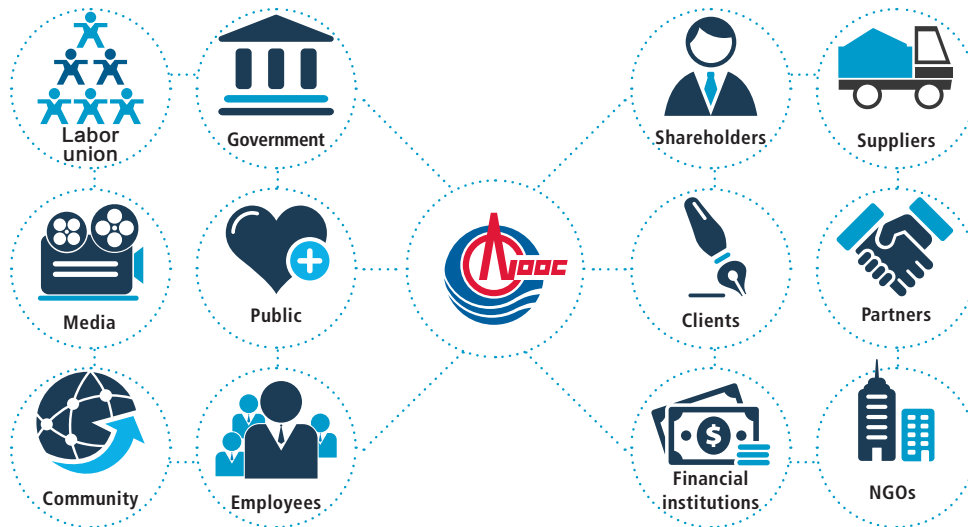
Interested Parties

Our interested parties include government, employees, shareholders, customers, industry partners, suppliers and contractors, media, communities and the public, non-governmental organizations and relevant institutions. Trust and support offer inexhaustible power to and are critical to the sustainable development of the Company.

We are committed to creating a harmonious coexistence and cooperative win-win relationship with all interested parties. Inside, we seek a harmonious relationship with employees; and outside, we pursue a harmonious relationship with the nature and the society. At all moment throughout the development process, we always respect the nature, care for the environment and assume our share of social responsibility and try to be an accountable corporate citizen. Whether at home or abroad, we always strictly comply with the laws and regulations of the jurisdiction where our operations are located, observe and enforce international conventions, treaties and international practices, and scrupulously abide by business ethics of honest management and fair competition and the business standards generally accepted by the international community.

The Company attaches great importance to enhancing communication with interested parties. It seriously taken their comments and advices on the Company's development through an open and transparent communication mechanism and reflect their recommendations and requirements in the formulation of our strategy, policy and plans as well as our practice.

The Company is willing to strengthen communication and cooperation with all interested parties so as to jointly promote the balanced development of the economy, environment and the society.



Supplement

Two 95%

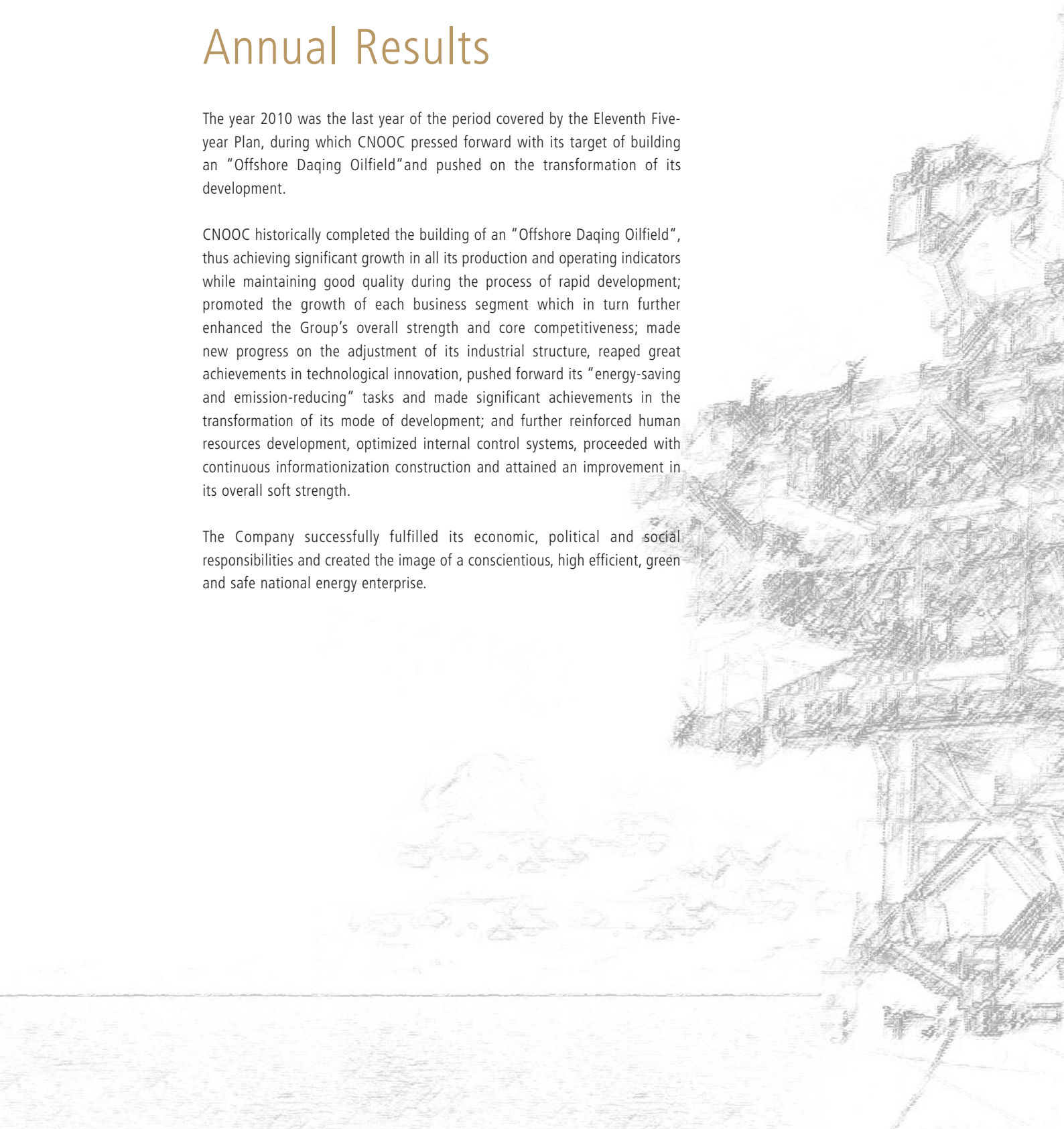
Over the nearly 30 years since its inception, the Company has made a successful shift between two "95%" in the construction of equipments: 95% of capital used for introduction of foreign equipments at the early stage to 95% of the equipments sourced at home presently. In cooperation with several domestic shipbuilding companies, the Company has built over 10 floating production storage and offloading (FPSO) vessels and deepwater drilling vessels, deepwater pipe laying crane vessels and other large equipments, which has given a strong impetus to enhancing the capability of China's shipbuilding industry and placing China among the biggest shipbuilding companies in the world. The Company's platform equipments and submerged pipelines have become nationalized basically; middle and downstream industries such as liquefied natural gas (LNG) and oil refining have also achieved nationalization of technical equipments, and the efficient and high-speed development of the Company has contributed to the development of domestic iron and steel, shipbuilding and mechanical and electrical manufacturing that are related with our industry.

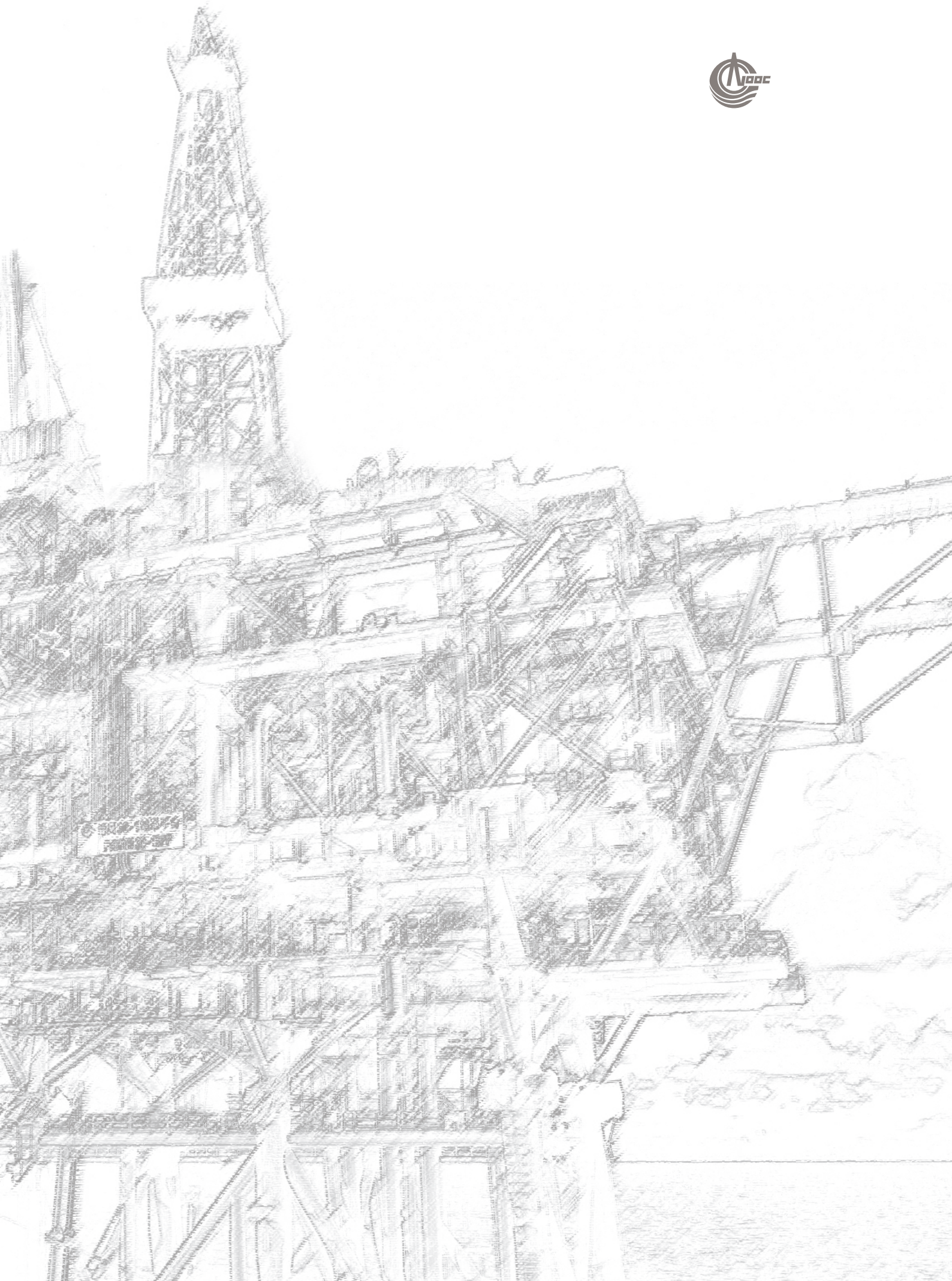
Annual Results

The year 2010 was the last year of the period covered by the Eleventh Five-year Plan, during which CNOOC pressed forward with its target of building an "Offshore Daqing Oilfield" and pushed on the transformation of its development.

CNOOC historically completed the building of an "Offshore Daqing Oilfield", thus achieving significant growth in all its production and operating indicators while maintaining good quality during the process of rapid development; promoted the growth of each business segment which in turn further enhanced the Group's overall strength and core competitiveness; made new progress on the adjustment of its industrial structure, reaped great achievements in technological innovation, pushed forward its "energy-saving and emission-reducing" tasks and made significant achievements in the transformation of its mode of development; and further reinforced human resources development, optimized internal control systems, proceeded with continuous informationization construction and attained an improvement in its overall soft strength.

The Company successfully fulfilled its economic, political and social responsibilities and created the image of a conscientious, high efficient, green and safe national energy enterprise.







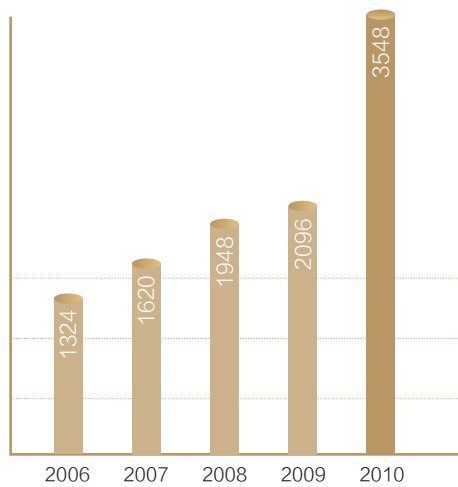
Performance Highlights

CNOOC achieved historical high operating performance exceeding its annual production and operating targets, oil and gas output and production volume of major products increased significantly, the quality of development kept improving, its corporate image and brand influence were further improved, and accomplished all the targets set for the “Eleventh Five-year Plan”.

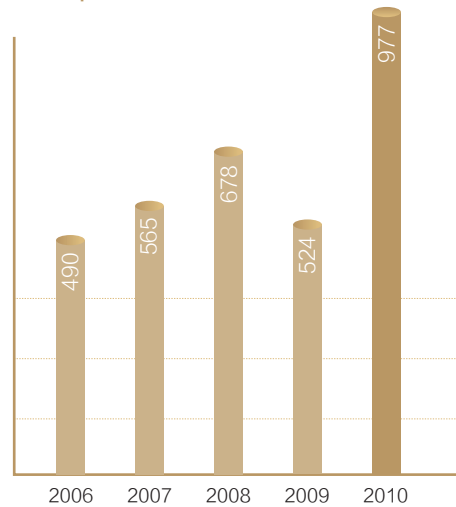


Performance indicators

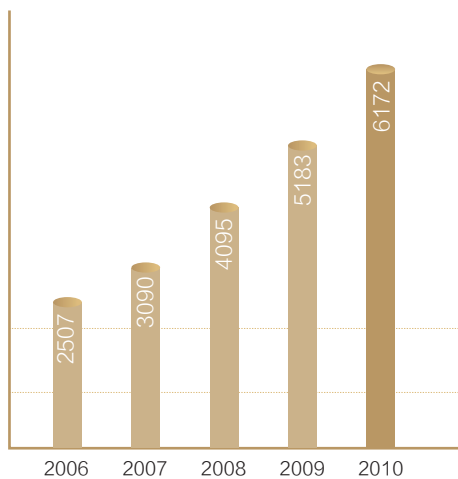
Sales revenue (Unit: RMB 100 million)



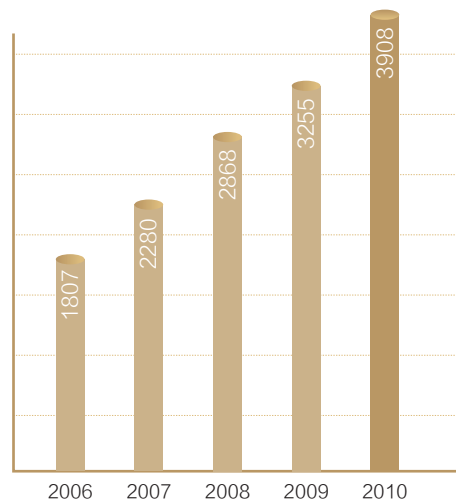
Total profits (Unit: RMB 100 million)



Total assets (Unit: RMB 100 million)



Net assets (Unit: RMB 100 million)



Source: Figures in the audited financial statements for each of the respective years.

Production volume of major products for 2006-2010

		Unit	2006	2007	2008	2009	2010
I	Upstream	(million tonnes of oil equivalent)	40.33	40.47	42.93	47.66	64.94
	of which: Domestic	(%)	86	85	85	82	80
	Overseas	(%)	14	15	15	18	20
1	Petroleum liquids	(million tonnes)	31.54	30.55	32.44	36.97	49.58
	of which: Domestic	(%)	88	88	90	86	84
	Overseas	(%)	12	12	10	14	16
2	Natural gas	(billion cubic meters)	8.8	9.9	10.5	10.7	15.4
	of which: Domestic	(%)	79	75	73	70	66
	Overseas	(%)	21	25	27	30	34
II	MID & Downstream	(million tonnes)					
1	Urea	(million tonnes)	1.93	1.85	1.95	1.90	2.01
2	Methanol	(million tonnes)	0.27	0.71	0.77	0.81	0.87
3	Ethylene	(million tonnes)	0.65	0.83	0.84	0.92	0.84
4	Bitumen	(million tonnes)	1.77	1.47	1.20	4.15	7.91
5	Gasoline	(million tonnes)				0.62	1.16
6	Kerosene	(million tonnes)				0.77	1.05
7	Diesel oil	(million tonnes)				2.77	4.63
8	Fuel oil	(million tonnes)	6.26	6.58	5.69	3.41	4.75
9	Electricity generation volume	(billion kwhs)	3.5	5.2	6.0	8.6	14.9
10	LNG imports	(million tonnes)	0.75	2.98	3.33	5.80	9.34

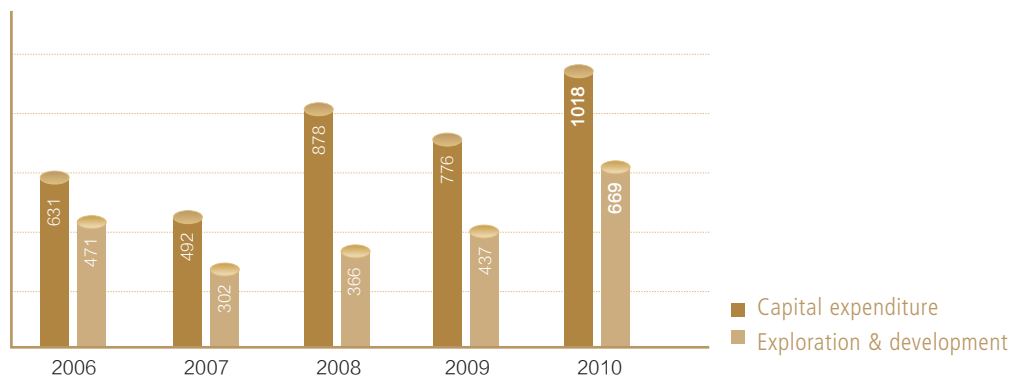


Major indicators of operating performance (Unit: %)

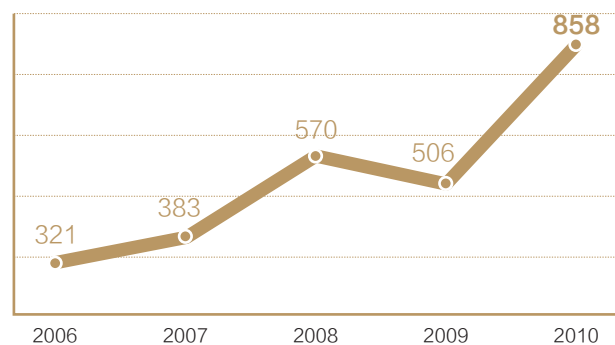
	2006	2007	2008	2009	2010
Growth of sales revenue	30.1%	15.4%	31.5%	-1.0%	70.3%
Growth of profit	26.1%	13.2%	19.4%	-22.0%	87.8%
Growth of net profit	27.4%	15.5%	25.4%	-26.0%	93.6%
Growth of total assets	29.1%	22.5%	21.2%	20.4%	19.2%
Growth of net assets	36.2%	26.0%	13.7%	11.3%	20.2%
Return on total assets	22.8%	20.7%	18.5%	11.5%	17.6%
Return on net assets	19.7%	20.1%	19.6%	12.5%	20.7%
Asset to liability ratio	27.9%	26.2%	30.0%	37.2%	36.7%
Capital accumulation ratio	28.6%	22.0%	13.7%	11.3%	20.2%

Basis for calculation: the audited financial statements for each of the respective years.

Capital expenditure for 2006-2010 (Unit: RMB 100 million)



Profit/tax and fees payments to government for 2006-2010 (Unit: RMB 100 million)



2010 AUDITORS' REPORT

ZhongRui YueHua Audit Zi [2011] No.05752

To China National Offshore Oil Corporation:

We have audited the accompanying consolidated financial statements of China National Offshore Oil Corporation (hereinafter referred to as "CNOOC"), which comprise the consolidated balance sheet and consolidated statement of provision for impairment of assets as at 31 December 2010, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements.

I. Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with PRC Accounting Standards for Business Enterprises. This responsibility includes: (1) designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error; (2) selecting and applying appropriate accounting policies; and (3) making reasonable accounting estimates.

II. Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Chinese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves implementing procedures to obtain audit evidence in respect of the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the preparation of the financial statements in order to design appropriate audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

III. Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of CNOOC as of 31 December 2010, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with PRC Accounting Standards for Business Enterprises.

Zhongrui Yuehua Certified Public Accountants
Beijing, China
April 15, 2011



Income Statement

Year ended 31 December 2010

	RMB million	
	2009	2010
I. OPERATING INCOME	208,345	354,762
Less: Operating cost	131,674	227,402
Business tax and surcharges	14,544	21,788
Selling expenses	1,949	2,507
Administrative expenses	7,397	7,956
Finance cost	1,734	769
Impairment losses on assets	1,626	754
Add: Investment income	2,094	2,736
Gains and losses on fair value changes	32	-161
Exchange gains	-1	-3
II. PROFIT FROM OPERATING ACTIVITIES	51,546	96,158
Add: Non-operating income	1,329	1,876
Less: Non-operating expenses	879	383
III. PROFIT BEFORE TAX	51,996	97,651
Less: Income tax	13,654	23,420
IV. NET PROFIT	38,342	74,231
Less: Minority Interests	13,825	25,231
V. NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	24,517	49,000
VI. OTHER COMPREHENSIVE INCOME	2,715	1,158
VII. TOTAL COMPREHENSIVE INCOME	41,058	75,389
Total comprehensive income attributable to owners of the Parent Company	27,303	49,267
Total comprehensive income attributable to minority interests	13,755	26,122

Adjustments were made to the figures for 2009 in the statement in accordance with PRC Accounting Standards for Business Enterprises.

Balance Sheet

31 December 2010

RMB million

	1 January 2010	31 December 2010
CURRENT ASSETS		
Cash	87,064	81,310
Financial assets held for trading	347	16
Notes receivable	3,017	3,317
Accounts receivable	16,520	20,668
Prepayment	3,922	4,656
Interest receivable	101	347
Other receivables	6,652	18,074
Purchase of buyback financial assets		10,771
Inventories	20,261	24,123
Other current assets	87	5,597
Total current assets	137,971	168,879
NON-CURRENT ASSETS		
Granted loans and advances	579	3,360
Available-for-sale financial assets	18,429	37,171
Held-to-maturity investment	15,421	8,958
Long-term equity investment	19,547	41,700
Real estate held for investment	223	219
Fixed assets	102,793	111,543
Construction in process	33,913	35,556
Construction materials	1,595	1,136
Disposal of fixed assets	-4	19
Oil & Gas assets	165,058	184,134
Intangible assets	7,453	8,639
Development expenses	47	
Goodwill	5,822	5,893
Long-term deferred expenses	2,344	2,199
Deferred income tax assets	6,031	4,873
Other non-current assets	518	2,921
Total non-current assets	379,769	448,321
TOTAL ASSETS	517,740	617,200



Balance Sheet (Continued)

31 December 2010

	RMB million	
	1 January 2010	31 December 2010
CURRENT LIABILITIES		
Short-term borrowings	12,957	33,888
Financial liabilities held for trading		101
Notes payable	3,597	2,725
Accounts payable	32,218	31,823
Advance from customers	8,099	8,285
Salaries, wages and welfare payable	7,952	7,931
Taxes payable	10,228	20,762
Interest payable	1,045	1,364
Other payables	8,085	12,282
Non-current liabilities due within one year	2,284	7,491
Other current liabilities	763	52
Total current liabilities	87,228	126,704
NON-CURRENT LIABILITIES		
Long-term borrowings	54,294	45,459
Bonds payable	20,516	19,176
Long-term account payables	199	1,877
Special payables	2,038	1,510
Estimated liabilities	11,849	15,934
Deferred income tax liabilities	14,609	12,207
Other non-current liabilities	1,850	3,546
Total non-current liabilities	105,355	99,709
Total liabilities	192,583	226,413
EQUITY		
Paid-up capital	97,129	97,143
Capital reserve	33,906	36,420
Special reserve	153	296
Profit surplus	12,295	13,298
Retained earning	95,528	140,672
Currency translation differences	-7,300	-8,985
Total equity attributable to owners of the Parent Company	231,711	278,844
Minority interest	93,446	111,944
TOTAL EQUITY	325,157	390,787
TOTAL LIABILITIES AND EQUITY	517,740	617,200

Adjustments were made to the figures for 1 January 2010 in the statement in accordance with PRC Accounting Standards for Business Enterprises.

Cash Flow Statement

Year ended 31 December 2010

RMB million

2010	
I. CASH FLOWS FROM OPERATING ACTIVITIES	
Cash from sales of goods and services rendered	358,237
Taxes refund received	833
Other cash received relating to operating activities	6,192
Subtotal of Cash Inflows	365,262
Cash paid for goods and services	198,725
Cash paid to and on behalf of employees	13,061
Taxes paid	74,853
Other cash paid relating to operating activities	7,016
Subtotal of Cash Outflows	293,655
Net Cash Flows from Operating Activities	71,607
II. CASH FLOWS FROM INVESTING ACTIVITIES	
Cash received from withdrawn investment	52,744
Cash received from investment income	1,721
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	268
Net cash received from disposal of subsidiary and other operating entities	10
Other cash received relating to investing activities	1,814
Subtotal of Cash Inflows	56,557
Cash paid to acquire fixed assets, intangible assets and other long-term assets	47,739
Cash paid for investments	91,739
Net cash paid to acquire subsidiary and other operating entities	405
Other cash paid relating to investing activities	283
Subtotal of Cash Outflows	140,166
Net Cash Flows from Investing Activities	-83,609
III. CASH FLOWS FROM FINANCING ACTIVITIES	
Cash received from new investment	280
Cash received from borrowing	59,429
Other cash relating to financing activities	4,743
Subtotal of Cash Inflows	64,452
Cash paid to repay debts	42,996
Cash paid to allocate dividends, profit or repay interests	12,665
Other cash paid relating to financing activities	18,098
Subtotal of Cash Outflows	73,759
Net Cash Flows from Financing Activities	-9,307
IV. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	-737
V. NET INCREASE IN CASH AND CASH EQUIVALENTS	-22,046
Add: Balance of cash and cash equivalents at beginning of period	79,010
VI. BALANCE of CASH AND CASH EQUIVALENTS AT END OF PERIOD	56,964



SUMMARIZED NOTES TO THE FINANCIAL STATEMENTS

(1) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared on a going concern basis. Based on the transactions and events occurred, the financial statements have been prepared in accordance with the requirements of the "Accounting Standards for Business Enterprises-Basic Standard" and 38 Specific Standards issued by the Ministry of Finance (MOF) in February 2006, and application guidance, bulletins and other relevant accounting regulations issued subsequently (collectively referred to as the "Accounting Standards for Business Enterprises" or "CAS").

The subsidiaries of the Company which are registered abroad (being CNOOC Limited, Chinese Ocean Offshore Oilfields Service (Hong Kong) Ltd., CNOOC Insurance Limited etc.) apply local Accounting Standards for Business Enterprises, and relevant accounting books have been adjusted according to CAS for the purpose of preparing the consolidated financial statements.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Period

The Company adopts the calendar year (being from January 1 to December 31) as its accounting period.

The financial statements of CNOOC Energy Technology Development Institute Co., Ltd., a subsidiary of the Company incorporated in September 2010, have been prepared since the month of its incorporation.

The financial statements of Huizhou National Oil Reserve Base Co., Ltd., a subsidiary of the Company incorporated in February 2010, have been prepared since the month of its incorporation.

The financial statements of CNOOC Property Construction & Management Co., Ltd., a subsidiary of the Company incorporated in January 2010, have been prepared since the month of its incorporation.

2. Reporting Currency

The Company and its subsidiaries registered in China adopt Renminbi (RMB) as their respective reporting currency. Those subsidiaries registered abroad adopt relevant local currency as their respective reporting currency. Local currencies have been translated into RMB for the purpose of preparing these financial statements.

3. Basis of Accounting

The accompanying financial statements have been prepared on an accrual basis, and have adopted the historical cost convention as its principle of valuation.

Social image

Based on the feedback from domestic government agencies, social organisations and renowned international rating agencies, and from our business partners and international capital markets, as well as from domestic and foreign media and our overseas operating communities, the social image and influence of the Company have been improving continuously, and CNOOC's brand value has increased significantly.

Competitiveness rankings

- ⇒ The Company ranked **252** among the "Fortune Global 500" published by Fortune magazine.
- ⇒ CNOOC Limited (hereinafter referred to as the "Listed Company" or "CNOOC Ltd.") ranked **10** among the "Ranking of the World's Top Energy Companies by Market Capitalization in 2010" announced by PFC Energy.
- ⇒ The Listed Company ranked **75** among the "FT Global 500" released by UK's Financial Times and ranked by market capitalisation.
- ⇒ The Listed Company ranked **38** among the world's top 50 oil companies (PIW Top 50) published by Petroleum Intelligence Weekly.
- ⇒ China National Offshore Oil Corporation and its subsidiaries, being the Listed Company and CNOOC Finance Co., Ltd. ("CNOOC Finance"), were granted "**AA-**" and "**Aa3**" Sovereign ratings by Standard & Poor's and Moody's respectively, which were the highest ratings for domestic enterprises.

Awards and recognitions

- ⇒ Won **Grade A Enterprise** for the sixth consecutive year in the performance evaluation on executives in charge of central state-owned enterprises, and was awarded "Enterprise with Excellent Performance" and "Special Award for Energy Saving and Emission Reduction".
- ⇒ With the construction of "China Offshore Oil and Gas Exploration & Development Technological Innovation System", the Company won the "**First Prize of National Award for Science and Technology Progress (Enterprise Technology Innovation Project)**" and became the first state-owned enterprise winning this prize, which marked that the Company has attained a leap-forward advancement from integrated innovation to selective originated innovation.
- ⇒ CNOOC Limited was recognized as "**Energy Company of the Year**" and "**Energy Producer of the Year**" by Platts, thereby becoming the first Chinese enterprise winning these awards.
- ⇒ Huizhou Refinery Project was honoured with "**IPMA International Project Excellence Award 2010 – Award Winner of Mega-Sized Project**" by International Project Management Association. It was the first time that a petroleum and petrochemical project winning this highest prize in the world. This project has thereby become a model of quality management of petrochemical projects worldwide.

Case



CNOOC Limited won the "Oscar" Awards of the energy industry

On 2 December 2010, the annual Platts Global Energy Awards known as the "Oscars" of the energy industry were publicly announced in New York. CNOOC Limited was named "Energy Company of the Year" from over 200 nominated companies around the world and became **the first Chinese company receiving this highest award since the establishment of Platts Global Energy Awards 12 years ago**, and CNOOC Limited was also recognized as "Energy Producer of the Year".

Platts Global Energy Awards were organised by Platts, the world's leading provider of energy information. Platts' panel of judges highlighted CNOOC Limited's surge onto the global energy stage. Larry Neal, president of Platts, commented, "Not only is this a first win for China in the Awards history, but CNOOC Limited ranks among an elite few companies that have taken home awards in two categories in the same year."



Brand building

- ⇒ The mainstream media's intensified coverage of the successful construction of the "offshore Daqing oilfield" has significantly enhanced the Company's overall social image and influence.
- ⇒ "Iron Men of the Sea" – the advanced units and role models emerged in the construction of the "offshore Daqing oilfield" fully reflected the high spirit of the CNOOC employees.
- ⇒ During the World Expo 2010 Shanghai, the Company's meticulous exhibition in the "Oil Pavilion" gave a vivid and visual display of the achievements made in the development of the offshore oil industry in China, which brought us closer to the public and highlighted our good corporate image
- ⇒ The Company proactively fulfilled its social responsibility and environmental responsibility through participation in building the communities where its operations are located, which showcased the good image of a responsible corporate citizen.
- ⇒ Along with the rapid expansion of downstream businesses of the Company, the influence of its product brands and service brands on the market has been greatly enhanced.



Case



"Flowers of CNOOC" came home winning applause

During the World Expo 2010 Shanghai, young volunteers sent by CNOOC for amenities services served in the "Oil Pavilion" for a period of six months. In February 2010, a volunteer service team for World Expo Etiquette comprising 20 young ladies from 9 different units under the CNOOC Group was formed. During the period from the commencement of closed training on 17 March 2010 to the closing of the World Expo 2010, these girls successfully completed their missions with their high quality services; interpreted the Expo spirit of "gather, communication, display and cooperation" with their warm reception, professional explanation and beautiful smile; demonstrated the "iron man spirit" of this new era with their selfless devotion, unostentatious hard work; and performed the solemn commitment of "at your service at Expo" with their selfless endeavours and unremitting efforts. For which, they received recognitions from the Shanghai Municipal Party Committee, the Shanghai Economics and Information Technology Committee, the Bureau of Shanghai World Expo Coordination and the National Enterprise Youth Union, and **won two teamwork honors and 32 personal honors.**

Production & Operation

During the year under review, in the performance of all segments, including those of the upstream, midstream and downstream as well as the professional and technical services, financial services new energy, have made significant progress side by side. In the field of oil and gas exploration and development, we achieved the best-ever results in history. In the meantime, great progress was also made in our internationalization efforts. Our upstream, midstream and downstream businesses developed rapidly. Our ability to provide professional and technical services was improving. Great progress was made in the trade and new energy segments, and the value of our financial segment increased continuously. All these contributed to the further strengthening of our risk resistant capacity, comprehensive strength and core competitiveness.





Upstream

Our upstream business sector rendered its best performance ever, which forcefully propelled the development of the whole group and actively performed its responsibility of guaranteeing the oil and gas supply to the State and the society.

13 new oil/gas fields were identified;
9 projects commenced production;
 Producing oil & gas fields added up to **81**.

- ⇒ Oil and gas exploration activities were conducted actively with breakthroughs and progress in Bohai Bay and South sea Region;
- ⇒ Significant growth in domestic oil and gas production, steady growth in overseas oil and gas production, recording a double breakthrough of 50 million tonnes and 10 million tonnes;
- ⇒ Effective measures for reliable and accelerated production in the existing oil and gas fields with the under control.

CNOOC Limited (Unit: RMB 100 million)

Operating revenue	1830.5
Profits	544.1
Total assets	3279.3
Net assets	2157.7

Case



Breakthrough in thermal recovery in offshore crude oil field

In order to further improve the thermal recovery efficiency and perfect the 200°C high temperature injection technique, the Company successfully carried out the B28h and B29h multiple hot liquid high-temperature intake & exhale on-site experiments on the WHPB platform of the Nanbao 35-2 oilfield in Bohai, and applied the thermal recovery testing technology in the Penglai 9-1 structural drilling located in the east of Bohai and got agreeable results. The application of the high-temperature multiple hot liquid in the thermal recovery wellbore for the first time, contributed to the forming of the relatively mature high-temperature steam intake & exhale process and the auxiliary process and technologies, **opening a new path for the efficient exploration of offshore crude oil and the stable production of our Bohai oilfield.**

Professional and technical services

Our professional and technical services sector has been striving to enhance its service capability while aggressively penetrating overseas markets, adjusting industrial structure and steadily pushing on technical innovation, which resulted in significant expansion of its competitive edge.

China Oilfield Services Limited ("COSL") has been aggressively penetrating domestic and overseas markets while striving for higher profitability, and constantly upgrading its equipment and technical service capability, which resulted in continuous healthy development;

China Offshore Oil Engineering Co., Ltd. ("COOEC") managed to ensure the safe and smooth operation of each of its production and construction projects under the extremely challenging circumstances with volatile operating results;

CNOOC Energy Technology & Services Limited ("CNOOC EnerTech") accelerated its adjustment of industrial structure while aggressively reinforcing its core capabilities and constantly exploring its potentials, which resulted in increasingly strengthened capability of sustainable development and contribution of value.

The utilization rate of the rig fleet of the COSL for the year reached **94.6%** in terms of calendar days;

COOEC's overseas orders amounted to RMB**2.934 billion**, accounting for **39%** of its total orders for the year;

The ratio of upstream to mid and downstream sectors of CNOOC EnerTech was adjusted from 5%:95% as in 2005 to **30%:70%** as in 2010.

⇒ COSL accelerated the change of its development pattern by reinforcing R&D. During the year, it invested RMB546 million in research and development (including those for equipment development), accounting for 3% of its sales revenue; there were 139 projects under development, with 147 pending patents and 99 granted, among which 16 were invention patents, for which it was granted the title of the "National Industrialized Base for Marine High-tech Achievements" by the State Ministry of Science and Technology.

⇒ COOEC continued to improve its infrastructure and equipment, aiming at enhancing its core competitive edge. Its key project "Offshore Oil 226" began service and the 3,000 meter deepwater pipe-laying ship "Offshore Oil 201" was completed and left the dock, and the Zhuhai Deepwater manufacturing base was in smooth progress.

COSL (Unit: RMB 100 million)

Operating revenue	180.6
Overseas revenue	43.12
Net profit	41.28
Total assets	635.93

COOEC (Unit: RMB 100 million)

Operating revenue	71.38
Net profit	0.843



⇒ CNOOC EnerTech aggressively pushed on the “enter, exit and transformation” progress in its industrial layout and accelerated the industrial structure adjustment. All its 11 professional service companies recorded profits of over RMB100 million, making increasingly significant contribution to the industrial chain differentialized value, stable service value, sustainable enterprise reform value and economic growth synergy value of the Group.

CNOOC EnerTech (Unit: RMB 100 million or %)

Operating revenue	204.7
Total profit	18.4
Return on total assets	11.5%
Return on equity	19.7%
Profit margin for the principal operations	14.6%
Profit margin for costs and expenses	11.6%

Case



Smooth progress of the mergers & acquisitions and integration by COSL

In 2010, COSL intensified its development efforts on key target markets, making smooth integration of AWILCO's culture and management; COSLRival entered into long-term follow-up contracts with COSLRigmar; COSLPioneer obtained a contract for operation for a maximum of 5 years from the Norwegian state oil company, Statoil; COSL Drilling Pan-Pacific Ltd. (“CDPL”) actively sought for markets, achieved **the utilization rate of 100% of all the rigs**. New breakthroughs were continually made in Indonesian market and the economies of scale began to appear.

Mid and downstream

The mid and downstream sectors reported significant growth in operating results, further expanding the competitive edge of the Group and representing an outstanding achievement in our differential development.

Petrochemical and sales

In the petrochemical and sales segments, management of innovation was stressed, which rendered notable results for production and operation. Thus, our business integration and refined management has moved into a new stage.

Refining capacity was **33.5 million tonnes per annum**, including heavy oil handling capacity of **8.2 million tonnes per annum**;
 A total of **27.85 million tonnes** of crude oil were processed and the physical goods sales and trading volume was **32.36 million tonnes**;
 The retail volume for the year increased by **38%** with the percentage of direct sales increased from 34% to **47%**.

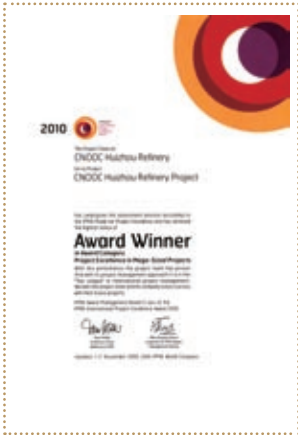
- ⇒ Huizhou Refinery Project maintained a leading position, international or domestic, in terms of various benchmarks;
- ⇒ Da Xie – Production operations of Zhoushan Refinery and Zhong Jie Petrochemical, etc. were smooth, and their processing capacities and refining abilities have been rising;
- ⇒ China Offshore oil & Gas Development & Utilization Company (“Oil & Gas Development & Utilization Company”) reinforced the transformation of scientific and technological achievements, which delivered the best operating results of ever;
- ⇒ CNOOC Marketing Company facilitated the construction of marketing network, thereby the sales of product oil and sales and trading of chemical products both turn around;
- ⇒ CNOOC Petrochemicals Import & Export Co., Ltd. devoted itself to growing trading business big and strong, turnover increasing substantially;
- ⇒ Huizhou Refinery Project Phase II, ABS, integrated oiling and salinization, Hainan DCC and Alkene and other new projects progressed well and stably.

Refining and Marketing Group

(Unit: RMB 100 million)

Turnover	1602
Profits	118
Net profits	97
Total assets	831

Case



Huizhou Refinery Project was awarded International Project Management Excellence Award

CNOOC’S 12 million-ton Huizhou Refinery Project uses heavy high-acidity crude oil as feedstock. The project targets as a world-class “Green Refinery” that is characterized by differentiation, sanitation, informationalization and high-value, leveraging its top-notch management, technology and environmental standards. At the 24th IPMA International Project Management Meeting held on 1 November 2010, Huizhou Refinery Project was, as **the world’s first petrochemical project**, awarded “the Highest of International Project Management Excellence Award – Mega-sized Project Management Gold Prize” by the International Project Management Association.



Natural gas and power generation

Gas and power segment has made fresh progress in respect of resources availability, market exploration, pipeline construction and technology innovation, paving a road for its dominant position in the southeast coast of China, by which CNOOC Gas & Power Group ("Gas & Power Group") further secured and underpinned a top role in domestic LNG industry.

LNG imports for the year amounted to **9.34 million tonnes**;
 With respect to LNG resources, a total of **520 million tonnes** of oil equivalent were locked in overseas;
 LNG receiving capacity reached **12.4 million tonnes per annum**;
 Natural gas pipeline network totaled **2,493 kilometers** in length;
 Total power generation was **14.68 billion kwh**.

- ⇒ A significant headway was made in LNG resources availability, thereby setting up a "resources pool" which preserved reasonable proportions of long, medium, short-term and spot resources;
- ⇒ LNG terminals in Guangdong Dapeng, Fujian and Shanghai operated well while five LNG terminals in Zhejiang, Zhuhai, Shenzhen, Eastern Guangdong and Hainan jumped off to a good start;
- ⇒ The market share of natural gas products was steadily lifted in the southeast coast of China, the dominance in LNG supply was strengthened, and efforts were focused on expanding second-tier markets in the central, northeast and southwest China;
- ⇒ While continually expanding general markets such as gas and industrial users in big cities, more efforts were put into exploring alternative fuel markets and developing differentiation in the gas and power markets and LNG vehicle filling markets;
- ⇒ Technical standards and regulations improved constantly and the strong presence in domestic LNG field was established.

Gas & Power Group (Unit: RMB 100 million)

Turnover	274
Total profits	56.33
Total assets	469

Case



LNG vehicle filling business entering into a significant stage

In order to promote the development of LNG clean energy and optimization of PRC energy consumption structure, CNOOC increasingly expanded LNG non-electricity markets and LNG vehicle filling business, thus enhancing competitive edge of the industry. In 2010, CNOOC has set up **a batch of LNG vehicle filling stations** in economically developed areas such as Shenzhen and Huizhou. Those stations provided filling service to 1,000 or more LNG vehicles, including buses, taxis, trailers and heavy trucks. The vehicle filling sector made a wonderful debut.

Fertilizer

In view of the influence of financial crisis and general recession of the industry, China Blue Chemical Ltd. ("Chemical Ltd.") responded proactively and recorded better-than-expected results.

During the year, Chemical Company produced **2.01 million tonnes** of urea, **867,000 tonnes** of methanol, **455,000 tonnes** of phosphate fertilizer, **774,000 tonnes** of compound fertilizer and **1.402 million tonnes** of phosphate core;

Seven production bases were set up in Hainan, Inner Mongolia, Hubei, Hebei, Shanxi, Guizhou and Heilongjiang;

800,000-ton methanol project succeeded ahead in a lump sum commissioning for test run, which saved costs of RMB **160 million**.

- ⇒ Tianye Chemical's daicel project succeeded in a lump sum official run;
- ⇒ It acquired 80% equity interest in Heilongjiang Hegang Sinocrane Company, starting up a vertically integrated urea project;
- ⇒ It acquired 21% equity interest in Guangxi Fudao, further expanding its end-user sales network in southern China;
- ⇒ It revamped and constructed high standard facilities with stringent requirements, and realized zero emission of pollutants in the industrial park, naturally becoming a beacon in the industry;
- ⇒ It was awarded "Top 100 of 2010 China Agro-chemistry Service Enterprises".

China BlueChem (Unit: RMB 100 million)

operating revenue	85.8
Total profits	17.6

Supplement

Ten-year growth forging a leading brand in fertilizer industry

2010 marked the tenth anniversary of Chemical Company. In the past decade, Chemical Company started as a new entrant of fertilizer and chemical industry, gradually grew up and became a large and leading enterprise within the industry. It has realized the transformation from a single feedstock, i.e. natural gas to multiple resources, including natural gas, raw coal and phosphate core, which was in line with the shift from mere urea production to integrated operation of research and development, production, distribution, trading and service. Chemical Company has outgrown the eastern Hainan Island to the national and overseas markets, leading the industry in terms of its scale and technology of facilities, assets quality, competitiveness and sustainability.



Financial services

Leveraging on its rapid development of the core business of the Company, our financial segment achieved healthy and rapid development, with each of the businesses setting a new record high in performance. The combination of production with financing entered into a virtuous cycle of "Production leading the development of financing which in turn supporting the former".

CNOOC Finance Co., Ltd ("CNOOC Finance") completed settlements for members of CNOOC with the total amount exceeding RMB **1,000 billion**;

The trust asset balance of Zhonghai Trust Co., Ltd ("Zhonghai Trust") was RMB **164.5 billion**;

The total annual value of the property insured by CNOOC Insurance Ltd. amounted to USD **31.3 billion**.

- ⇒ CNOOC Finance completed settlements of RMB4,440 billion and granted loans on its own account in the amount of RMB6.779 billion and discounted RMB9.155 billion in aggregate. It has zero non-performing assets and zero non-performing loans so far;
- ⇒ Zhonghai Trust successfully implemented the largest trust projects in the trust industry – the National Social Security – The five -year trust scheme of RMB12 billion initiated by the Ministry of Railways, and it became the only trust agency engaged by the National Social Security;
- ⇒ CNOOC Investment Co., Ltd ("CNOOC Investment") made progress in improving their operating results, optimizing asset quality, strengthening their sustainable development and protecting shareholder rights and interests and etc;
- ⇒ CNOOC Insurance Ltd. made a full play in controlling and diversifying risks, balancing and reducing insurance costs for the group;
- ⇒ Aegon-CNOOC Life Insurance Co., Ltd. further expanded its business regions and launched 10 new products and product portfolios, further meeting the needs of consumers, and realized a premium income of RMB1.72 billion during the year.

CNOOC Finance (RMB 100 million)

Sales revenue	10.3
Post-provision profit	4.43

Zhonghai Trust (RMB 100 million)

Sales revenue	8.13
The trust income realized	6.21
Total profit	6.74

Investment holding companies

(RMB 100 million)

Total profit	2.08
Net profit	2.07



Case

The foreign exchange operations help CNOOC "going global"

In light of the rapid globalization of the Group and the increasing needs of foreign exchange control, transfer and utility driven by the expansion of global business, known as "going global" of other group members, CNOOC Finance introduced its foreign exchange operations, taking the historic step from RMB operations to foreign currencies operations. The Company was formally granted the foreign exchange operation qualification in 2010 and **became one of the two non-bank financial institutions who are eligible to carry out sales and purchases of foreign exchange through self-declaration of international balance**. CNOOC Finance completed 180 sales and purchases of foreign exchange with a total amount of USD2.782 billion, realizing income of RMB14.46 million and saving foreign exchange expenditures of RMB23 million. It strongly supported the implementation of CNOOC's "going global" strategy with safe, efficient and quality services.

Alternative energy

We made great effort in developing new energy businesses such as wind power and power battery, and also coordinated the development of renewable energies such as biomass energy and carbon dioxide comprehensive utilization projects. At the same time, we actively explored the development of coal-based clean energy and made positive contribution to the construction of the modern energy industry system.

We own **350,000 kilowatts** of wind power plant;

We own **330,000 tonnes** bio-diesel processing capability;

We have production capacity of **500 million** small batteries and **10,000 units** of power battery.

- ⇒ Ongrid power sold by CNOOC's first onshore wind power project, Huade wind farm (Inner Mongolia), was 134 million KWH; the first offshore wind farm, Dongfang wind power project (Hainan) was put into production;
- ⇒ The first power-charging station that Putian CNOOC New Energy Power Company set up was officially put into operation;
- ⇒ CNOOC Biolux (Nantong) project was officially put into production and became the largest production capacity of a single unit of production facilities of fatty acid methyl ester in the world;
- ⇒ CNOOC signed pre-agreements with the governments in Inner Mongolia and Shanxi in respect of nearly 10 billion tonnes of coal resources, the project in South Australia was formally approved by the Australian government, successfully handled the interest delivery of 7.8 billion tonnes of coal resources exploration licence.

Case



Vigorous growth of the battery industry for electric vehicles

In 2010, the subsidiary Tianjin Lishen Battery Co., Ltd. produced various kinds of batteries with the amount of 138,000,000, achieving sales income of RMB1.7 billion and profit of nearly RMB50 million. Currently, the construction of **new production lines with the capacity of 200,000 sets of power batteries** is under progress steadily. On August 18, CNOOC joined the State-owned Enterprise Electric Vehicle Industry Alliance organized by SASAC and was elected as the leader unit of the battery group.



Management and Soft Power

Significant progress was made in scientific and technological innovations and in the construction of major equipment throughout the year, while informationization construction and its application were further strengthened and remarkable progress was made on talent cultivation. The building of an internal control system focused on comprehensive risk management was in good progress. The party building and ideological and political works were further strengthened. All these laid a solid foundation for the rapid development of CNOOC and provided important safeguards for it.



Technological innovation

Significant progress has been made by CNOOC in tackling key scientific and technological problems, strengthening self-innovation capability and improving the technological innovation system. As a result, our self-innovation capability was greatly enhanced and technological innovation plays a more prominent role in leading and driving CNOOC.

RMB**5.605 billion** were allocated to scientific and technological programs, including RMB**2.093 billion** on research and development;

The Company undertook **928** research programs at various levels, including **172** at national and provincial/ministerial level;

The first **4** projects of the national "863" Program have passed inspection;

24 scientific research achievements of CNOOC received awards for Science and Technology Advancements at the provincial, ministerial or industrial levels;

491 patent applications were accepted and **301** were approved;

791 scientific papers were published in scientific journals at home and abroad;

The Company issued **116** standards;

The Company organized or participated in **40** technical exchanges and exhibitions at home and abroad.

- ⇒ Major facilities mainly including deepwater drilling semi-submersible platform "Hai Yang Shi You 981" and deepwater pipe-laying barges "Hai Yang Shi You 201" were successfully launched;
- ⇒ The Company has made ten major advances in technologies, such as cluster well group overall infill adjustment technology, multi-element hot fluid thick oil thermal extraction technology, low cost platform offshore drilling fracturing technology and domestically made soft tube long haul high pressure natural gas transportation technology, etc;
- ⇒ COSL's self-developed nuclear magnetic resonance logger reached international advanced level in terms of its major technology benchmarks, marking another significant breakthrough in high-end logging technologies field;
- ⇒ Oil & Gas Development and Utilization Company developed independently cut-back asphalt and 20# hard asphalt and its environmental rubber oil has obtained EU REACH qualification;
- ⇒ Fangmo, chief engineer from central research institute of CNOOC was titled "Master of Ship Designing" by Chinese Society of Naval Architecture and Marine Engineering, becoming the first professional technician to receive this honor.



Case

Hai Yang Shi You 981 deep-water semi-submersible drilling rig successfully launched

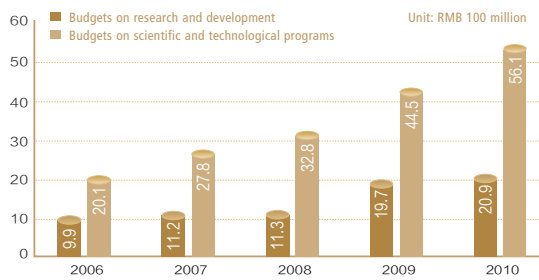
On the morning of 26 February 2010, Hai Yang Shi You 981, the 6th-generation 3000-meter deep-water semi-submersible drilling rig, which was developed independently by CNOOC, was successfully launched. To speed up exploration of oil and gas in the South China Sea, the Company, since the beginning of the Eleventh 5-Year Plan, has invested an aggregate of RMB35.4 billion, in two batches, of a deep-water operating fleet which includes the deep-water drilling vessels. Hai Yang Shi You 981, which cost nearly RMB6 billion to build, was a 6th-generation deep-water semi-submersible drilling rig, **representing the most advanced technology of offshore petroleum drilling rig in the world today, hitting 6 "First in the World"**. The rig is capable of multiple functions, i.e. exploration, pit drilling, pit finalizing and pit repairing and can work 3000 meters underwater and drill down to 10,000 meters deep. It is equipped with DP3 power location system and can sustain a typhoon that takes place once every 200 years.



Major data relating to scientific and technological investments during the Eleventh Five-year Plan period

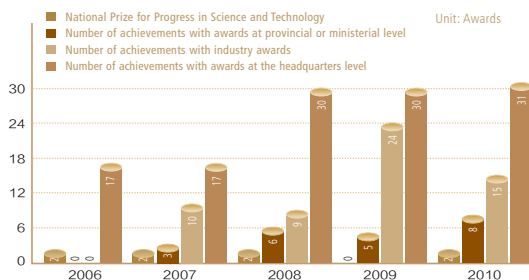
Investments in science and technology

Investments in science and technology increased continuously. Total investments in science and technology as well as research and development during the five-year period amounted to RMB18.13 billion and RMB7.3 billion respectively.



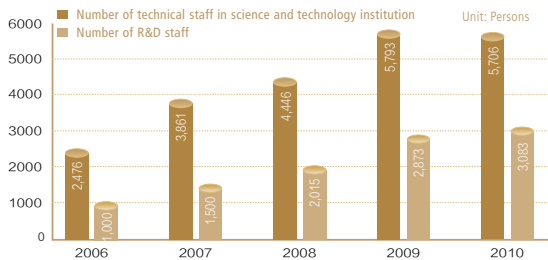
Awards for science and technology

CNOOC had won a total of 8 National Awards for Advanced Science and Technology, 23 Provincial and Ministerial Awards for Scientific and Technological Achievements and 58 Industry Awards for Scientific and Technological Achievements and granted 125 Awards for Advanced Science and Technology of CNOOC.



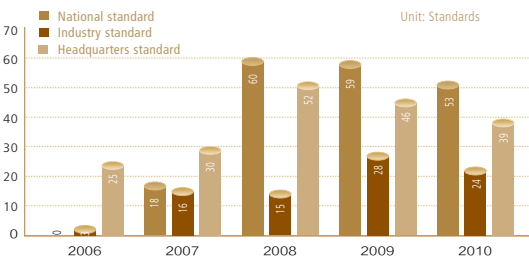
Key staff engaged in scientific research and development

The number of staff engaged in research and development activities and technical staff in major science and technology institutions saw a rapid growth.



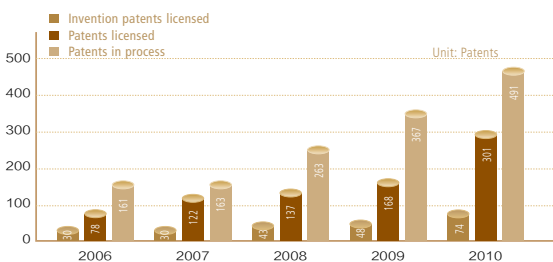
Technical standards

CNOOC had successfully established and revised certain technical standards at headquarters or above level, and published a total of 467 technical standards, among which 190 were national standards, 85 industry standards and 192 headquarter standards.



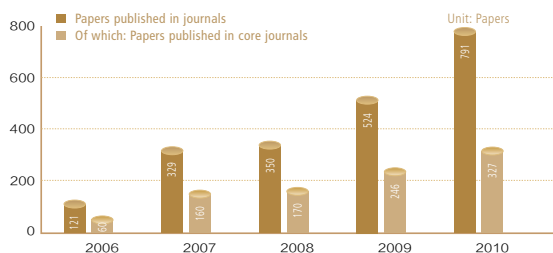
Patents

The patents of CNOOC accepted and licensed by relevant government authorities increased significantly. During the five-year period, CNOOC had received a total of 806 licensed patents, among which 225 were licensed invention patents.



Scientific and technical papers

The number of scientific and technical papers released by CNOOC in relevant periodicals increased significantly. During the five-year period, CNOOC had released a total of 2,115 scientific and technical papers, including 963 published in key periodicals. In addition, CNOOC had published 22 scientific and technical monographs in the same period.

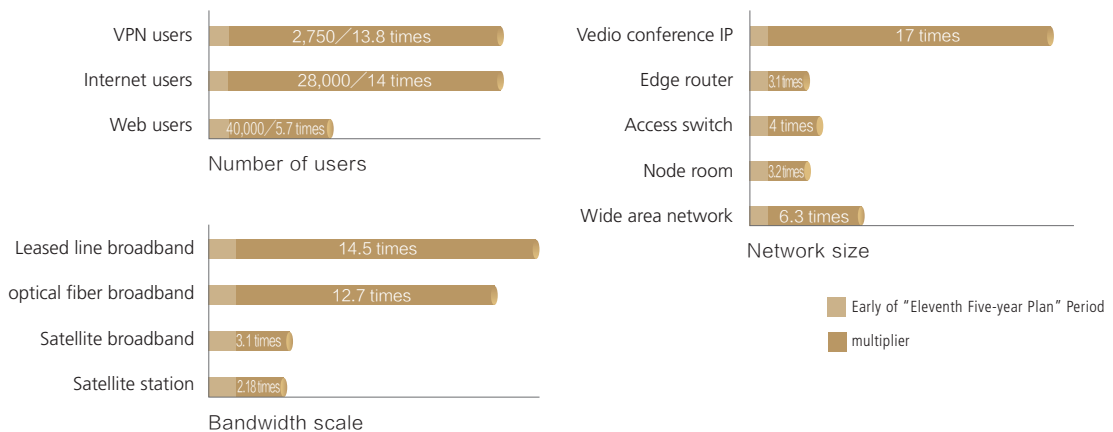


Informationization process

Our informationization process continued to improve, with the application of ERP system constantly deepened and the manufacturing informationization carried out in smooth progress, MPLS cloud network construction commencing officially and the fundamental management tasks progressing steadily, providing strong IT support for the Company's future expansion.

- ⇒ Through classified development of systematic functions, the statement presentation function has been continuously improved, and the application procedure has been constantly improved, which produced better results of implementation of the ERP system;
- ⇒ Communication between the offshore oilfields was further improved, with the digitized management of the engineering facilities commencing reliably and the manufacturing information management intensified;
- ⇒ Management informationization application such as the Documentation System, Group Procurement System, Main Data Management Platform and Energy-Saving and Emission-Reduction System was widely carried out;
- ⇒ Construction of MPLS cloud network project commenced officially, with a cloud network with clear structure, regulated access, flexible expansion, wide cover and good controllability gradually taking shape.

Illustration for increase in user number, network scale and application scale during the Eleventh Five-year Plan Period



Case

Successful application of the Real-time Decision-Making System for Exploration and Development

In order to increase the accuracy and efficiency of decision making for geological oil reserve exploration and maximize utilization of oil and gas resources, reduce drilling costs and meet the actual needs of decision making for R&D and production, CNOOC Zhanjiang Branch broke the technical monopoly by developing a fully-proprietary "Real-Time Decision-Making System for Exploration and Development", which provided a practical, real-time and technically advanced decision-making tool for our decision makers. In 2010, the system was widely applied in the 171 exploration pits, development pits and development adjustment pits of the company, and played a fundamental role in the on-the-drill analysis and decision making during geological operation, which remarkably improved the drilling efficiency as well as success rate from 30% to an average of 84%, resulting in **an extra oil production of 150,000 cubic meters and a profit of RMB390 million**, achieving encouraging economic benefits.



Corporate culture

The Company continued to forge its corporate culture, proactively carrying out the “Excel in Performance” activities and generally accelerating the CPC organization construction, ideological and political mobilization, management of union and the Youth League, aiming at building up our “Soft Strength” and intensifying conversion of our political advantage.

- ⇒ Intensifying the Innovation for Excellence Campaign upon the inspiration of “Promoting the Iron-Man Spirit and Building an Offshore Daqing Oilfield”;
- ⇒ Staging a nation-wide appraisal, reward and propaganda campaign for Model Workers, so as to refine the Model Worker Spirit focusing on “diligence, innovation, pragmatism and contribution”;
- ⇒ Establishing the Youth League Commission in the Headquarters and completed the structure and operating system, so as to better serve the youth league members;
- ⇒ Forming a network-based side-and-bottom touching political layout;
- ⇒ In order to cater for the entertainment needs of our employees, we continued to hold a rich collection of interesting mass activities, such as the International Fun Games, health clubs, art shows, interest study and sports meetings.

Case



The Alpine Club enriched our employees' leisure-time activities

CNOOC established various extracurricular clubs for cultural and sports activities based on the interest and preference of its employees. These clubs were partially funded by CNOOC and the partially by respective members in the form of membership payments. Organised by enthusiasts, various cultural and sports activities were held to enrich the leisure and cultural life of CNOOC staff. Established in 2001, CNOOC Headquarters’ Mountaineering Club **has been active during the past decade, which become very popular among the employees.** Over the decade, members of the club increased from over 20 persons at the outset to over 170 persons. During the past decade, the club organized regular monthly mountaineering events, and such activities aggregated more than 300. During the same period, members of the club had conquered a lot of mountains and visited numerous well-known scenic spots. Through participating in the above activities, members of the club have built up their bodies and gained physical and mental pleasure.

Building talent reserve

Breakthrough was achieved in the cadre and personnel system reform and new achievements were reported in the building of the Three Armies. New mechanism was applied in employment and human resources allocation and internationalized personnel cultivation entered a new era.

Employees totalled **97,767**;

Trainings were arranged for over **100** senior management members in two terms, and **43** backup senior management members attended the training class for young and middle-aged management talents;

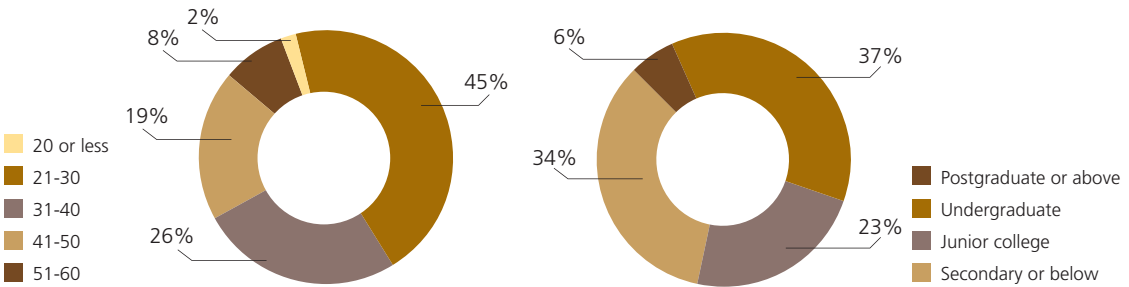
Selection of the 2nd batch of experts from subordinated entities was completed with **104** senior technicians elected;

More than **4,000** employees from **21** different posts were organized to receive skill assessment, with over **2,300** obtaining professional certificates of various levels;

Average training time of **51.8** hours for each employee, higher than the average of 47 hours for global benchmark enterprises.

- ⇒ Promulgated and implemented various systems including the "Evaluation and Assessment Method for Annual Performance of Management under Direct Leadership", through which the systematicness, regularity and professionalism of our management was further improved;
- ⇒ Deepened the reform of the cadre human resources system and innovated the work procedures for selection and appointment of cadres, which continuously strengthened the construction of the cadre team and significantly improved the satisfaction in respect of selection and appointment of talents;
- ⇒ Improved the management system for overseas staff, promoted internationalized staff training programs and speeded up the introduction of overseas high-caliber professionals;
- ⇒ Further improved various systems including employment, remuneration, benefits and insurance, and continued to maintain the competitive advantages of our human resources system.

Diagram for Staff



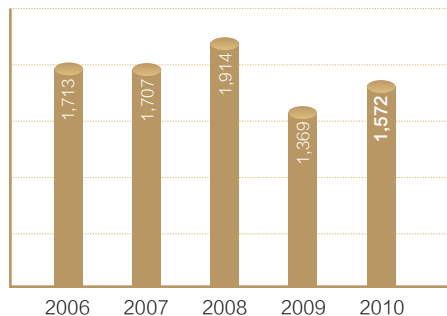
Breakdown of Staff by age

Breakdown of Staff by education

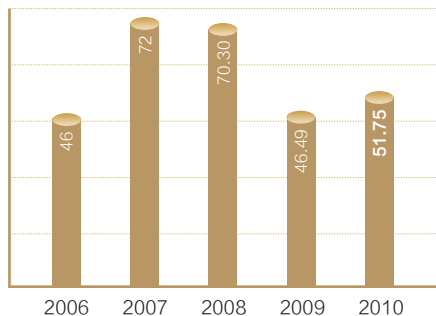


Diagram of training time and cost per capita

Training cost per capita (Unit: RMB)



Training time per capita (H)



Note: According to the data published by ASTD in 2010, per capita training time of the global benchmarking enterprises was 47 hours.

Case



Action learning, an innovative training method

The Company organized training programs for high potential talents of the Group and other relevant leadership training in 2010. During these programs, the Company introduced an integrated action learning method of **learning knowledge, sharing experience and seeking innovative solution**, demonstrating the trainings' unique features and effectiveness. Under the scenario, trainees studied subjects by way of investigation and brainstorm in respect of practical issues arising from the development of CNOOC, and came up with constructive opinions and suggestions. Action learning developed trainee's abilities of thinking and resolving problems, and also provided lots of ponderable suggestions for decision making of the management of the Company. This action learning method based on practical problems of an enterprise, has become the Company's important manner for leadership training.

Case



Further progress of training on international talents by the Listed Company

Pursuant to overseas operation's requirements on the capabilities of employees, the Company has set up a quality model tailored to international management personnel and improved relevant special training courses. The future overseas development demanded certain management personnel, and accordingly various experienced professionals were selected. **For the whole year, 2 sessions of international talents training classes were organized for a period of 4 months each, enrolling 109 persons** who studied English as well as operation and management knowledge. Meanwhile, the Listed Company prepared a plan for training overseas of international management personnel to implement by stage the overseas training programs. Six international talents enrolled in "Norway Petroleum Policy and Resource Management Training Class" and "Energy and Operation Management Training Class", and another 6 international talents participated in British Deepwater Testing Technics.

The construction of incorruption and operation in compliance

We organized special activity of "Operation in Compliance, Honest Business" to supervise the efficiency, which promoted us to reach a milestone in core systems construction in respect of related party, compliance inspection and regulatory, sunshine purchase and contractor management etc.

159 educational meetings on honest business with nearly **60,000** participants;

1,840 copies of responsibility pledge on construction of party conduct and incorruption were signed, **2,544** people made honest business commitment;

246 audit projects and **226** activities on efficiency supervision were accomplished;

165 proposed suggestions on rectifying and improving projects governance and efficiency supervision;

The number of staff in "quintuple" supervision team has increased from 205 to **285**;

In total of **211** issues were brought up by internal board of supervisors, proposing **194** constructive opinions and suggestions.

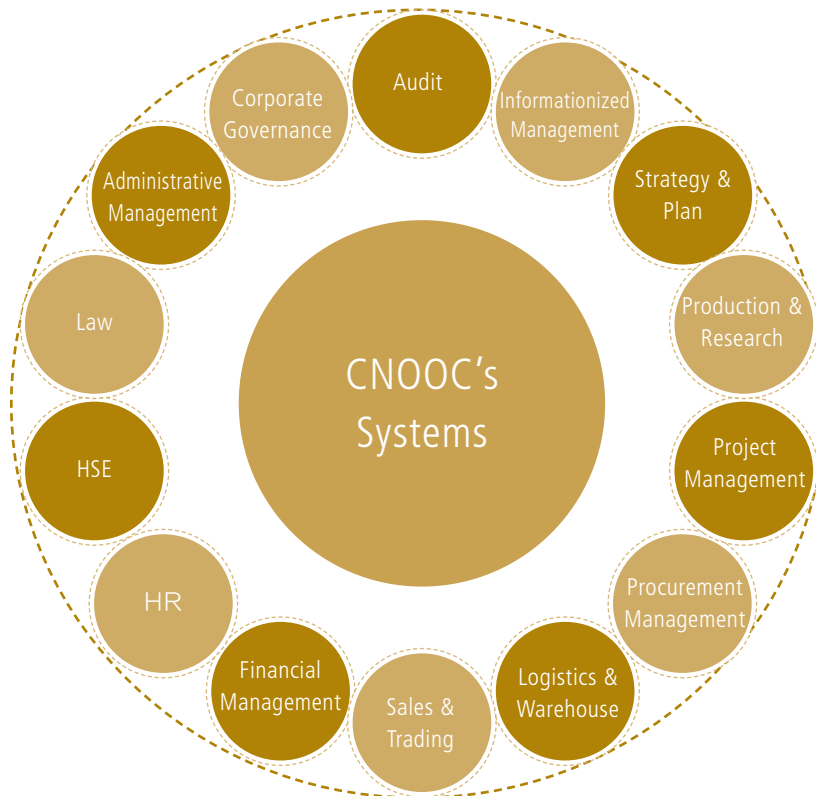
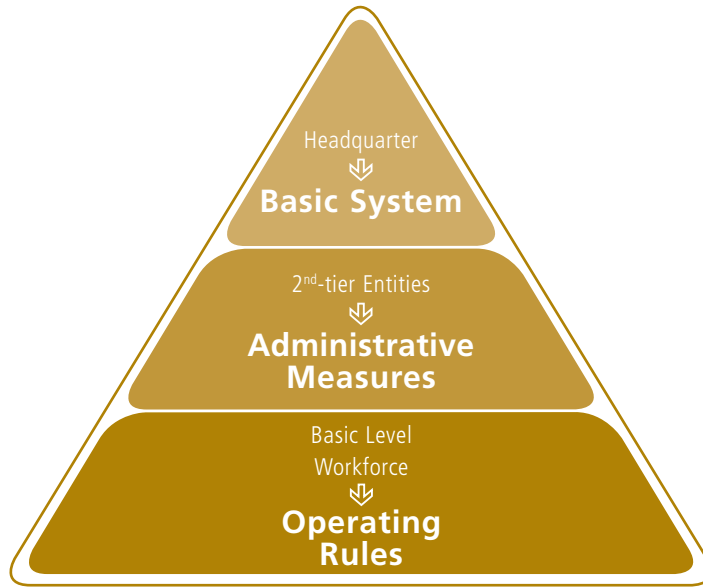
- ⇒ Based on national anti-corruption trial work project, we further enhanced the construction of punishment and defense system and realized a comprehensive accountability system for incorruption risk control;
- ⇒ Amended the system of "Red Line Culture" (2010 version), which centered on Rules for Handling Breaches of Discipline and Management Measure for Leader Accountability;
- ⇒ Three programs were launched, in relation to engineering construction governance, "unauthorized departmental coffers" governance and efficiency supervision on "Operation in Compliance, Honest Business";
- ⇒ In order to effectively defense against operation and incorruption risk of corporations, a full time Board of Supervisors system was established, which centered on finance supervision, and responsible for system construction, team building and monitoring on material issues in adherence to the major policies, such as "Three Important and One Crucial";
- ⇒ The "Quintuple" supervision team and internal control system were developing comprehensively; the risk management system of CNOOC was experiencing a stable progress.



Case

"Sunshine Purchase" makes purchase more transparent

On 1 August 2010, the information system for procurement business management in the first phrase was put to use, which enable us realize automatic business workflow, transparent approval status and standardized and, time and audit, in return **decreased the risk of procurement and commerce**, while increased the transparency of procurement management and level of standardization, promoted the exercising of sunshine purchase.



A Dream Came True:

The Successful completion of the "Offshore Daqing Oilfield"

After a year of final work and efforts made during the Eleventh Five-year Plan period as well as 28 years of struggle since the establishment of the Company and also 50 years of continuous efforts by generations of Chinese offshore oil workers, the Company has finally completed the building of the "Offshore Daqing oilfield", which has turned into an epic in our history and symbolized a magnificent spiritual monument over the deep blue sea.

DREAM CO



OMETRUE

The journey of pursuing a dream

1956

In 1956, the investigation of oil and gas seepage in South China Sea marked the beginning of the tough road to explore oil and gas in South China Sea and the Bohai Sea by China's offshore oil workers.



1978

In 1978, the Central Committee of the CPC and the State Council made a major decision to actively and properly utilize foreign capital and technologies so as to accelerate the development of China's offshore oil industry. This marked the beginning of cooperation with foreign enterprises in China's offshore oil industry.



1982

In 1982, the Standing Committee of the National People's Congress approved, passed and promulgated the "Regulations of the People's Republic of China on the Exploration of Offshore Petroleum Resources in Cooperation with Foreign Enterprises". In the same year, China National Offshore Oil Corporation (CNOOC) was established.



2001

In 2001, according to the principles of management that oil production companies should be centralized and unified, professional companies should be relatively independent and base companies should be gradually spin-off, CNOOC Limited, which is specialized in the upstream business, was successfully listed. This indicated that the Company had entered into a new historic stage of development.



2006

In 2006, in the objectives of the Eleventh Five-year Plan, the Company officially put forward the goal of reaching a yearly oil and gas output of 50 million tonnes of oil equivalent by 2010 and started the journey of building an "offshore Daqing oilfield".



2010

2010 marked a decisive year for CNOOC to achieve the goal of building the "offshore Daqing oilfield". On 1 January, the Party leadership issued document No. 1 of 2010 which triggered a general mobilization to realize an annual output of 50 million BOE. United as one, and with tough willpower and unyielding spirit, the Company spared no efforts, overcame numerous difficulties and tackled inconceivable challenges in the achieving the object of reaching a yearly output of 50 million tonnes oil equivalent and building the "offshore Daqing oilfield".

19 December 2010 was a historic moment for CNOOC since it had reached an annual output of 50 million BOE for the first time in its history, which marked the realization of the long-cherished dream of nearly 100,000 staff of CNOOC, after unremitting efforts of generations.



Glorious footprints

The successful completion of the “Offshore Daqing Oilfield”—

marks that China has become one of the world’s largest offshore oil producers, and has joined the world’s elite club of offshore oil exploration and development, offshore oil engineering and technology and mega equipment manufacturing;

marks that China has established a comprehensive offshore oil industry in less than 30 years while most developed countries took over 100 years;

marks that offshore oil has become one of the most realistic and reliable alternative sources of energy in China, and the offshore oil industry will safeguard a more secured energy supply for the nation;

marks that the offshore oil industry has become one of the strategic emerging industries to drive the development of China’s raw materials, mechanical and electrical communications, equipment manufacturing, shipbuilding, marine engineering and other related industries;

marks the great leap-forward improvement in the domestic innovation capability of China’s offshore oil industry and testifies the continuous enhancement in international competitiveness and sustainable development of China’s offshore oil industry;

marks that China is entering a new phase in opening up its offshore oil industry to the international community, and is completing a transformation from “imported technology” to “exporting expertise” and further a historical breakthrough to “the integration of global resources”;

demonstrates the continuous strengthened capability of the offshore oil industry to safeguard the nation’s offshore interest;

is a milestone laid down by the Company, during its development to become one of the world’s first-class energy companies, and marks the significant improvement in the energy security capability, comprehensive strength and core competitiveness of the Company;

has made many materialized achievements, created the “CNOOC Spirit” inherited from the “Daqing Spirit” embedding new connotation of the times, and accumulated the precious experience drawn from the successful reform and development of Chinese enterprises. All these are the treasures acquired from the construction of the “Offshore Daqing Oilfield”.

Case



A “hundred-vessel campaign” at Bohai Bay

The past five years was the peak period of the Company for the building of the “offshore Daqing oilfield”. In responding to the serious shortage of the resource of engineering equipments, segments of various businesses of the Company collaborate in concerted efforts and managed to make a comprehensive and coordinated utilization of internal resources which accelerated the process of the construction of oilfields. In 2009, **about 25,600 ship days of engineering vessels of various types were put into use**, and more than 100 engineering vessels were working at Bohai Bay with **over 140 vessels during the peak season**, which revealed a grand spectacle on an unprecedented scale at the vast Bohai Bay.

Case



Iron man with his root in the blue water

Hao Zhenshan, manager of the Nanhai No.2 platform of the Drilling Department of China Oilfield Services Limited, Zhanjiang Branch. During his more than 20 years of service in CNOOC, Hao underwent hard struggle and planted himself at the sea. As a platform manager grow up from a deck worker, Hao is known for his working skills and perseverance and leads a team of skillful and perseverant experts, demonstrating CNOOC spirit in overseas operations. In 2010, Hao Zhenshan was dubbed the “**National Model Worker**”. CNOOC dubbed him “**Iron Man at the Sea**” according to his deeds.



Advanced model individuals and units elected by internal departments. They are outstanding representatives of all CNOOC staff engaged in the construction of the "Offshore Daqing Oilfield".



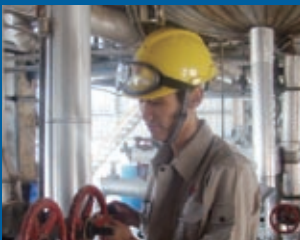
Chen Xiumin, a model worker of CNOOC and the supervisor of CNOOC's "Hai Yang Shi You 202"

Riding a floating boat to the work place at sea and settling down in a dense reed marshes, I witnessed the whole process of the development of CNOOC, and I grew from a seaman to the supervisor of CNOOC's modern pipe-laying vessel "Hai Yang Shi You 202". I am so proud that I can still do something that I can do to help to achieve such a big goal before my retirement. CNOOC is keeping up with Daqing in terms of the output and spirit. In my view, catching up with Daqing is just one of our goals, but not our destination.



Yan Hongtao, general manager of Qinquangdao 32-6 Operating Subsidiary

As a vital new force of CNOOC and participants, we are very excited and very proud that we had the opportunity to participate in this great goal and witness the realization of it. Meanwhile, facing the increasing output, we are keenly aware of the heavy responsibilities we bear. We should set higher demands on ourselves, carry out oil production management in a more efficient way, guide our work with higher oil recovery rate and safeguard the production with more reliable methods in order to ensure the realization of the Company's goal of 50 million tonnes on schedule.



Wang Lishang, engineer of Oil Mining Technology Development & Services Company

To achieve the goal of 50 million tonnes means that we have to pay more sweats and more efforts, that we have to give up more rest days and work overtime and that we have less time to stay with our families,... but I am accustomed to these. I have learnt that holding fast to our posts is our responsibility, parting with our families is our dedication to this cause and breathing heavily during work hours is evidently the beating of tenacious hearts for our beloved career. To achieve the goal of 50 million tonnes of oil equivalent, we would make these sacrifices willingly with no regrets.



Yang Tao, leader of CNOOC Building's Youth Vanguard

In most people's eyes, my job, a logistic post, is insignificant to the building of an "offshore Daqing oilfield", yet I am excited about it. What impressed me most is the ambition in the depth of the hearts of all CNOOC staff. It is a power coming from the soul and making me feel real. In my vanguard, there is a service concept which is interpreted as "When a cup of tea in hand, a cup of oil in mind". In my view, providing better services to core business staff will help them to keep their minds on oil exploration, and keeping their minds on oil exploration will help to achieve the goal of building the "offshore Daqing oilfield".

Case



685 Youth Vanguards Threw Themselves Into the Fiercy "Battlefield"

To mobilize and supervise the mass youth to learn from and carry forward the "Iron-man spirit" and encouraged young employees to practise themselves in the building of the "offshore Daqing oilfield", the Company made a proposal of "striving to be the best youth vanguard and making contributions to achieving the goal of 50 million tonnes" to all young employees and launched a campaign within the Group of "striving to be the best youth vanguard and making contributions to achieving the goal of 50 million tonnes" which resulted in the forming of 685 youth vanguards comprising more than 10,000 young employees. With concerted efforts and a strong sense of responsibility, these youth vanguards at the upstream, midstream and downstream of oil production have become a vital new force in the building of the "offshore Daqing oilfield".

Great-leap-forward: Review of “Eleventh Five-year Plan”

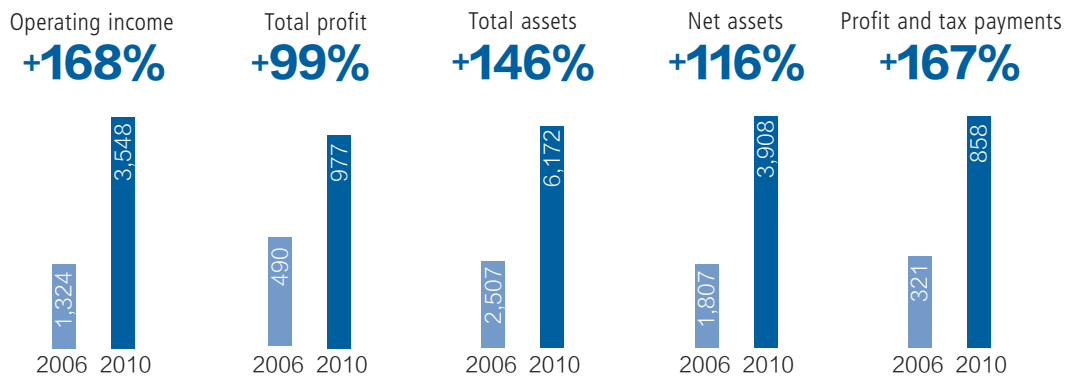
During the Eleventh Five-year Plan period, the Company has achieved a fast and sound development, with its overall strengths, core competitiveness and sustainable development capacity enhanced significantly. This five-year period witnessed a large-scale expansion of the Company, during which the quality development kept improving, the industrial structure kept optimizing, the change of development models kept accelerating, and the soft power of the Company achieved great success. In this five years, the Company has made due contributions to the economic and social development of China.



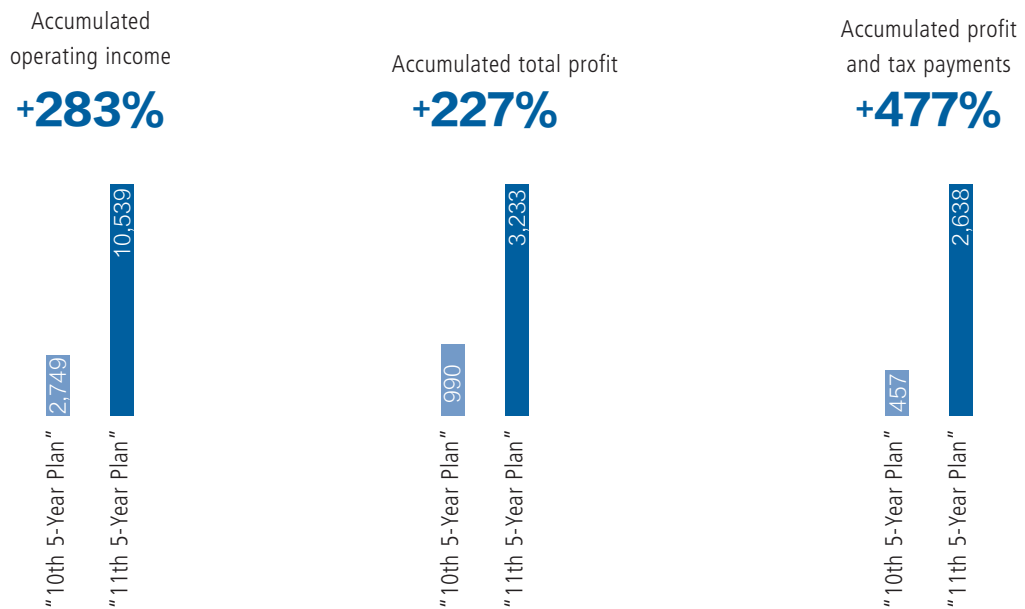


Brilliant results

The growth of operating indicators as at the end of Eleventh Five-year Plan comparing with that as at the end of Tenth Five-year Plan (Unit: RMB100 million)



The accumulated growth of results in the Eleventh Five-year Plan comparing with that of Tenth Five-year Plan (Unit: RMB100 million)





The accumulated growth of products output in the Eleventh Five-year Plan comparing with that of Tenth Five-year Plan

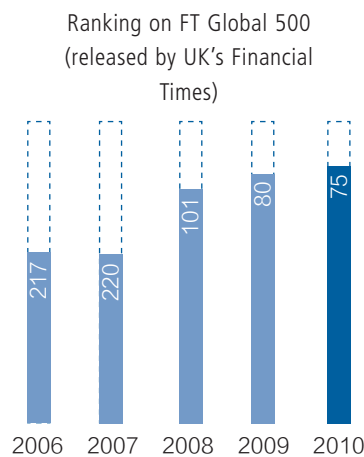
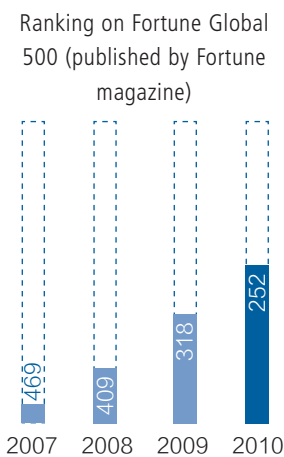
		Unit	Accumulated in "Tenth Five-year Plan"	Accumulated in "Eleventh Five-Year Plan"
I	Upstream products	equivalent to 10,000 tonnes	15,841	23,633
	Of which: Domestic	%	87	83
	Overseas	%	13	17
1	Petroleum liquids	10,000 tonnes	12,993	18,109
	Of which: Domestic	%	89	87
	Overseas	%	11	13
2	Natural gas	100,000,000 m ³	285	552
	Of which: Domestic	%	82	72
	Overseas	%	18	28
II	Downstream products			
i	Fertilizer	10,000 tonnes	480	1,587
1	Urea	10,000 tonnes	469	963
2	Ammonium phosphate	10,000 tonnes		206
3	Compound fertilizer	10,000 tonnes	11	418
ii	Methanol	10,000 tonnes		343
iii	Ethylene	10,000 tonnes		408
iv	Asphalt	10,000 tonnes	457	1,649
v	Petrolane	10,000 tonnes		1,103
	Gasoline	10,000 tonnes		181
	Kerosene	10,000 tonnes		182
	Diesel oil	10,000 tonnes		741
vi	Lubricating oil	10,000 tonnes		14
vii	Fuel oil	10,000 tonnes	864	2,660
viii	Electricity generation volume	billion kWh	96	382
III	LNG imports	10,000 tonnes		2,268

Principal indicators of the Three Major Merits for the Eleventh Five-Year Plan period

Economic Value Indicators	average cost of a barrel of oil	RMB379.5 billion
	accumulated appreciation rate of the state-owned capital	190%
Environmental Value Indicators	grand total of clean energy being introduced	22.68 million tonnes
	total energy saved	1.707 million tonnes of standard coal
Social Value Indicators	total no. of people being benefited from employment promotion	more than 400,000 people
	total contributions to public welfare	RMB870.25 million

Major honors for the Eleventh Five-year Plan period

- ⇒ Winning Grade A for the sixth consecutive year and the second consecutive tenure in the Assessment of the Operational Performance of Persons in Charge of Central State-owned Enterprises.
- ⇒ Winning "Eleventh Five-year Plan" Excellence Award of Energy Conservation & Emission Reduction for State-owned Enterprises awarded by SASAC.
- ⇒ Ranking 252 on Fortune Global 500 (published by Fortune magazine) in 2010, advanced 217 places from 2007.
- ⇒ CNOOC Ltd. ranked 16 on "2009 Global Best Enterprises" list released by Business Week magazine.
- ⇒ In 2010, CNOOC Ltd. ranked 75 (in terms of market value) on FT Global 500 (released by UK's Financial Times), climbed 162 places from 2006.



Case

CNOOC's Panoramic Management Cases became Study Cases of Harvard's course

CNOOC attracted domestic and foreign scholars' attention by its rapid and high efficient development and the rising of its brand influence in the recent years. In 2009, Harvard invited CNOOC for a case development cooperation. With the joint efforts of both parties, CNOOC: Building a World-class Energy Company, the joint-developed case, was accomplished in November 2010, which panoramically summarized the achievements, concepts and models of CNOOC's business development, and illustrated CNOOC's unique competitive advantage. This study case received good repercussions in Harvard's lectures. **This is Harvard's first panoramic enterprise case study**, which reflects the recognition of CNOOC's management concept from academic circles, and also marks the world's acknowledgment of Chinese enterprise's soft power.



Four saltations

The Company, for over 20 years since its incorporation, has been an E&P company mainly engaged in upstream oil and gas exploration. During the Eleventh Five-year Plan period, the Company fulfilled a fundamental saltation from an oil company into an integrated energy company.

Industrial layout



upstream



integrating across up, mid and downstream businesses

Operating scope



shallow water



deepwater

Operating area



domestic



international

Energy structure



traditional energy

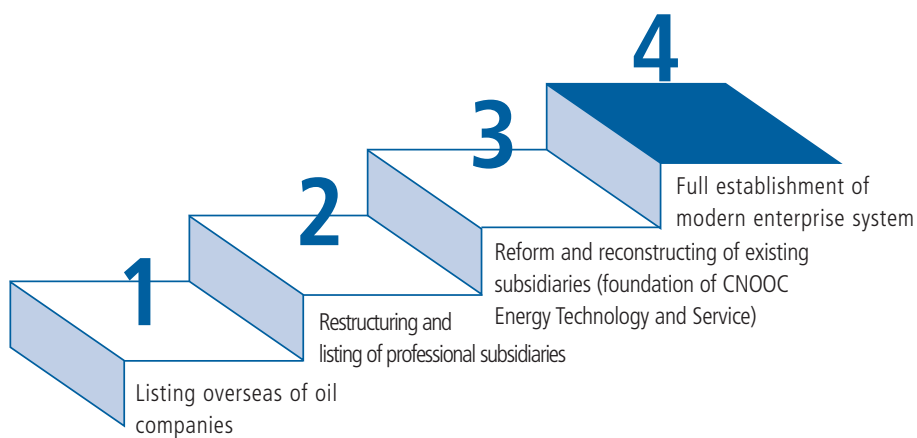


modern energy industrial system

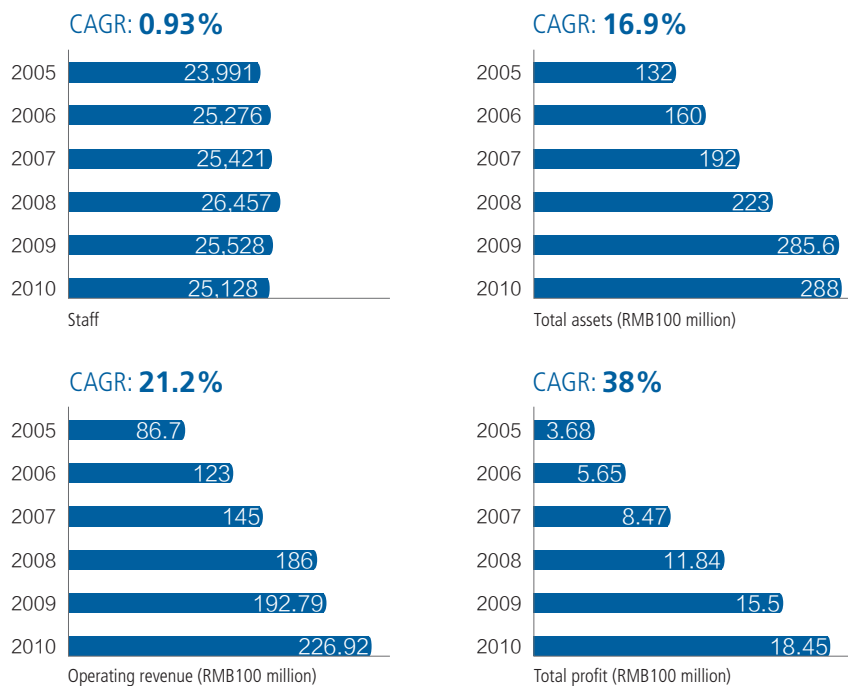
	From upstream to integrating across up, mid and downstream	From shallow water to deepwater	From domestic to international	From traditional energy to modern energy industrial system
Path	Based on the special resources of the upstream business, gradually setting foot on the mid and downstream businesses, in order to promote development of the general industry chain.	Conditional upon the possession of the full set of exploration and development technology applicable to shallow water, aiming at exploration and development in deepwater.	Proactively "Walk Out", promoting overseas assets acquisition, resources control and construction of oil and gas production base.	With continuously strengthening the traditional main business development featuring with oil and gas, and greatly developing new energy and clean energy as well.
Highlights	coastal "Natural Gas Transmission Artery" has been formed primarily; the refinery industry layout, represented by "Two Continents and One Bay", has been increasingly improved; the special chemical fertilizer industry supporting construction of new rural has grown fast.	New progress has been achieved in technical breakthrough, equipments construction and personnel training in area of deepwater; carries out cooperation with certain international celebrated enterprises in sea areas along west Africa, Gulf of Mexico and Persian Gulf.	Establishes two overseas oil and gas production bases in Asia Pacific and west Africa respectively; preliminarily forms diversified and international layout of oil and gas outputs.	A good start for clean energy, including wind energy, coal-derived clean energy and automobile power battery, etc.
Marks	The great refinery project with capacity of 12 million tonnes has been successfully put into operation.	Launch of exploration and development of oil and gas fields in deepwater, such as Nanhai Liwan 3-1 project, etc.	Establishes core assets in major areas of the globe affluent with oil and gas.	LNG business grows with strong momentum.
Achievements	Completes integration of up, mid and down stream industry chain. Mid and down stream industry layout highlighted with variation features has been preliminarily formed.	Achieves a number of oil and gas discoveries in deepwater area of Nanhai and builds up a batch of deepwater applicable equipments represented by "Hai Yang Shi You 981".	Possession of overseas resources, capability to acquire resources, overseas operation ability and operation management ability get significantly improved.	New energy industry system of cleanness, low-carbon and diversification will be built during the Twelfth Five-year Plan period.

Reform: tackle difficult problems

The reform of remaining enterprises is the last step of the “Three-step” reform that the Company has continued for years. During the Eleventh Five-year Plan period, the Company has successfully carried out the reform and restructuring of remaining enterprises in accordance with the requirements of establishing a modern corporate system, thus turning the relatively non-performing assets into good assets and laying a sound foundation for the establishment of a modern corporate system throughout the Group.



Development trend of remaining segments between 2005 and 2010





Supplement

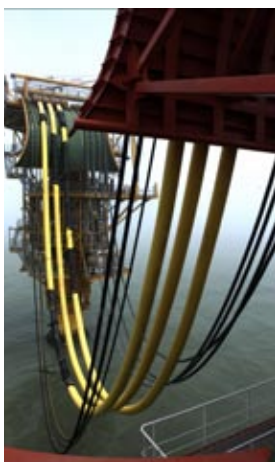
“Three-step” reform milestone

In the mid-1990's, the Company made a decision of “centralized and unified oil companies, relatively independent professional companies and gradually separated base companies” to detach the oil and gas exploitation as one of the principal businesses from regional companies. With 3% personnel of the entire group and 80% of its assets, the oil company was set up and listed on both the Hong Kong and New York stock exchanges in 2001.

In 2002, the Company further restructured its ten professional companies into two companies, namely Offshore Oil Engineering Co., Ltd. and China Oilfield Services Limited, which went public with 37% of the total number of personnel of the Group and 12% of its assets.

In 2003, we embarked on the reform and restructuring of the remaining enterprises. In accordance with the principle of specialization, we set up the Base Group with the remaining 60% of personnel and 8% of assets and divided it into five regional companies and ten professional companies. On July 15, 2008, CNOOC Energy Technology & Services Limited was officially founded, symbolizing the great progress made in the reform of remaining enterprises and the substantial accomplishment of the goal to establish a modern corporate system in a comprehensive manner by the group.

Case



Industrial “Development, Suppression and Transfer” of CNOOC EnerTech

In recent years, CNOOC EnerTech has accelerated its industrial “development, suppression and transfer”. While consolidating the drilling and production technology as its pillar industry, it accelerated the nurturing of emerging industries such as raw material of Li-ion battery, catalyst, water treatment and high-end coating. By focusing on the environment protection and energy saving industry, it sped up the integrated use of cold energy and ability development of emergency response to oil spill. Human resources outsourcing and traditional communication industries were gradually transformed into high-end industries such as security engineering consultancy service and information technology service. Adhering to the principle of differentiated development, oil building company accelerated its transformation into upkeep industry, and moved forward to a standardized, scientific and intensive management. After adjusting the industrial structure and optimizing the resource allocation, the Company achieved a favorable development, **new advantages for development further stood out and its core ability and competitive strength were further enhanced.**

New approach explored

During the Eleventh Five-year Plan period, by continuously innovating the development concept and development path, voluntarily complying with the laws of the market economy, of industrial development, and of corporative progress, together with its own characteristics as a state-owned enterprise, the Company worked out a unique development pattern of "market-oriented operation, professional expansion, differentiated competition and group management" linking it with the internationalized management and suitable for China's actual conditions and its own characteristics.

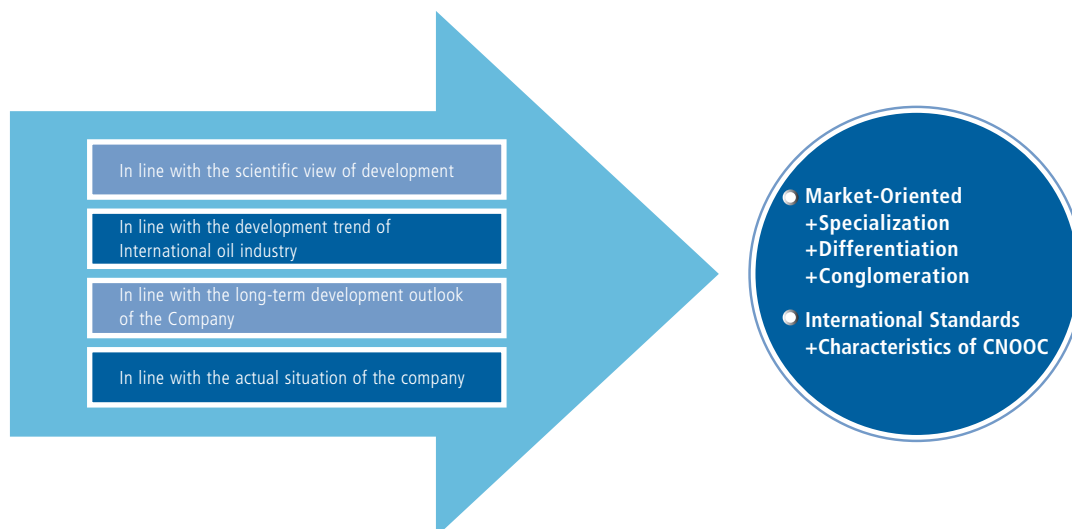
By complying with laws, explored a development model with its own characteristics

Laws of market economy ⇒ market-oriented

Laws of industrial development ⇒ specialization

Laws of corporative progress ⇒ differentiation

Laws of state-owned enterprises ⇒ conglomeration



Case



Comprehensive competitive edge behind the recovery of "Lihua's" production

In 2007, CNOOC suffered all kinds of difficulties and obstacles beyond expectation when it tried to repair the Lihua oilfield severely damaged by Typhoon "Pearl". Those internationally reputed service providers offered costly and demanding proposals. If their proposals were adopted, the recovery of Lihua's production would be remote. The Company decided to do it on its own. Professional companies worked together with oil companies and overcame unprecedented problems one by one. As a result, Lihua oilfield resumed production on schedule which **created a miracle in the world's history of engineering**.

With the higher degree of division of labor in the industry, the "huge and comprehensive" industrial model was supposed to be widely reviled, but CNOOC made it into a unique competitive strength. Each of the business segments complemented each other's advantages and created synergies. Especially, oil companies established market relations with professional companies and in the meantime they became interdependent and developed in a coordinated manner to jointly maximize the interest of the group. It turned out to be the company's unique competitive edge.



System development

During the Eleventh Five-year Plan period, the Company had gradually established the offshore oil engineering system, including the technology system, engineering system and equipment system of the exploration and development of oil and gas fields, and built a team of offshore petroleum workers with firm political orientation, excellent skills and strict discipline. The completion of “offshore Daqing Oilfield” marked China’s striding into the world’s advanced ranks in fields such as the exploration and development of offshore oil, offshore engineering technology and the construction of large equipment.

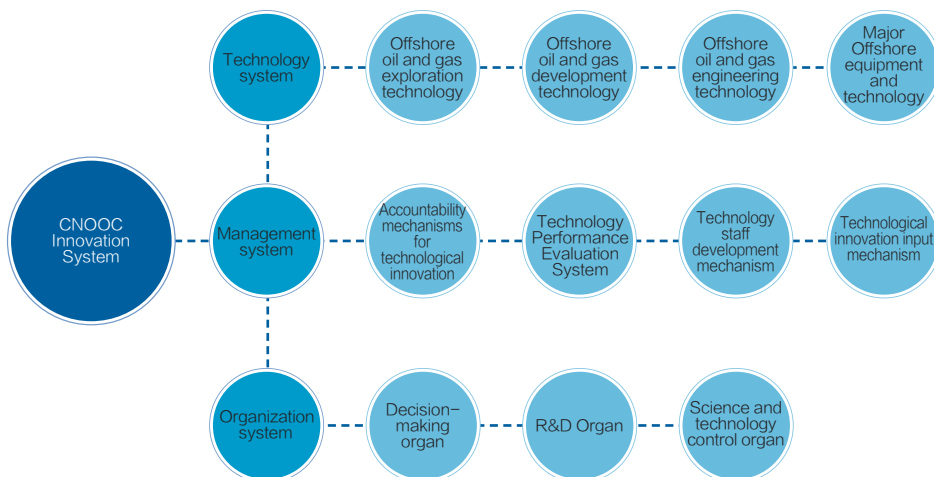
- ⇒ Mastered the full set of exploration and development technology with a water depth up to 300 meters;
- ⇒ Established offshore oil equipment system represented by Floating Production Storage & Off loading (FPSO) and “Hai Yang Shi You 981”;
- ⇒ Equipped with the operation capability of exploring at the water depth of 1,500 meters and embarked on the exploration at the water depth of 3,000 meters;
- ⇒ Achieved the productivity and management capability of developing 10 million tonnes oil and gas per year.

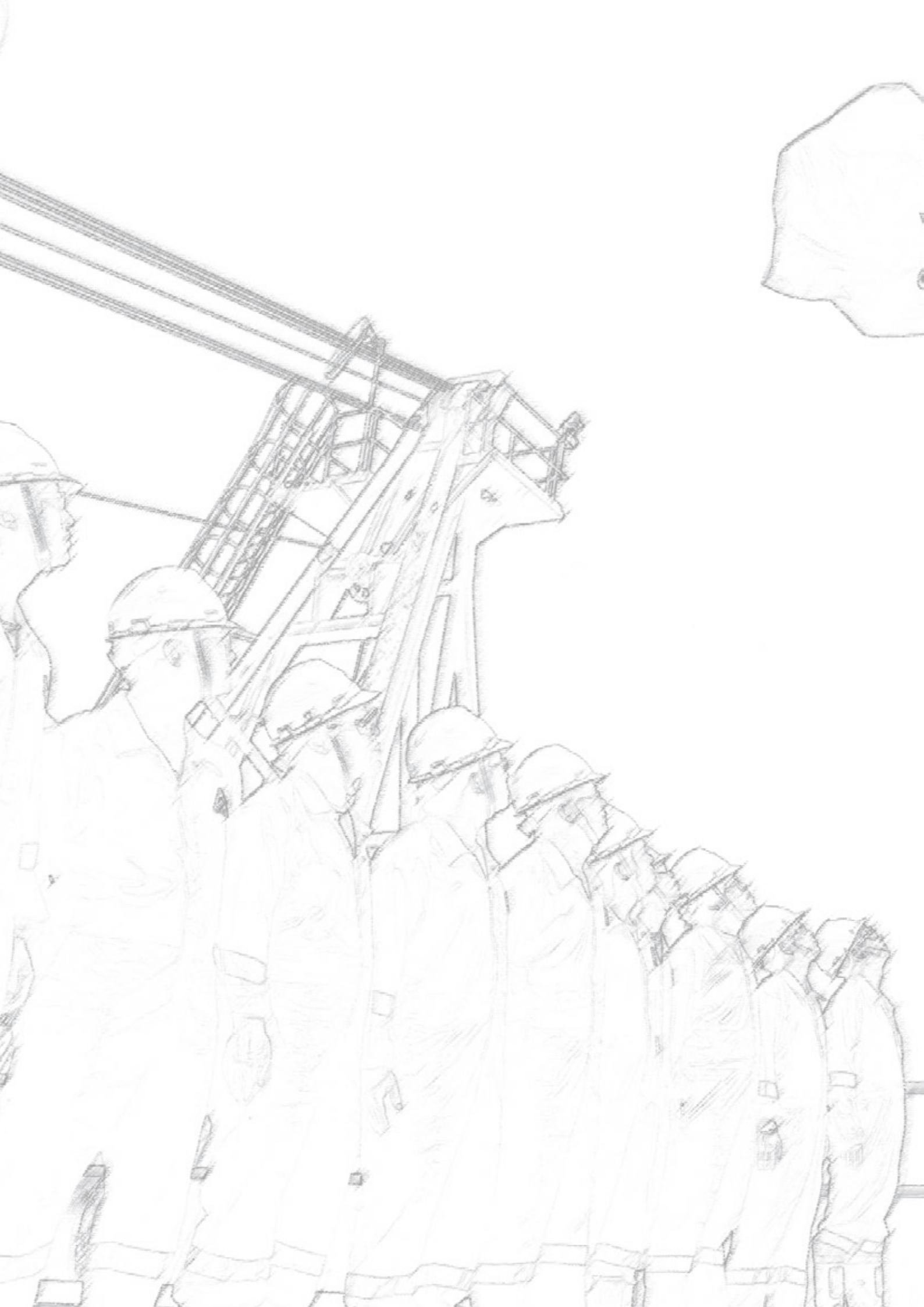
Case

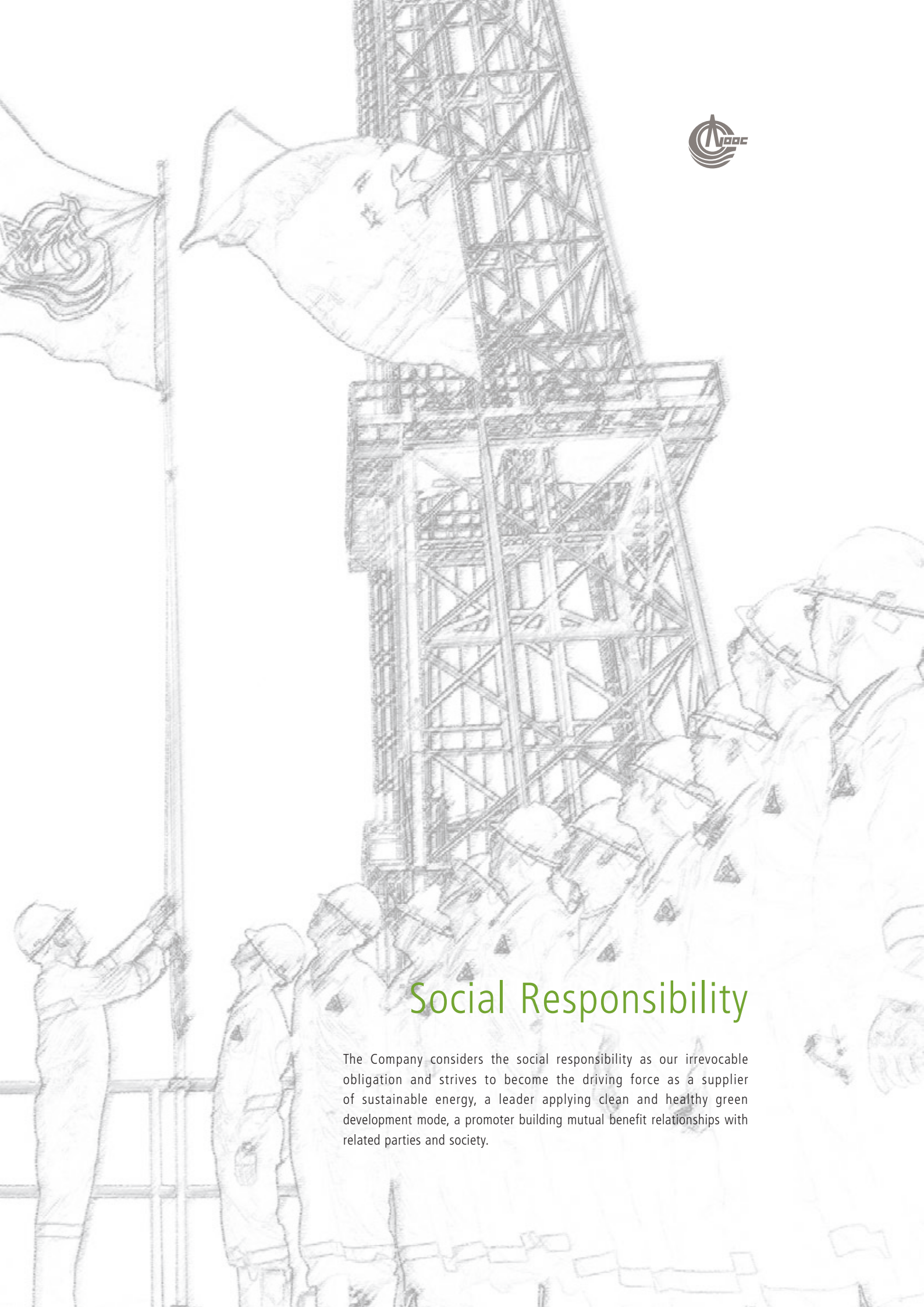
CNOOC won the first prize of National Science and Technology Progress Award



In 2010, the achievement of “China Offshore Oil and Gas Exploration & Development Technological Innovation System” was awarded the first prize of National Award for Science and Technology Progress – Enterprise Technology Innovation Engineering. **The Company is the first state-owned enterprise that has won such award**, demonstrating that the Company has realized great-leap-forward, from integrated innovation to selective original innovation. Driven by this system, CNOOC has successfully explored and opened up a new way of technical innovation, evolving from technology introduction to the combination of introduction and integrated innovation, further from integrated innovation to original innovation, supporting and leading the high-efficient and high-speed development at the corporate level, and established a modern offshore oil industrial system with Chinese characteristics and international competitiveness. This system provided strong support for CNOOC to go outside China and from shallow waters to deep waters, which are historic breakthroughs, and made significant contributions to the safeguarding of national energy security and the country’s maritime rights and interests and promoting the development of related industries.







Social Responsibility

The Company considers the social responsibility as our irrevocable obligation and strives to become the driving force as a supplier of sustainable energy, a leader applying clean and healthy green development mode, a promoter building mutual benefit relationships with related parties and society.

Philosophy of health, safety and environmental protection

To achieve the strategic goal of sustainable development, CNOOC strives for clean and safe development, Health, Safety and Environmental Protection (HSE) Philosophy is:

- ⇒ Sound HSE performance is one of the foundations for the company's growth and development.
- ⇒ Ensuring economic return, HSE management is also our commitment to social responsibility.
- ⇒ Put people at the first place and regard employees as our most valuable resource and asset.
- ⇒ With set objectives, implementation is important.
- ⇒ Conduct systematic management and continuous improvement with the motto "We can always do it better".
- ⇒ Promote the "5 DO NOT" safety rules, focus on details, manage risks to an acceptable level.
- ⇒ Manage contractors and share information and experience to achieve Win-Win cooperation.
- ⇒ Endeavor to use clean and harmless materials and energy, and protect environment and natural resources.
- ⇒ Comply with laws, regulations and industrial standards, and strive for HSE excellence.
- ⇒ HSE performance mirrors the comprehensive quality of a company.





Employee's Responsibility

The Company made great effort in occupational health and safety, construction of efficiency management system, professional qualification management and international talents training all the year round, to ensure the Company has sufficient human resource to match up with its rapid growth.

Legitimate employment

Employment management Besides international laws, the company also strictly complied with the relevant stipulations of China’s Labor Law, established complete procedures in employment, recruitment and other crucial links, clearly defined lawful and legitimate employment policy, in aims to protect employees’ benefits and eliminate the possibility of hiring child labor. In addition, we restricted outsourcing companies and labor service agencies on violation against human rights via laws and education. We had not detected any human rights violation event within the Company or outsourcing companies hired by us for the year.

Remuneration and benefits Adhering to the principle of “maintain the comparative advantage of human resource, establish competitive remuneration and benefits system”, more efforts were made to optimize the recruitment form and improve its management mode, so as to streamline the passage for employees towards further development, as well as established unified and standardized company’s annuity system to eliminate employees’ worries on their retirement and carried out steady transfer of supplementary medical insurance.

Career development plan Organized 6,300 trainings with 75,000 participants.





Occupational safety

Operational Safety The Company has set up a complete healthy, safe and environmentally friendly management system, aiming at increasing the awareness of staff on safety and environment protection during operation and enhancing their ability in identifying risks and their skills on risk management, which had received good results. Equal attention and management was also given to the contractors.

Accidents and Casualties

- ⇒ In total of 173 safety accidents occurred, mainly were recordable personal injury accidents, representing 61%.
- ⇒ In total of two fatal accidents involving one employee and one contractor, two fatal accidents involving indirect contractors, one fatal accident in the workplace and its course was network-related and one person missing.

Offshore Typhoon Defense As more than 10 typhoons happened this year, our production and operation was adversely affected. We sent more than 840 sorties of helicopters, over 80 sorties of ships and 20,000 man-times of offshore operating staff to battle against the typhoons. No fatal accidents, injury or treasury loss occurred during our defense against typhoons.

Occupational Health Besides carrying out annual physical examination for all the employees, we also improved our occupational health management, such as achieved 7 projects concerning occupational disease assessment and review, 14 projects in relation to assessment report on the effectiveness of controlling factors causing harms arising from occupational disease, as well as inspected and accepted the finished facilities for occupational disease prevention. In total of more than 60,000 personnel used occupational health examination data base system and up to 220,000 various documents were filed. In addition, we executed inspection and reporting on factors causing harms arising from occupational disease on workplace.

Employees' mental health We managed our employee's pressure on regular basis. We introduced program for psychological intervention after critical incidents and organized professional safety management personnel to attend psychological crisis intervention training.

We selected a number of offshore staffs who operated 8 facilities as sample group to test the pressure management and mental health services for offshore staffs, in the view of implementing intensive research on the reasons causing mental pressure among the sample group as well as its development and effects, and based on the findings to build a scientific pressure model, which could indicate the relationship among pressure and safe production, physical health and mental health, work performance and corporation culture etc., so as to provide foundations for corporation's safe production management, staff's physical and mental health protection and humanistic corporation management.

Supplement

CNOOC'S "5 DO NOT" WORKPLACE SAFETY RULES

DO NOT ACT BEFORE THE RISKS ARE IDENTIFIED;
DO NOT ACT BEFORE THE SAFETY MEASURES ARE
IN PLACE;
DO NOT ACT BEFORE THE SAFETY EQUIPMENTS
ARE PROVIDED;

DO NOT ACT BEFORE THE WORK ENVIRONMENT
IS SAFE;
DO NOT ACT BEFORE THE REQUIRED SAFETY
SKILLS ARE POSSESSED.

Constructing harmonious relations with employees

CNOOC has constantly improved petition channels, in order to ensure employees' opinions or proposals can be promptly and conveniently conveyed to the management level of CNOOC and its subsidiaries.

The company permits employees are free to choose their work. When employees resign, the company wouldn't oppose their choice for any reason and means, nor restrict their personal freedom in any form. It never allows compulsory labor and no complaint, appeal nor petition of compulsory and forced labor was lodged against CNOOC during the year.

The company advocated and emphasized harmonious relations between enterprise and employees, respected the differences of employees in gender, age, health condition, nationality, religious belief and other aspects, and guaranteed no discrimination with strict system implementation, supervision and inspection.

Case



Democratic management in Huizhou refinery

In addition to the establishment of workers' congress, Huizhou Refinery, a subsidiary of CNOOC, also widened democratic management channels by proposing a **"General Manager Reception Day", which allows the employees to express their requests in multiple ways through one platform.** On the quarterly General Manager Reception Day, attendances included group members, chairman of work congress, branch secretary, staff representatives and proposers. Prior to the meeting, the employee's opinions and proposals would be collected by work congress and dealt with during the meeting, following an announcement and feedback issued on the quarterly staff meeting. Meanwhile awards were given to valuable opinions and proposals. These measures marked Huizhou Refinery's efforts to execute democratic management mode.

Case



CNOOC won "China University Student Best Employer"

On 5th August 2010, the 8th Best Employer Report & Best Employer Awards was held in Beijing. CNOOC was awarded "China University Student Best Employer", a proof that our performance and achievements were widely recognized by society and our years of effort in campus recruitment had made considerable progress. **The title of "Best employer" received by us can help attract more distinguishing graduates who will devote themselves to marine oil business.**



Staff activities

Various entertainment activities were held for our staffs, which not only enabled them get involved in community building and make contribution to society, but also create harmonious relations among them, representing the Company's culture.

Case



Make friends in Fun Games

As usual, the 7th CNOOC Interesting Games opened before traditional middle-autumn day, together with 18 foreign companies, including Conoco-Phillips, Shell, Halliburton, Chevron and Fluo. **Nearly 2000 staffs joined the Games and competed with their rivals fiercely. Maybe not everyone won the games but everyone won friendships through their laughing.**

"Interesting Games is more than an activity to promote the brand of CNOOC, but a helpful measure which is very popular with staffs to release their pressure." a competitor said, "To win the Games, we need to cooperate with other colleagues and that's the spirit tying us together to overcome various obstacles. I think that's the objective of these Games: Work happily and live healthy."





Environmental Responsibilities

As an enterprise with high environmental risk, CNOOC has been optimising its industrial structure, promoting clean production, focusing on energy and resource saving and making great effort to protect the environment in line with the development of the national economy and the Group, so as to contribute to the balance between society and nature.



Environmental protection

Conducting "Three-Simultaneity" of environmental protection

10 environmental impact assessment reports and 18 environmental impact assessment report forms, of which 6 environmental impact assessment reports were submitted in 2009, have been approved by State Oceanic Administration, and all the environmental impact assessments for and before 2009 have also been approved. Examination of "Three-Simultaneity" of environmental protection for 11 offshore projects and examination of checking and acceptance of environmental protection facilities upon completion for 7 projects have been carried out.

Carrying out special inspections of environmental protection

Special inspections of environmental protection were carried out to related units, with focus on achievement of indicators of pollutant emission reduction, review of energy-saving production, rectification of environmental protection after merger & acquisition, management of labs and disposal of hazardous waste.

Launching HSE due diligence upon merger & acquisition

HSE due diligence was organized to China United Coalbed Methane Co., Ltd., and the Health, Safety and Environment (HSE) due diligence reports of the four merged and acquired enterprises have been examined and approved.

Case



Oil spill emergency response covers the whole sea area of China

Environmental Service Ltd. under CNOOC Development, a secondary unit subordinate to CNOOC, founded in January 2003, is **the first market-oriented professional environmental protection company providing second-class emergency response to oil spill in China. Establishment of the company has filled in the domestic blank in respect of the field of oil spill emergency response.** The company has internationally top-ranking equipments for spilled oil recycling, internationally advanced software for predicting excursion track of spilled oil, professional emergency response program systems, experienced high-quality professional team and strong R&D force. It currently owns 7 emergency response bases, 3 professional environmental protection ships and 1 oil spill software R&D center, and is planning to set up 7 new emergency response bases to gradually improve the network for emergency response to oil spill covering the whole sea area of China. In 2010, the company carried out 2 oil spill emergency response fights, 12 oil spill emergency response exercises, 11 oil spill exercise guides and 9 oil spill emergency response trainings, and organized 3 oil spill emergency response seminars in Bohai Sea, South Sea and East Sea.

Case



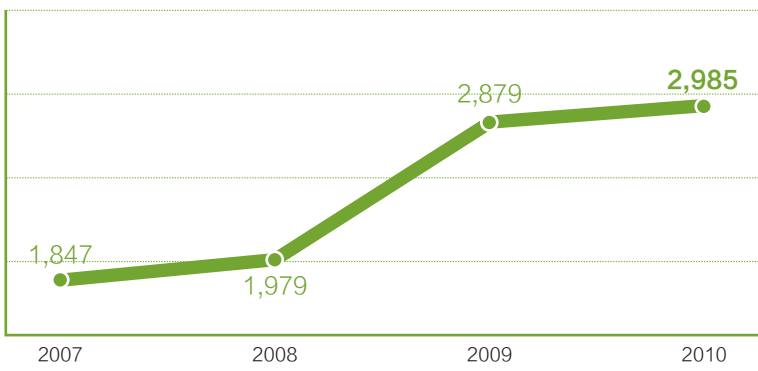
Say "No" to "One-meter Pollution"

Automobile ownership all over the country has been drastically increasing for consecutive several years. Apart from automobile tail gases, tires have also become a hidden killer harming our health. The dust from the rubber in the surface of a tire running at a high speed contains polycyclic aromatic hydrocarbons, which is carcinogenic and mutagenic to the human body. These tiny granules float in the air one meter away from the ground, having a direct harm to the children with height of around one meter. Therefore, this kind of phenomenon is also called "one-meter pollution". China Offshore Oil & Gas Development & Utilization Company ("Oil & Gas Development & Utilization Company") used the crude oil from Suizhong 36-1 Oilfield as a raw material, adjusted the refining conditions by removing PAHs, chain hydrocarbons, colloids, asphaltenes and other non-ideal components and developed environment friendly highly-aromatic rubber oil with a high content of aromatic hydrocarbons and naphthenic hydrocarbons, **filling the domestic blank in the field of environment friendly rubber oil.**

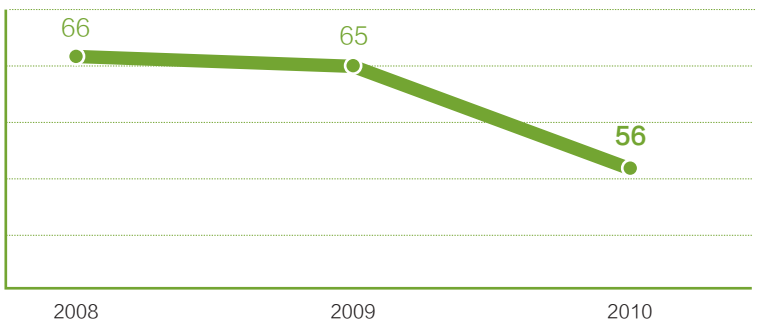
Environmental indicators

Pollutant emissions of oil and gas fields in Chinese sea areas over the years

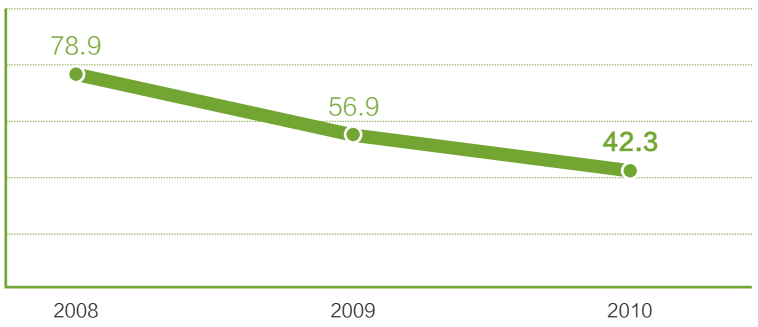
Petroleum Hydrocarbon Emissions (Unit: tonnes)



Pollutant Emissions of Bohai Oilfield (Unit: tonnes)

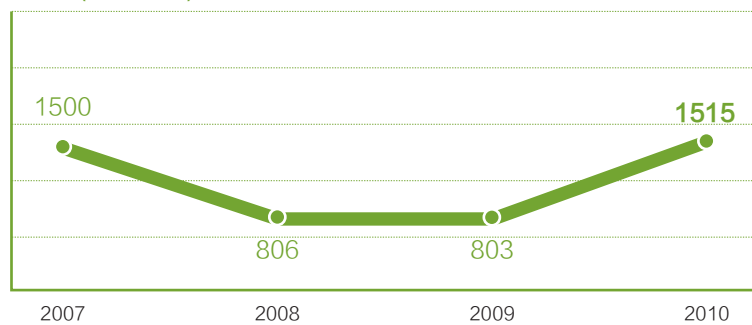


Pollutant Emissions of Beibu Gulf (Unit: tonnes)

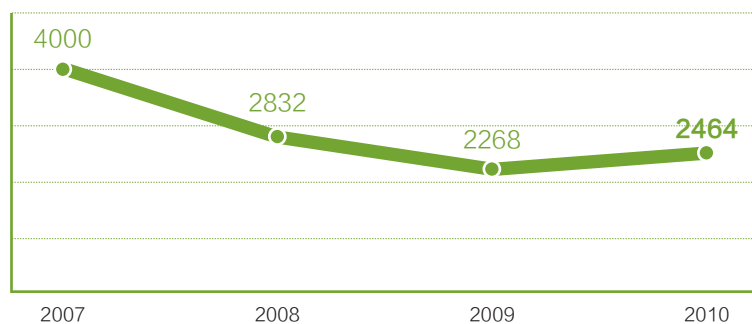




Chemical oxygen demand (COD) emissions of major overland emission-reduction units (Unit: tonnes)



Sulfur dioxide (SO₂) emissions of major overland emission-reduction units (Unit: tonnes)



Note: Increase in emission indicators in 2010 was attributable to the substantial increase in the output of the Company's major products. The unit emissions of those products continued to decrease.

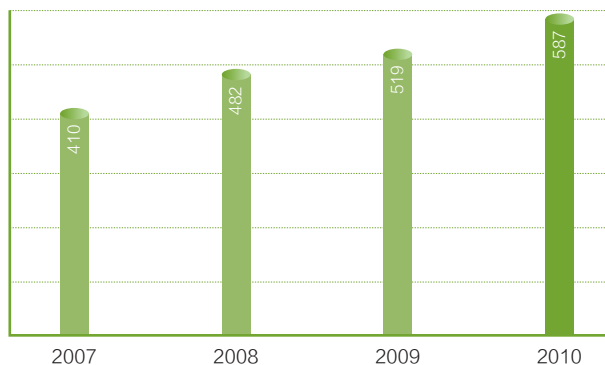
Climate combat

The Company took the lead in releasing “Climate Combat Policies” and a plan for recent actions among central enterprises, and completed inspections of greenhouse gas emissions in the system of the Company during 2005-2010, becoming the first domestic large-scale central enterprise accomplishing the inspections of greenhouse gas emissions in accordance with international standards.

The development mode of low-carbon society is an inevitable choice of human being to combat climate changes. During the course, the only way for energy companies to develop in a sustainable manner is to increase low-carbon energy supply and to achieve lower carbon emission objectives. The Company undertakes:

- ⇒ Adjust the industrial structure and develop low-carbon energies
- ⇒ Emphasize international cooperation and meet regulatory requirements
- ⇒ Optimize allocation of resources and practice energy saving and emission reduction
- ⇒ Standardize measurement statistics and promote carbon sequestration actions
- ⇒ Enhance consciousness training and improve cognition capability

Offshore oil and gas fields carbon dioxide (CO₂) emission volume (Unit: 10,000 tonnes)
(including our branch companies operating in Chinese sea areas and South East Asia)



Case

A big order obtained for carbon trading projects

On 7 December 2010, the CDM trading of the 49,500 kW wind energy project of CNOOC Inner Mongolia Huade Wind Energy Plant was approved by and was registered in the UN CDM Executive Board. Huade Wind Energy Plant has signed a 7-year emission reduction purchase agreement with Citibank. It is expected that Huade Wind Energy Plant **could sell 120,000 tonnes of carbon dioxide emission reduction in a year**, obtaining gains from carbon emission reduction of RMB12 million.



Social Responsibility

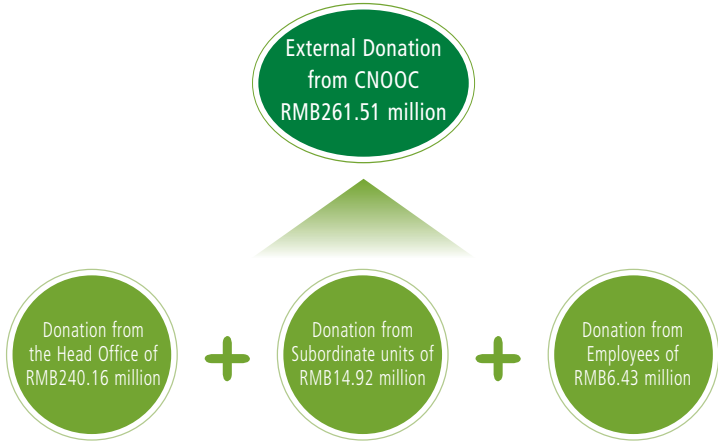
CNOOC is committed to assisting the economic development of underdeveloped regions, carrying out relief to designated poverty alleviation areas, investing in infrastructure construction projects, supporting the development of agricultural science and technology and education.



Charity

Through this year, CNOOC has accomplished all tasks it has set up for poverty alleviation, aid to Tibet and public benefits related commitments. Specifically, CNOOC has satisfactorily rotated the cadres as aid to Tibet concerned; construction for Sichuan assistance project (phase I) has been progressing as scheduled; constant supports from CNOOC have been contributed to public benefits projects such as Hope Projects, Mother Water Cellars and Song Qing Ling Fund (SOLF). As a state-owned enterprise, CNOOC also proactively performs its obligation when certain regions across the country suffering from damages caused by natural disasters. For example, assistances have been extended to the stricken areas like the southwest, Yushu, Quzhou and Hainan where experienced severe damage from drought, earthquake, mudslide and rainstorm respectively. By virtue of such works, CNOOC won complete recognition and highly praise from the governments and people of those aided areas.

Particulars about the external donation from CNOOC for the whole year

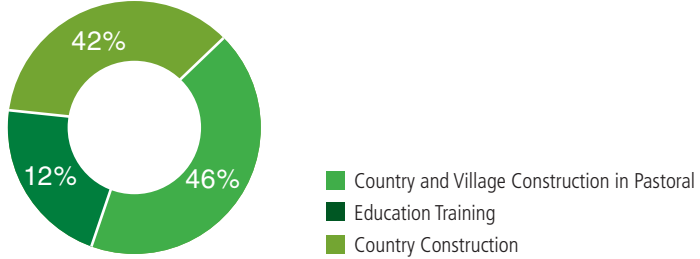


Aid to Tibet

The year 2010 was the last year for CNOOC to carry out its 3-phases aid to Tibet project. The aid to Tibet project team (phase iii) fully completed the various aid tasks determined in 2007 when CNOOC settled in Tibet. The aggregate funds input for this project amounted to RMB49.08 million, with contribution of which, totally 18 projects (including but not limited to settlement projects for herdsmen, Cultural Conference Center of that county, Broadcasting Center and Comprehensive Teaching Building of Shenya Town Primary School) have been constructed and catastrophic construction resulting from snow disaster and earthquake have also commenced.

In 2010, CNOOC has appropriated RMB9.97 million for investments in Nima County, including construction of solar power plants for herders, relocation housing of the Finance Bureau, settlement project for herders, supporting facilities for the County Welfare Institution for the Aged and supporting facilities for Country Culture Station in pastoral areas.

Allocation of the Aid Fund to Tibet





Poverty Alleviation

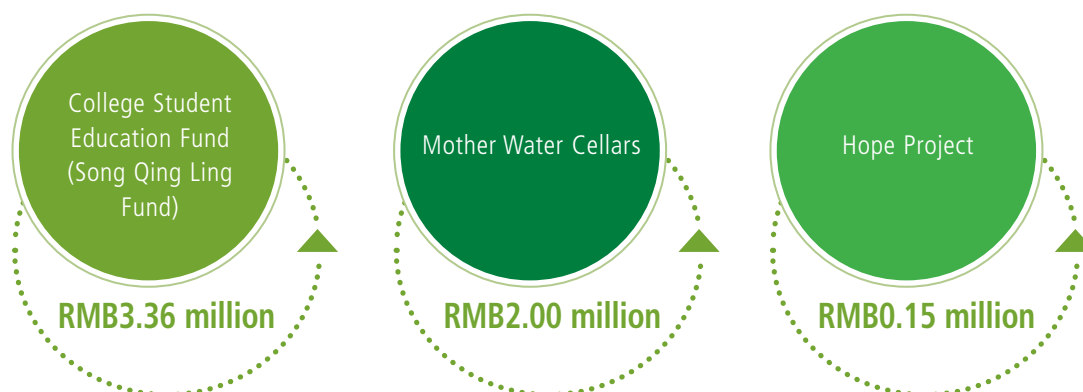
Projects which the Head Office of CNOOC assists to construct have progressed smoothly:

Project	Projects	Investment amount (RMB)
Assisted to construct Red Star School in Wuzhishan city.	Teaching building of Red Star School in Wuzhishan city: the gross floor area of such teaching building was 3,567.84 sq.m, and the project is planned to complete for use by the end of June 2011.	The total project price was RMB5.30 million, with RMB3.30 million and RMB2.00 million injected from CNOOC and Wuzhishan Facilities respectively
Constructed Zhongshan Primary School in Lingshui county.	On 31 July 2010, No.1 Ordinary Teaching Building of Zhongshan Primary School in Lingshui county constructed with the poverty alleviation fund from CNOOC was successfully completed. The gross floor area of such project, a 4-floor building, was 2,125 sq.m.	CNOOC injected RMB3.10 million.
Constructed Secondary Vocational and Technological School of Baoting.	In August 2010, CNOOC participated in constructing the Comprehensive Teaching Building of Secondary Vocational and Technological School of Baoting and drinking water safety project for Maogan Central School in Maogan county.	CNOOC contributed poverty alleviation fund of RMB4.00 million.
Constructed country road for Nawu Township, Hezuo City, Gansu province.	In 2010, CNOOC supported in constructing country road for Heni village, Nawu Township.	CNOOC injected fund of RMB240,000.
Assisted to increase incomes for the farmers of Xiahe county, Gansu province.	Subsidied RMB5,000 each for the construction of 72 vegetable greenhouses, which is aimed to increase incomes for the farmers of Xiahe county, Gansu province.	CNOOC injected fund of RMB360,000

Assistance Projects in Sichuan

Assistant project team established by CNOOC in respect of the earthquake-affected regions in Sichuan (hereinafter referred to as Sichuan assistance project team) satisfactorily accomplished the assistance constructions for the three medical-care projects, which involved an investment amount of RMB240 million in aggregate, with the collaborations from the governmental authorities and assisted units in Deyang, Guangyuan and Luojiang. Sichuan assistance project team firmly adhered to Party Group's guideline, namely "Hospitals Constructed with Assistance shall be Constructed to be Refuges and Reassurance Project for People in Disaster Area". Under the working principles of "folksy, practical, standardized and efficient", Sichuan assistance project team driven works forward on a stable basis. In particular, the aforementioned 3 medical-care projects completed in Deyang, Guangyuan and Luojiang during the phase I have won the prize of "Excellent Project in Sichuan". Furthermore, those projects were also appraised as provincial "Civilization Standardized Construction Site".

Other Charity Projects



Social assistance

Every time when there is major disaster, CNOOC always makes a proactive response to the calls from the Party and the State, such as the drought in southwest China at the beginning of the year, the earthquake in Yushu, Qinghai province on 14 April, the mudslide in Quzhou, Gansu province on 7 August, and the torrential rain disaster in Hainan province in September and October (which was deemed to be the most severe one in the last 50 years of that region). Particularly, CNOOC earnestly performed its political and social responsibilities as a central enterprise, and arranged and conducted disaster rescue and donation works as per the national policy requirements. Throughout the year, the Head Office of CNOOC has totally donated RMB26 million to the above stricken areas.

Case



Dedicate to assistance construction and poverty alleviation

To ensure the continuity and completeness of the assistance construction projects, Fu Yunwei has performed his obligations in Hainan for 2 consecutive terms of office. Due to his sincere care about Wuzhishan city and his outstanding performance there, he is highly recognized by the local leaders. At present, Hainan provincial government has retained him for continual cooperation, and assigned him to commence his new career life in Dongfang city. As to Luo Chunting and Zeng Xianling, they have not only carried the assistance construction works as general, but also shared the specific county affairs. In 2010 when the terrible flood disaster raged in Hainan, they were brave enough to offer their hands in flood prevention and disaster rescue in the front line with the local cadres, which perfectly interpreted the definition of "Model Effect" that a party member cadre was expected to perform in any dangerous moment, and which won reputation for the corporate as well.

Case



Extend warm hands to Yunnan where drought disaster affect

At the beginning of the year, unprecedented drought disaster swept Yunnan, Guizhou and Guangxi provinces, resulting severe adverse impacts on spring farming and daily lives of the locals. On 29 March, CNOOC remitted RMB10 million to the designated bank account of Red Cross Society of China, namely "Donation for Resisting Drought and Disaster Rescuing (Spring Rain Action). Special Appropriation from Central Enterprises for Resisting Drought and Rescuing Disaster", as the special appropriation from CNOOC for assisting the stricken areas to dig well and resist drought. Meanwhile, the Party Leadership Group of the Company appealed for saving water among its employees. In particular, through the launch of the activity that "One Box of Water Donated, then One Piece of Love Extended", it provided assistances to those areas in a manner of practical action. In terms of the purchase price and delivery cost related to a box of water, donation of one box of water generally cost RMB100. In total, **there were about 50,000 people making donation in this activity, with the donation amount reaching at RMB6.43 million.**



Products Responsibility

The Company proactively developed the trade at home and abroad, storage and logistics, and marketing network establishment of petroleum and chemical products, and is devoted to providing customers with solutions, and by strictly following the law of development of the industry, strives to achieve the integration of supply, sale, trade and logistics, so to create the competitive advantages with CNOOC characteristics.

Customer service

Standardize the Gas Station Management The company promulgated officially "CNOOC Gas Station Operating Manual", which is composed of 6 sections, including "Human Resource Management", "HSE", "Management of Oil and Non-oil" and etc. The manual stipulated a set of stringent operating standards and serving procedures for all CNOOC gas stations, the promulgation and implementation of which standardized the management and service standards and procedures of all CNOOC gas stations, and upgraded the overall image, management and service levels of CNOOC gas stations.

Guaranteed Supply Facing the worsening situation of "diesel shortage" throughout the country since October 2010, the Company actively fulfilled its social responsibility and took reasonable measures of allocating resources to ensure market supply. All affiliated gas stations implemented strictly the national policies, and kept their promises: unlimited volume, no price hike, good service.



Case

Fuel "Expo" with quality services

During the six-month Shanghai World Expo, in order to embody its motto "Serve the World Expo in all levels, United to keep our commitment", the CNOOC actively performed their responsibilities to ensure the oil supply, so as to contributing to the security and safety energy supply for Shanghai Expo. During the "Expo" period, all CNOOC gas station workers adhered to the principle of "**Considerate Service, All for Customers**", and dedicated to serve every "Expo" visitor with quality service. We won recognition and compliment from the customers. Three gas stations in Shanghai of the Company were awarded the title of "Pioneer Workers" of Shanghai, and three stations reputed were awarded the title of "Pioneer Workers" by Shanghai Financial Commission, and 2 stations gained the title of "Youth Civilization" by the League Work Committee of Central Enterprises. In 9 November 2010, the Shanghai municipal government sent a letter to CNOOC to express its appreciation for the refined oil supply and service rendered during the Expo.



Marketing network

CNOOC's marketing network has covered 23 domestic major cities inclusive of Beijing, Shanghai, Tianjin, Guangzhou, Wuhan and Huizhou. By the end of 2010, CNOOC sales companies had 28 oil depots with a total reservoir capacity of 1,002,800m³ and 231 gas stations.

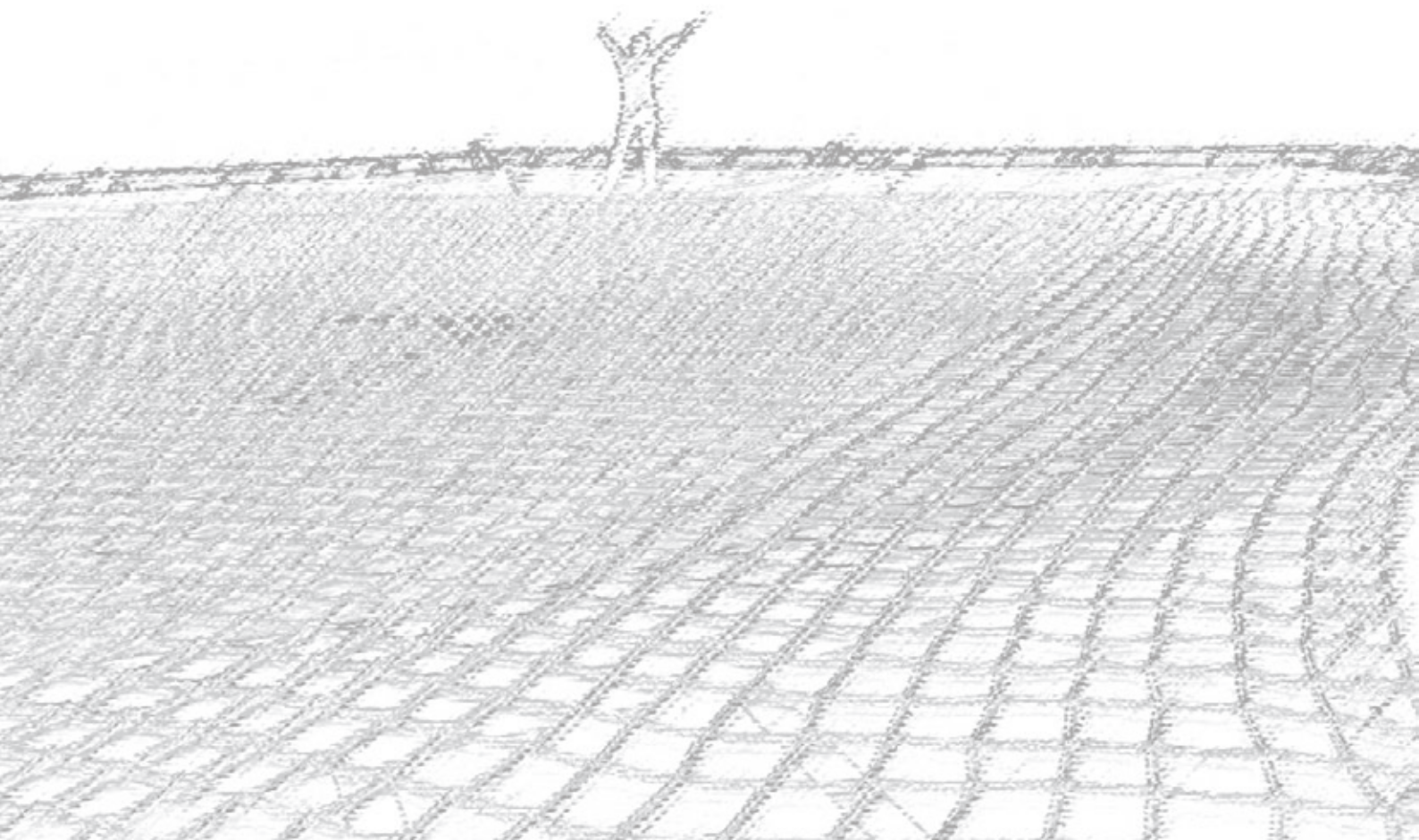
Currently, the construction of CNOOC network layout of "Two Deltas One Bay" and "One River Two lines" were accelerated. The "CNOOC" brand has been well recognized in the terminal market and CNOOC's influence in the terminal market has kept growing.

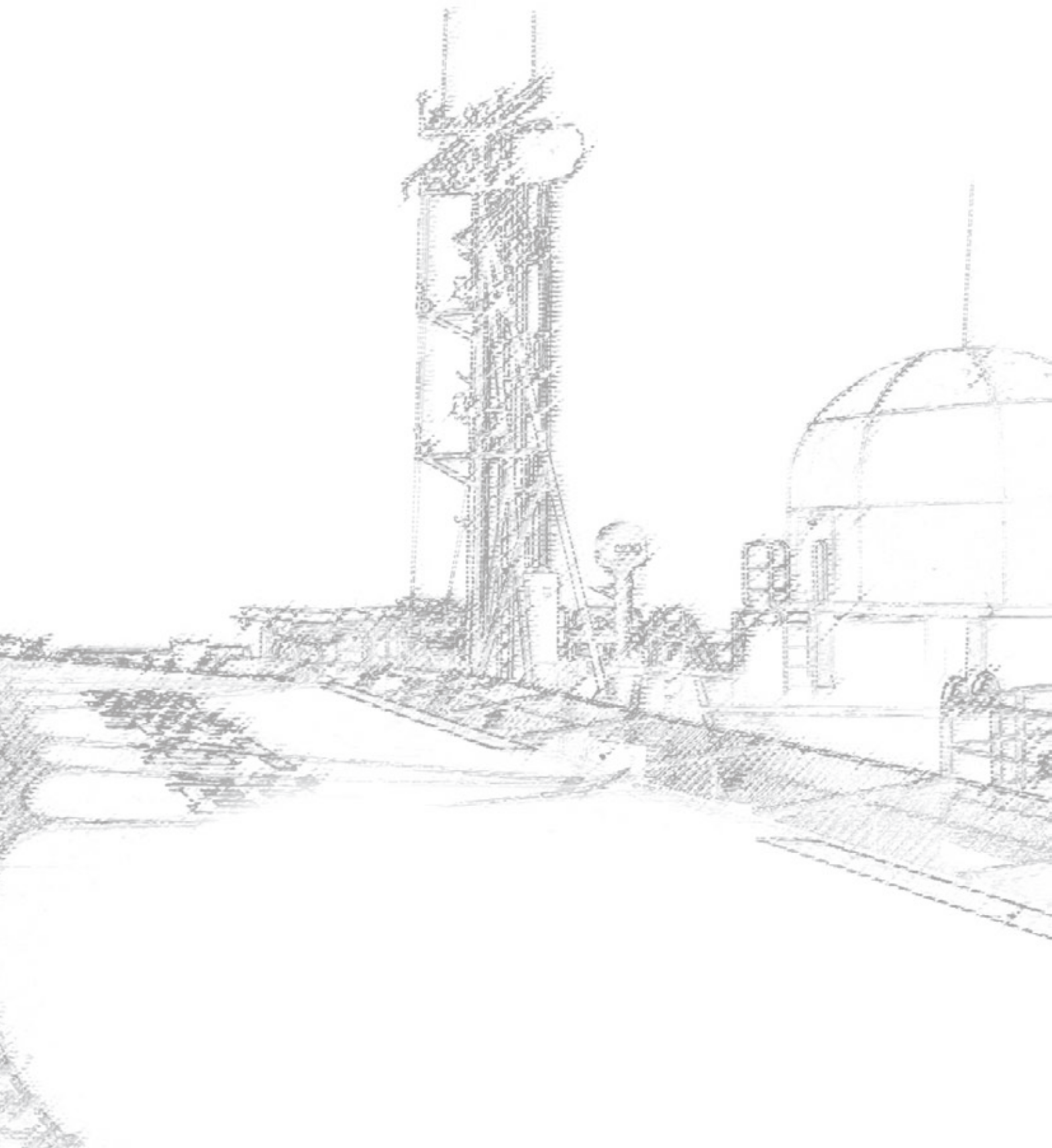
The Company's businesses of petroleum sales, chemical products sales and trade of chemical products went well and achieved its annual physical goods sales and trading volume of 12 million tonnes, and gained sales income of RMB70 billion, which fully reflected the vitality and value of the marketization, and successfully extended the industry chain and value chain of CNOOC.



Outlook for the Twelfth Five-year Plan

During the Twelfth Five-year Plan period, China will remain in an important strategic development period, which is also a good time for CNOOC to accomplish great deeds. The transit in development mode brings the Company significant opportunities for second venturing. In particular, we will focus on our strategic objective, establishing a top international energy company, to propel transition development and innovation development.





Mid- and long-term strategies

Based on developments in oil and gas industry while leveraging upon the rapid growth in clean energy and new energy, during the Twelfth Five-year Plan period, we will establish a system for new energy industry, thereby becoming one of the top international oil companies. In the meantime, we will consistently improve the Company's ability to create value, competitiveness in low-carbon consumption, and capacity in sustainable growth, so as to become a respectable top international energy company with high degree of social responsibilities.

Supplement

The top international oil companies

An enterprise among the top international oil companies must at least satisfy the following conditions: i) it possesses a complete industrial chain, covering upper-, mid-, and lower-streams, and has a reasonable industrial structure with significant competitiveness; ii) it has an annual oil and gas production of more than 100 million tonnes of oil equivalent, with significant annual oil refining capacity and strong lower-stream competitiveness; iii) its revenue is above USD100 billion, with important indicators, including cost of oil per barrel, return on equity and reserve replacement ratio, all at sound levels as compared with similar companies; and iv) its corporate governance mode and management system are basically in line with international oil companies and it therefore has strong soft power.

Respectable top international energy company

A respectable top international energy company must take responsibilities, improve its soft power and establish a sound social image, to further improve its market awareness. It must safeguard the energies needed in national economic growth and pursue its own growth during its services to the national development strategy. It must take responsibilities on environment protection and safety that are owed by enterprises to the society, so as to reciprocate our society through poverty relief, disaster relief and study assistance. It must be responsible to its employees, to protect the basic rights of them in a better manner and create a good environment for their holistic development. It must operate and manage its soft power as the Company's strategic assets, carefully handle its relationships with stakeholders while obtain recognition for its values and receive substantial support from stakeholders, so as to establish a sound soft environment for the Company's growth.



Core development strategies

Coordinated development

The Company will establish international competitiveness and resource allocation advantages of each business segment while consistently improve their coordinated development, so as to exhibit the comprehensive competitive advantage of each business segment and hence to form a stronger international competitiveness.

Technology driven

The Company will improve its R&D capacity, perfect its technology innovation mechanism and strengthen the building of its technical team, to realize its long-term growth through technologies and consistently enlarge the contributions from improved technologies to its development.

Prospering enterprise with talents

The Company will enhance its efforts in human resource development through perfecting talent introduction, training and incentive mechanism, so as to build a team of talents with tough mind, more comprehensive skills, and more reasonable structures.

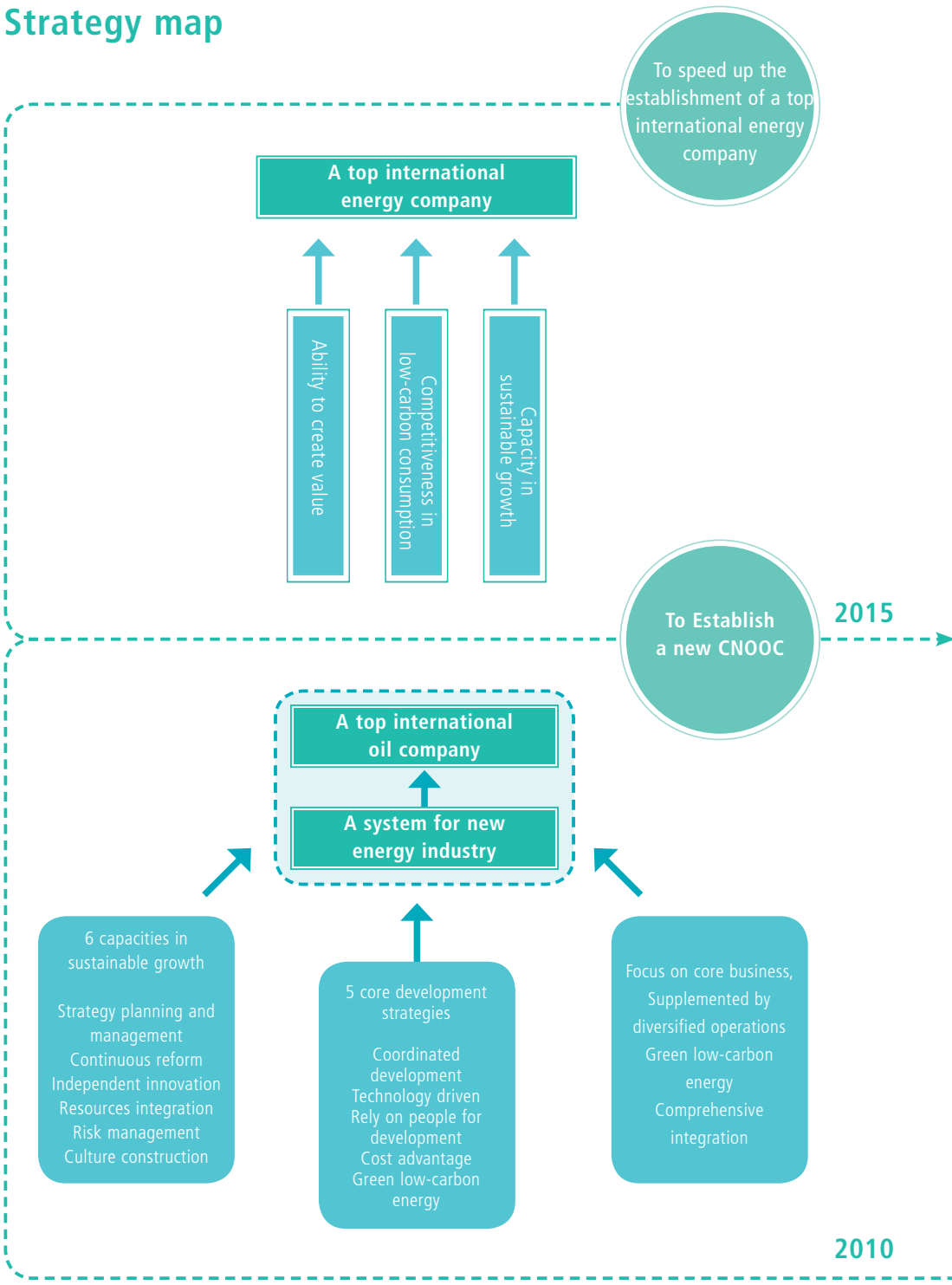
Cost advantage

The Company will emphasize cost control and management, to let them become part of our corporate culture and hence to inspire all of our employees, with a view to secure its cost advantage among its international peers at all times.

Green low-carbon energy

The Company will adhere to green development, clean development, and low-carbon development while earnestly promote energy saving and emission reduction, to establish green low-carbon industry, and forge new competitive advantages, so as to make our Company a green energy enterprise featuring low-carbon consumption.

Strategy map





Milestone events

- February 9** CNOOC announced that its partner, Husky Oil China Limited, has made the third deepwater gas discovery, Liuhua (LH) 29-1 in the South China sea.
- February 26** The deepwater semi-submersible drilling platform "Hai Yang Shi You 981", invested by CNOOC and designed and constructed in China, was successfully undocked.
- March 24** CNOOC and BG Group signed an agreement, pursuant to which CNOOC will purchase liquefied natural gas of 3.60 million tonnes per annum from BG for a 20-year period, and will acquire 5% equity interest in the reserves and resources of coalbed methane and 10% equity interest of Train 1.
- April 19** CNOOC Ltd. announced that the company has successfully made an important new discovery – Penglai (PL) 9-1 in the Eastern Bohai Bay.
- April 30** CNOOC Ltd. announced that the company has agreed to acquire 24.5% participation interests in Block 15/34 from Devon Energy Corporation for a consideration of US\$515 million.
- May 5** CNOOC and Bidas Energy Holdings (BEH) in Argentina restructured Bidas Corporation into a joint-venture company in which both parties hold 50% equity interests respectively.
- May 14** Wen Jiabao, member of the Standing Committee of the Political Bureau of the CPC Central Committee and the Premier of the State Council, paid an inspection visit to Tianjin Lishen Battery Co., Ltd.
- May 17** CNOOC Ltd., together with Turkish Petroleum Corporation (TPAO), has signed a technical service contract ("TSC") for the development and production of the Missan Oilfields within Iraq.
- May 28** "Hai Yang Shi You 201", the first 3,000-meter deepwater pipe-laying crane in Asia, was successfully undocked.
- June 7** CNOOC published "CNOOC's climate change policy" and "CNOOC's climate change action plans in 2010".
- June 22** "Hai Yang Shi You 252", the first multi-purpose environmental protection vessel built in China to serve offshore oilfields, was delivered for use in the Bohai Oilfield.
- July 6** The No.4 generating unit of *iede* Gas and Power Group's Putian Gas Power Plant was put into operation. So far, the total installed capacity of Putian Gas Power Plant has reached 1.56 gigawatt (GW), making it the largest gas-steam combined cycle power plant in China.
- July 8** The Fortune Magazine released the list of Fortune Global 500 2010, on which CNOOC ranks 252.

- July 29** CNOOC had completed construction of the first LNG Cold Energy Air Separation Project in China.
- August 18** On the foundation ceremony of State-owned Enterprise Electric Vehicle Industry Alliance, CNOOC became the head of Batteries Professional Committee, one of the three professional committees of the State-owned Enterprise Electric Vehicle Industry Alliance.
- August 29** The largest electricity network to serve offshore oilfields in China was completed in Bohai Bay.
- September 15** CNOOC and Shanxi Provincial Government entered into a Cooperation Framework Agreement on development of coal-based clean energy in Taiyuan.
- October 18** The first carbon inventory project of CNOOC was started in China Offshore Bitumen Co..
- November 13** CNOOC New Energy Investment Co., Ltd's national biodiesel project with annual output of 60,000 tonnes, which is the first production biodiesel project in China, has commenced operation in Hainai.
- November 16** CNOOC Ltd. and Chesapeake Energy Corporation completed cooperation of Eagle Ford Shale project.
- November 28** Bridas Corporation, a 50% – 50% joint venture between CNOOC International Limited and Bridas Energy Holdings, entered into a share purchase agreement with BP PLC.
- December 3** CNOOC Ltd. has been recognized as "Energy Company of the Year", the highest award of Platts Global Energy Awards, in 2010. CNOOC Limited is the first Chinese energy company receiving the awards since the establishment of Platts Global Energy Awards 12 years ago. In addition, CNOOC Limited has been selected as "Energy Producer of the Year" by Platts.
- December 8** CNOOC Galilee Gas Company Pty Ltd., a member company of Gas & Power Group, entered into a transfer agreement of exploration right for the coalbed methane project with Exoma Energy Limited.
- December 15** CNOOC Ltd. announced that the exploratory well Lingshui 22-1-1 on Block 64/11 drilled by its partner, BG Group (BG), encountered gas-bearing sands.
- December 19** CNOOC's domestic oil and gas annual output amounted to 50 million tonnes oil equivalent. CNOOC successfully constructed "offshore Daqing oilfield".
- December 20** "Hai Yang Shi You 720", the first large-scale deepwater geophysical vessel independently constructed in China, was launched.



Company honors

- January 18** CNOOC won 3 national awards on the “16th National Enterprise Management Modernization Innovation Achievements”.
- January** Major Deep-Water Natural Gas Resources Discovered in Pearl River Mouth Basin of South China Sea was elected as one of the top ten results of the geological mine searching in 2009 by Geological Society of China.
- March 30** Two projects of CNOOC won the silver awards while four of its projects were honored with awards of excellence on the 2nd Commending Conference of China Youth Entrepreneur Innovation Award “Shenhua Cup” jointly held in Beijing by League Work Committee of Central Enterprises, Central Enterprises Youth Federation, National Office for Science & Technology Awards and China Enterprise Confederation.
- May 11** CNOOC Limited ranked 162 on “Forbes Global 2000” list by Forbes in 2010, advancing on its ranking of 246 in 2009. CNOOC Limited ranked 46 in terms of profit, 74 in terms of market value, 414 in terms of sales revenue and 578 in terms of total assets.
- May 15** CNOOC gained the “Chinese Energy Saving and Emission Reduction Feats Enterprise 2009” honor at the 2nd China Green Industry Economic Forum jointly organized by All-China Environment Federation and China Enterprise News Agency.
- June 3** Zhonghai Trust was awarded as the “Trustees – excellent company” in 2009 on the 4th “Credit Trust” presentation ceremony in Shanghai.
- June 23** CNOOC Marketing Company won the title of “National Model Home of Workers” granted by All China Federation of Trade Unions.
- July 8** CNOOC ranked 252 on Fortune Global 500 (published by Fortune magazine) in 2010, ascended by 66 places than 318 in 2009.
- July 23** SASAC released the list of Central State-owned Enterprise (SOEs) with Grade A in performance for 2009 and the examination results of the second tenure of the person-in-charge of SOEs. CNOOC won Grade A for the sixth consecutive year and the second consecutive tenure. CNOOC was also awarded the title of “Excellent Performance Enterprise” and a special award for energy saving and emission reduction granted by SASAC.
- August 5** The 8th Best Employer report 2010 was released. CNOOC was recognized as “Academician Recognized Best Employer” on the presentation ceremony held in Beijing.

- August 27** Hainan 60,000t/a bio-diesel industrialization pilot project of CNOOC was honored the award of "Quality Chemical Industrial Project 2010" by the Jury of National Chemical Industry Engineering Construction Quality Award.
- September 1** Zhongshan Jiaming Electric Power Co., Ltd. won the title of "National Model Home of Workers" granted by All China Federation of Trade Unions.
- September 4** China Enterprise Confederation released the list of "2010 China Top 500 Enterprises" and its analysis report, on which CNOOC Limited ranked 19 with sales revenue of RMB209.57831 billion in 2009.
- November 3** On the International Project Management Conference of 24th IPMA held in Istanbul, Turkey, CNOOC Huizhou Oil Refining Project received the highest award from IPMA for its top score – Gold Award of Extra Large Project, the first oil refining project gaining this award.
- November 29** CNOOC Research Institute won the title of "National Excellent Postdoctoral Research Station" announced by the National Postdoctoral Work Session. Since August 2002, CNOOC Research Institute has enrolled 83 post doctoral fellows, among whom 55 graduated successfully after completing their research tasks.



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Terminologies

Drilling platform

Drilling platform is an offshore structure which is mainly used for well drilling. Drilling well, driving force, communication, navigation and other equipments, as well as lifesaving and accommodation facilities on the platform, are all indispensable constituents for offshore oil and gas exploration and exploitation. They are mainly categorized into mobile platforms and fixed platforms.

FPSO

FPSO, the abbreviation of "Floating Production Storage & Offloading", is an oil and production system integrated with the production, storage and offloading of oil and gas, accommodation and power supply, and the complexity and the price of which are far higher than those of the oil tankers of same tonnage. Being as an integral part of the offshore oil and gas exploitation facilities, it is usually built with underwater oil extraction facilities and shuttle tankers to form a complete oil and gas production system.

Extraction ratio

Extraction ratio refers to the proportion of recoverable oil from oil reservoir to oil in place. It is a key indicator to determine the development level of an oil well.

Thickened oil

Thickened oil is the crude oil which has greater viscosity with higher contents of bitumens and colloid. It usually refers to such crude oil that has a ground density of over 0.943 and an underground viscosity of over 50 centipoises. It is also called heavy oil for its great density.

Oil reservoir

It is the smallest unit for the measurement of oil storage. The porosity layer for oil storage is called oil storage layer, or oil layer. It is not all parts of an oil layer that contain oil. Each independent petroliferous areas in an oil layer is called an oil reservoir.

Exploratory wells

Exploratory wells refer to the wells drilled in an oil and gas field to determine the existence of an oil and gas reservoir, enclose the boundary of an oil and gas reservoir, and make industrial assessment on an oil and gas reservoir, so as to obtain the geographical information required for oil and gas exploitation. Wells drilled on different exploration stages are further categorized into prospecting wells, wildcat wells and exploratory wells.

Development wells

Development wells refer to those on the development and construction stage.

Adjustment wells

Adjustment wells refer to some scattered wells or a row of close-spaced wells that are drilled to improve oil exploitation in addition to existing wells.

Well loggings

Well loggings are usually called geophysical well loggings. Various logging devices produced in accordance with the physical principles of electricity, magnet, sound, heat and nuclear are sent down into a well logging via electric cables to enable electric loggers on ground to keep record of various parameters that vary with the change of depth along pitshaft. The curves reflecting these parameters can then be applied to identify various rock formations such as oil layer, gas layer, water layer, coal layer and metallic ore deposits.

Fracturing

Fracturing (also named as "Petrofracturing") is an approach to fracture oil reservoirs with hydraulic force. Petrofracturing process is to intrude a great amount of sticky fluid into oil reservoirs with high pressure generated by a fracturing facility, and then fill proppants (such as quartz sands) into cracks after the oil reservoirs are fractured to have numerous cracks. The purpose of which is to improve the infiltrability of oil reservoirs, thus increasing the amount of injected water or oil output.

Dynamic positioning

Dynamic positioning is a positioning method by which the offshore floating facilities can be automatically positioned without using any anchors. For the offshore floating facilities using the dynamic positioning method, no anchors are required for offshore exploration. It can not only bypass the complicated anchor-casting process, but also escape the limitations of water depth and anchor length. Therefore, the drilling operation becomes possible even at a water depth of over 1,000 meters.

Oil spill response

Oil spill response is to formulate relevant plans and take countermeasures to control and prevent oil spill accident and abate environmental pollution in a specified sea area, which is mainly applied in offshore oil exploration and exploitation activities.

LNG

LNG, the abbreviation of Liquefied Natural Gas, is a liquid state of natural gas under low temperature and high pressure. It is produced with the natural gas from a gas field after elimination of fluid and acid, drying and distillation. The chief constituents of LNG are methane which is colourless, odourless, non-toxic and non-corrosive.

CDM

CDM (Clean Development Mechanism) is a duty performance mechanism for the parties in the 3rd Conference of the Parties of the "United Nations Framework Convention on Climate Change" to perform a portion of their emission-reduction commitment overseas, the main purpose of which is to allow both developed and developing countries to transfer and obtain the offsets of project-based emission-reduction quotas.

ERP

ERP, the abbreviation of Enterprise Resource Planning, is an integrated corporate management software for logistic resource management (logistics), human resource management (human resource), financial resource management (liquidity) and information technology management (information).

MPLS

MPLS, the abbreviation of Multi-Protocol Label Switching, is a switch mode to realize the network-layer switching through core router by using the labels or marks of the forward set-up information provided by border routers in the IP group.

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