



2011 Annual Report and Sustainability Report
CHINA NATIONAL OFFSHORE OIL CORPORATION



NOTES

Reporting Scope:

The entire China National Offshore Oil Corporation (CNOOC) group of companies

Reporting Period:

1 January 2011 - 31 December 2011

Principles of Preparation:

To meet the needs of stakeholders and the general public, by disclosing key information on the company in a true, objective, timely and comprehensive manner.

Data Used in the Report:

All disclosed financial data or information related to the company are the final accounting data audited by third parties. Unless otherwise specified, all amounts are expressed in Renminbi (RMB).

Special Notes:

This report is a combined report that consolidates both the Annual and the Sustainability reports of the company.

This report has been prepared in accordance with the Guidelines to the State-owned Enterprises Directly under the Central Government on Fulfilling Corporate Social Responsibilities, issued by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) of the People's Republic of China.

This report has been prepared with reference to the applicable standards recommended by the Global Reporting Initiative (GRI).

Publication:

This report, published in both Chinese and English, is available in print and online (<http://www.cnooc.com.cn>).



THE LOGO OF CNOOC

The corporate logo of China National Offshore Oil Corporation (CNOOC) encompasses the basic design elements comprising the letters that make up the company's initials CNOOC, enclosed by the blue curves and ripples that represent China's seawaters. The design in red, formed by the capital letters CNOOC, depicts an offshore drilling rig silhouetted against the rising sun, symbolising prosperity in China's offshore oil industry.



China National Offshore Oil Corporation
2011 ANNUAL REPORT AND SUSTAINABILITY REPORT



Wang Yilin

Chairman of the Board
Party Committee Secretary

CHAIRMAN'S LETTER

Dear all,

Thank you all for sharing a great year of 2011, and together, we are looking out a bright future at CNOOC.

With strong support from general public and the government, our executive management team has taken the leadership, coordinated staff support, infused Scientific Development Concept, delivered solid works and forged ahead. All major performance indicators have reached record high, kicked off a great start of the 12th Five-Year Plan. Annual revenue reached 488.2 billion RMB. Annual profit reached 112.3 billion RMB, surpassing 100 billion for the first time. EVA reached 62.7 billion RMB, and total assets at the end of the year reached 718.5 billion RMB. A solid foundation has been laid for new leaping forward.

Since its establishment on February 15, 1982, CNOOC has achieved glory development through 30 years. Guided by the reform and opening-up policy, CNOOC has been dedicated to fulfilling the mission as a national oil company. We had accomplished the first leap in history. In 2011, the Company's cumulative production of oil & gas reached 585 million tons oil equivalent and the annual domestic offshore production reached 50 million tons oil equivalent. An "Offshore Daqing Oilfield" was successfully built up. A relatively comprehensive industrial system has been implemented. The overall industrial strength and global competitiveness have been on the continuous rise to a large degree. We were ranked 162nd among the 2011's Fortune Global 500. CNOOC has further enhanced its corporate management efficiency. We have set a path to vigorous development, cultivated comprehensive and talent resources, established the new spirit of "be dedicated, effective and innovative" which has become the driving force and spiritual wealth unifying and motivating entire staff at CNOOC.

Chinese economy will continue steady growth, presenting enormous potentials in energy industrial development. The offshore oil and gas production plays an important role in China's energy supply. The shares of offshore oil and gas will continue to grow in the coming years. CNOOC continues to own franchise in exploration, development, production and sales within foreign cooperation regions, which will face historical opportunity of "Second Leap". CNOOC just published "Second Leap Development Program" and marked completion of overall planning for CNOOC future development.

We will be focusing on primary business growth in oil and gas production, accelerating growth in LNG and CBM business, effectively expanding oilfield professional services, petroleum sales and oil trade. We will intensively develop our businesses, including oil refining, chemicals, comprehensive services and financial services, and optimize the alternative energy industry. We strive to accomplish "expanding upstream, optimizing downstream, strengthening professional technical services".

We will continue to follow principle of "cooperation, sustainable growth, and differentiation" in development process. We will continue to work cooperatively with industrial partners, capital investment groups and professional organizations in order to establish safe, stable, economical, clean and modern energy industry. Stability is our basic premise for steady growth. Differentiation will offer a competitive edge in exploring the path of the development with CNOOC's characteristics.

We will reach our goal developing into global leading energy company in two phases. In phase one by year 2020, CNOOC shall double total oil and gas production and generally reach the top level of international competitiveness in professional technical services. In phase two by year 2030, total oil and gas production shall triple the annual output in 2010. CNOOC shall become one of the global leading players in the professional technical services. At the same time, CNOOC shall continue focusing on production safety and environmental protection, fulfill corporate social responsibilities, establish representative image of a responsible national oil company, and fully accomplish "Second Leap". CNOOC is looking forward to a bright future.

2012 is the first year of launching "Second Leap". We will concentrate valuable resources, reinforce primary business development, steadily increase oil and gas production, vigorously promote and produce substantial breakthrough of deep water exploration. We will strengthen foundation management and exert efforts in improving business structures and administrative organizations.

Starting from a new beginning, CNOOC will live up with stakeholders' trust and expectation. We will accomplish missions of a national oil company. We shall conquer all obstacles on the road and keep forging ahead to secure energy supply and develop into a global leading corporation.



Chairman Wang Yilin

26 April 2012



Yang Hua

Director
President
Party Committee Member

PRESIDENT'S LETTER

Dear all,

Thank you very much for your continuous support for CNOOC.

The year of 2011 marks the beginning of China's 12th Five-Year Plan. It is an extraordinary year of development at CNOOC. Based on the strategic approach defined by senior management of CNOOC, we have strived to develop into one of the global leading energy companies in the world. We have reinforced production management and improved operation and administration. Total annual output of crude oil reached 46.61 million tons, and natural gas of 16.7 billion cubic meters, accumulative of refined oil of 26.10 million tons, petroleum of 6.79 million tons, and imported LNG of 10.81 million tons. CNOOC continued to increase its comprehensive strength, growth potentials, global competitiveness as well as power of social influence status. Foundation management has been continuously optimized. Deep Water Strategy has been taken into effect. Energy saving and emission reduction have been awarded with outstanding results. These achievements in turn secured energy supply and contributed to the steady growth of the national economy.

Looking back over 2011, we have made significant achievements and also had been put to serious challenges. After Penglai 19-3 oil spill incident, CNOOC proactively urged and assisted the responsible party to take effective measures in disposal and reform. CNOOC funded Marine Environmental and Ecological Protection Public

Welfare Foundation. CNOOC also conducted massive operating safety inspection throughout the company, further secured core safety and improved accident prevention measures. We have been under tremendous pressure of global inflation and substantial cost increase. CNOOC took these challenges, tightened cost efficiency measures, strengthened market adaptability, and further gaining competitive edge in cost of operation. With these valuable experiences in hands, we are ready to stride forward to next development cycle.

We experienced an extraordinary year of 2011 which helped us recognize that the production development must ensure steady and healthy growth. We shall exert our efforts to explore new resources, to be eclectic, and to increase the potentials. We shall focus on pursuing a healthy growth which is well balanced and foreseeable. We shall effectively prevent from periodical volatility during the production cycle. We shall emphasize on the production safety and insist on “safety first, quality oriented” to ensure excellence in safe production management. We shall prioritize cost efficiency and productivity throughout each stage.

The year of 2012 is the 30th year of CNOOC. We are proud to start new voyage to “Second Leap”. New governance structure is officially in place. We will infuse Scientific Development Concept and take advantage in great timing for energy industry and national ocean economic growth. We will carry out board strategic plan under guidance of “prioritizing, time-saving, efficient, focusing and optimizing” development and adhering to “cooperation, sustainable growth, and differentiation”. We will focus on primary business development, explore new market, carry forward major key projects, accelerate overseas expansion, optimize foundation management, increase endogenous development momentum, call close attention to operation safety and environmental protection, and reinforce low cost and high efficiency principle strictly following operation in compliance. We will meet the annual production and operational targets, proudly striding into the “Second Leap” and opening a new chapter in ranking as top energy industry in the world.



President Yang Hua

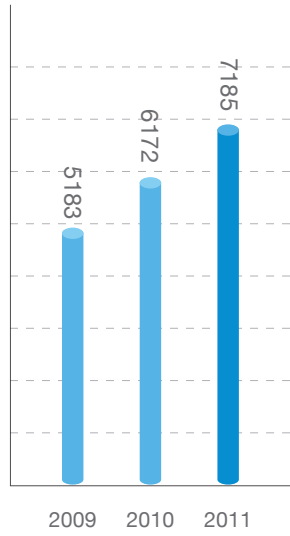
26 April 2012

KEY RESULTS



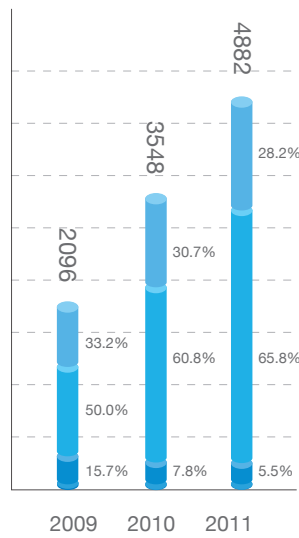
Total Assets

Unit: 100 million RMB



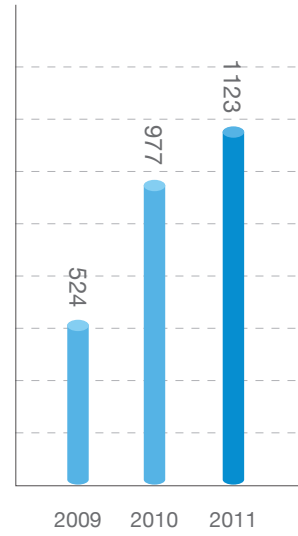
Operating Revenue

Unit: 100 million RMB



Total Profit

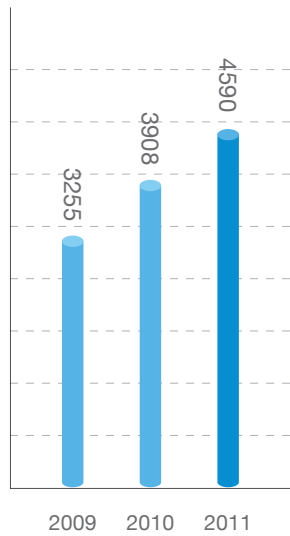
Unit: 100 million RMB



- Exploration & Production
- Mid & Downstream
- Professional Technical Service
- Others

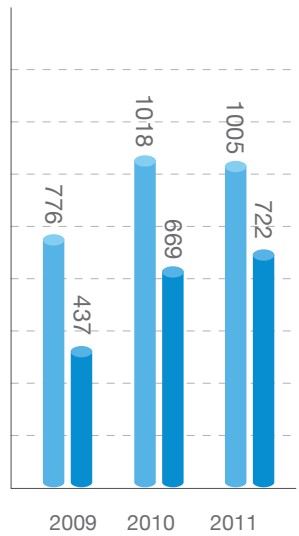
Net Assets

Unit: 100 million RMB



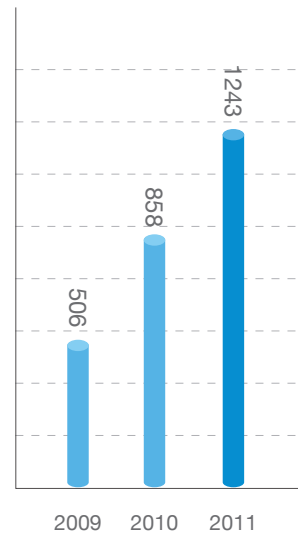
Capital Investment

Unit: 100 million RMB



Taxes and Dividends

Unit: 100 million RMB



- Capital Investment
- Upstream Investment

CONTENTS

- 02 **Chairman's Letter**
- 04 **President's Letter**
- 06 **Key Results**

10 OVERVIEW

- 10 **About Us**
- 10 Company Profile
- 12 Our Vision
- 12 Corporate Philosophy
- 12 Corporate Spirit
- 12 Development Principles
- 12 Development Goals
- 12 Core Development Strategies
- 13 Stakeholders
- 16 **Corporate Governance**
- 16 Senior Management
- 17 Governance Structure
- 18 Organisational Structure
- 18 Group Management

29 PROJECTS & OPERATIONS

- 30 **Exploration & Production**
- 30 Oil & Gas Exploration
- 30 Development & Production
- 31 Unconventional Gas
- 33 **Professional Technical Services**
- 33 Oilfield Services
- 35 Offshore Oil Engineering Services
- 36 Comprehensive Services
- 38 **Natural Gas & Power Generation**
- 40 **Refining, Sales & Fertilisers**
- 40 Refining & Sales
- 41 Fertilisers
- 43 **Alternative Energy**
- 45 **Financial Services**
- 46 **International Businesses**



20 PERFORMANCE HIGHLIGHTS

- 21 **Auditor's Report**
- 22 **Financial Statements**
- 26 **Notes Summary to Financial Statements**
- 27 **Corporate Honors**

64 CORPORATE SOCIAL RESPONSIBILITY

- 65 Sustainable Development and the Responsibility of CNOOC
- 65 Philosophy of HSE
- 66 Responsibility to Employees
- 72 Environmental Responsibility
- 77 Social Welfare
- 77 Public Welfare & Charity
- 81 Community Co-construction
- 82 Products Responsibility
- 83 Customer Service
- 84 Marketing Network



47 MANAGEMENT

- 48 Technological Innovation
- 52 Management Innovation
- 54 Corporate Culture
- 56 Human Resources
- 59 Safety Management
- 61 Informationization Process
- 62 Ethics & Compliance Management

86 FEATURE ARTICLES

- 86 Creating New Splendour: The Second Leap
- 88 Autonomous Innovation: Heading towards the Deep Water

- Milestone Events 90
- Terminologies 92
- GRI Index 95

90 ANNEX

ABOUT US

Company Profile

China National Offshore Oil Corporation (hereinafter referred to as CNOOC, the Company, the Group, “we” or “us”), the largest offshore oil and gas producer in China, is a mega government-owned company operating directly under the umbrella of the State-owned Assets Supervision and Administration Commission of the State Council of the People’s Republic of China (hereinafter referred to as SASAC). In 2011, the Company’s positions in the Top 50 Global Oil Companies and Fortune Global 500 rose to 34th and 162nd, respectively.

Headquartered in Beijing, CNOOC employed approximately 98,750 people for all business. It has, since its inception in 1982, maintained strong growth momentum, evolving from a purely upstream oil and gas exploration outfit to an integrated group of energy-related companies with promising primary businesses and a complete industrial chain. The six main business segments of the Company are oil & gas exploration and development; professional technical services; refining, sales and fertilisers; natural gas and power generation; financial services and alternative energy resources.

With development revolved around the Second Leap programme, the Company has been operating steadily and soundly while addressing and tackling any issues or challenges surfacing along the way and grasping a firm hold on the current industrial development trends and opportunities. This has enabled us to get a significant head start in the 12th Five-Year Plan and, at the same time, created favourable conditions for China’s offshore oil industry to make the next full “leap forward”.

Main Business Segments



- **Our Vision**

Energy for All

- **Corporate Philosophy**

People-orientation, responsibilities, win-win benefits, credibility, innovation

- **Corporate Spirit**

Be dedicated, effective and innovative

- **Development Principles**

Cooperation, sustainable growth, and differentiation

- **Development Goals**

Develop into a world class energy company by 2020

Develop into a global leading energy company by 2030

- **Core Development Strategies**

Synergetic development strategy

Technology-driven strategy

Talent development strategy

Cost effective strategy

Low-carbon green strategy

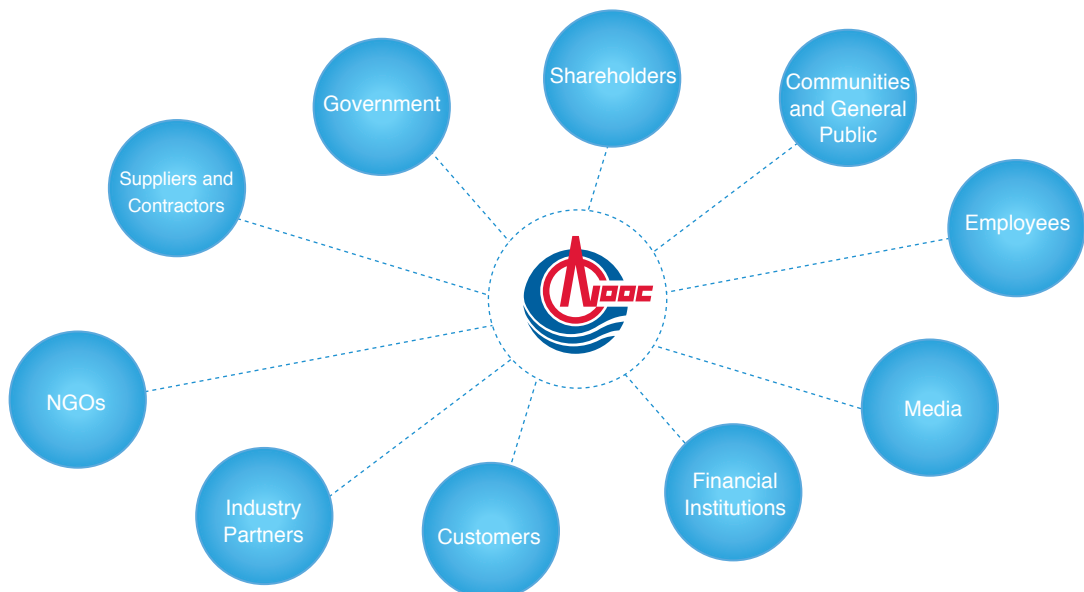
Stakeholders

Our stakeholders include the government, employees, shareholders, customers, industry partners, suppliers and contractors, financial institutions, media, communities and the general public, non-governmental organisations (NGOs) and other related organisations. Their trust and support offer unlimited driving forces and are essential to the sustainable development of the Company.

The Company is committed to creating a peaceful coexistence and cooperative win-win relationship with all stakeholders. Internally, we seek a cooperative relationship with employees, and with the nature and community externally. In the course of development, we always respect the nature, care for the environment, bear our share of social responsibilities and strive to be a responsible corporate citizen. No matter where we operate, at home or abroad, we strictly follow the local laws and regulations, respect and implement international conventions, treaties and international norms, as well as scrupulously abide by business ethics involving honest management and fair competition and the business standards generally accepted by the international community.

The Company attaches considerable importance to enhancing communication with stakeholders. We have heard their opinions and suggestions on the Company's growth through an open and transparent communication channel and then incorporated or considered their recommendations and requirements when formulating and implementing our strategies, policies and plans.

The Company is willing to continue to strengthen the communication and collaboration with all stakeholders, to work together in promoting a balanced development of the economy, the environment and the society.



Stakeholder	Focus of Attention	Communication and Interaction Methods
Government	<ol style="list-style-type: none"> Active implementation of national policies Safeguarding the security of the nation's energy supply Ensuring steady supply of energy to the market Fulfilment of social responsibilities 	<ol style="list-style-type: none"> Participate in the formulation of national policies, laws and regulations related to energy Participate in the formulation of industry plan, industry standards, national standards and any other documentation related to the energy industry Actively guide and influence public policies Improve information disclosure
Employees	<ol style="list-style-type: none"> Protection of employees' rights and interests Employees' career development Employees' health and safety Exemplification of employees' merits 	<ol style="list-style-type: none"> Enter into labor contracts Establish trade unions and workers' congresses at all levels Provide channels for employees to express opinions Improve information disclosure
Shareholders	<ol style="list-style-type: none"> Corporate governance Shareholders' dividend Information disclosure Investor relations Stock price performance 	<ol style="list-style-type: none"> Information disclosure Investors' hotline Investors' conference and mailbox Company website
Customers	<ol style="list-style-type: none"> Provision of safe, environment-friendly and high-quality products and services Performance of contractual obligations Enhancement of consumer satisfaction 	<ol style="list-style-type: none"> Enter into contracts and/or agreements Conduct consumer communication activities Customer service
Industry Partners	<ol style="list-style-type: none"> Working together to comply with national laws, regulations and business ethics Fair competition and harmonious development 	Industry association
Suppliers and Contractors	<ol style="list-style-type: none"> Compliance with business ethics, laws and regulations Establishment of long-term partnership Achievement of mutual benefits and win-win relationship 	<ol style="list-style-type: none"> Organise business negotiations and technology exchange activities Leverage the use of electronic trading platform Negotiate contracts Daily business communication Improve information disclosure
Financial Institutions	<ol style="list-style-type: none"> Operating status Operational risks Corporate governance 	<ol style="list-style-type: none"> Thematic meetings Information report Repay loans and interest on time
Media	<ol style="list-style-type: none"> Status of fulfilment of corporate social responsibilities Corporate performance Milestone events, activities and measures 	<ol style="list-style-type: none"> Disclose key information Disseminate information through multiple channels
Communities and General Public	<ol style="list-style-type: none"> Promotion of social and economic development in communities Support of public welfare events Maintenance of the community environment Establishment of effective communication channels 	<ol style="list-style-type: none"> Joint construction between the Company and the local communities Participate in public welfare causes Participate in community building projects Periodic communication
NGOs	<ol style="list-style-type: none"> Support of community organisations Fulfilment of the Articles of Association of organisations Enhancement of information disclosure Support of environmental welfare causes 	<ol style="list-style-type: none"> Attend relevant conferences Share experience of the Company Participate in the discussion of public policies

Priority Actions	Key Performance Indicators
<ol style="list-style-type: none"> 1. Maintain and add value to state-owned assets 2. Align with the national energy strategy, optimise the nation's energy structure and ensure energy supply 3. Cooperate with the State in formulating relevant laws and regulations 4. Pay close attention to developments in energy conservation and emission reduction, and actively cope with climate changes 5. Communicate effectively with the government of host countries 	<ol style="list-style-type: none"> 1. Payment of taxes and surcharges 2. Total volume of energy supply 3. Investment in energy conservation and emission reduction 4. Capital maintenance and increment ratio of state-owned assets 5. Economic Value Added (EVA) ratio
<ol style="list-style-type: none"> 1. Improve the Company's remuneration system 2. Streamline the career path of employees 3. Conduct employee skills training 4. Provide benefits protection 5. Safeguard overseas employees' safety and legitimate interests 	<ol style="list-style-type: none"> 1. Total number of employees 2. Employee quality and structure 3. Duration and expenses for employee training 4. Number of employee casualties in accidents
<ol style="list-style-type: none"> 1. Disclose information in time 2. Pay periodic visits 3. Publish annual reports 	<ol style="list-style-type: none"> 1. Credit rating of the Group 2. Rights and interests of minority shareholders 3. Key performance indicators
<ol style="list-style-type: none"> 1. Conduct product quality supervision and examination activities 2. Enhance the brand value and awareness 3. Solicit opinions and suggestions from customers regularly 4. Disclose more information 5. Formulate quality standards and system 	<ol style="list-style-type: none"> 1. Customer satisfaction 2. Sales of oil and gas 3. Number of service stations
<ol style="list-style-type: none"> 1. Participate regularly in exchange activities held by the industry associations 2. Assist in implementing the relevant policies and measures of the State 	<ol style="list-style-type: none"> 1. Number of association memberships 2. Number of partners
<ol style="list-style-type: none"> 1. Call for tenders 2. Strictly regulate HSE management 3. Support the development of SMEs and promote local procurement 4. Standardised operations 	<ol style="list-style-type: none"> 1. Purchasing volume 2. Number of contracts signed 3. Number of contractor casualties in accidents
<ol style="list-style-type: none"> 1. Pay loans and interests in time 2. Pay periodic visits 3. Disclose information 	<ol style="list-style-type: none"> 1. Credit rating of the Group 2. Key financial indicators
<ol style="list-style-type: none"> 1. Publish reports 2. Disclose social responsibility-related information regularly 3. Disclose information on major events that are of public concern in a timely fashion 	<ol style="list-style-type: none"> 1. Media coverage 2. Media valuation
<ol style="list-style-type: none"> 1. Joint collaboration and construction 2. Protect local ecological environment 3. Promote local employment 4. Guarantee safe production 5. Maintain public relations 	<ol style="list-style-type: none"> 1. Investment in community building 2. Amount of donations for community welfare causes
<ol style="list-style-type: none"> 1. Exchange ideas about issues of concern to external parties 2. Actively participate in and support environmental protection initiatives 3. Organise and participate in relevant conferences 	<ol style="list-style-type: none"> 1. Number of participations in the relevant organisations 2. Number of participations in international forums and exhibitions

CORPORATE GOVERNANCE

Senior Management



Wu Mengfei Liu Jian Li Hui Wu Zhenfang Wang Yilin Yang Hua Wu Guangqi Lv Bo Li Fanrong Zhang Jianwei

Wang Yilin, Chairman of the Board & Party Committee Secretary

Yang Hua, Director & President & Party Committee Member

Wu Zhenfang, Vice President & Party Committee Member

Wu Guangqi, Vice President & Party Committee Member

Li Hui, Vice President & Party Committee Member

Lv Bo, Vice President & Party Committee Member

Liu Jian, Vice President & Party Committee Member

Li Fanrong, Vice President & Party Committee Member

Wu Mengfei, Chief Financial Officer & Party Committee Member

Zhang Jianwei, Director & Party Committee Member & Chief Compliance Officer

Major Personnel Changes

On 8 April 2011, Wang Yilin was appointed Chairman of the Board and Party Committee Secretary of CNOOC.

On 31 August 2011, Yang Hua was appointed President and Director of CNOOC.

On 7 December 2011, Wu Guangqi was appointed Vice President, Wu Mengfei, Party Committee Member, and Zhang Jianwei, Party Committee Member and Chief Compliance Officer of CNOOC.

Governance Structure

Investor

China National Offshore Oil Corporation is wholly-owned by the State. All investor obligations are performed by SASAC on behalf of the State Council. The Company does not hold any shareholders' assembly. SASAC exercises its powers and rights in accordance with the Company Law of the People's Republic of China, Law of the People's Republic of China on the State-owned Assets of Enterprises, Provisional Rules for the Supervision and Administration of State-owned Assets of Enterprises, and other applicable laws, regulations and relevant regulatory documents of SASAC.

Board of Directors

Guided and supervised by SASAC, the Board of Directors exercises its powers and rights in accordance with the Company Law of the People's Republic of China, and other applicable laws, regulations, relevant regulatory documents of SASAC, as well as Articles and Association of the Company.

In 2011, the central government decided that the Company should establish a Board of Directors and have distinct roles for the Chairman and President: Wang Yilin was appointed Chairman of the Board and Party Committee Secretary, and Yang Hua, the Company Director and President. In February 2012, SASAC convened a working meeting for the establishment and regulation of the CNOOC Board of Directors, and announced the decision to engage external directors. At which point, all the members of the Board have been in place, and the Company officially started standardised operations led by the Board.

Party Committee

The Party Committee, a representative agency of the CPC Central Committee, participates in all major decision-making and plays core leadership roles in the Company.

Board of Supervisors

The Board of Supervisors, formed by supervisors representing both the SASAC and employees, exercises its rights and performs governance duties and responsibilities in accordance with the Company Law of the People's Republic of China, and other applicable laws, regulations and relevant regulatory documents of SASAC.

Senior Management

Reporting directly to the Board of Directors, the President of the Company is supervised by both the Board of Directors and Board of Supervisors and is assisted by the Vice Presidents and the Chief Financial Officer. The President is also responsible and accountable for all executive operations of the Company. The President performs duties and responsibilities in accordance with the Company Law of the People's Republic of China, and other applicable laws, regulations and relevant regulatory documents of SASAC, as well as Articles and Association of the Company.

Organisational Structure

Based on the requirements of the corporate governance structure, the Group further refined the systems and mechanisms, optimized the allocation of resources and completed the optimisation of the headquarter. The focuses are on strategic planning, services and coordination functions, boosting management efficiency and laying a solid foundation for management.

Group Management

In order to accommodate the overall corporate development strategy, the Group has established a management and control structure featured with integrated management, professional operation and coordinated development.

All listed companies held by the Group have an established corporate governance structure in place and are governed in a standardised manner, complying strictly with the local laws and regulations of the jurisdictions where they are listed as well as the regulatory rules governing listed companies.

Non-listed companies, in accordance with the requirements of the corporate management, operate properly and are supervised according to the laws.



China National Offshore
Oil Corporation



PERFORMANCE HIGHLIGHTS



AUDITORS' REPORT

Da Hua Audit Zi [2012] No.2316

To China National Offshore Oil Corporation:

We have audited the accompanying consolidated financial statements of China National Offshore Oil Corporation, which comprises the consolidated balance sheet as at 31 December 2011, and the consolidated income statement and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

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 Independent Auditing Standards of Chinese Certified Public Accountants. 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 performing procedures to obtain audit evidence about 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of China National Offshore Oil Corporation as of 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with Chinese Accounting Standards for Business Enterprises.

Da Hua Certified Public Accountants

Beijing, China

26 April 2012

Consolidated Income Statement

Year ended 31 December 2011

Unit: million RMB

	2010	2011
I. OPERATING INCOME	354,762	488,199
Less: Operating cost	227,402	336,943
Business tax and surcharges	21,788	28,376
Selling expenses	2,507	2,560
Administrative expenses	7,956	11,146
Finance cost	769	1,088
Impairment losses on assets	754	2,048
Add: Investment income	2,736	4,499
Gains and losses on fair value changes	-161	71
Exchange gains	-3	-14
II. PROFIT FROM OPERATING ACTIVITIES	96,158	110,594
Add: Non-operating income	1,876	2,807
Less: Non-operating expenses	383	1,151
III. PROFIT BEFORE TAX	97,651	112,250
Less: Income tax	23,420	25,581
IV. NET PROFIT	74,231	86,669
Less: Minority Interests	25,231	29,544
V. NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	49,000	57,125
VI. OTHER COMPREHENSIVE INCOME	1,158	-5,779
VII. TOTAL COMPREHENSIVE INCOME	75,389	80,890
Total comprehensive income attributable to owners of the Parent Company	49,267	53,079
Total comprehensive income attributable to minority interests	26,122	27,811

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

Consolidated Balance Sheet

31 December 2011

Unit: million RMB

	1 January 2011	31 December 2011
CURRENT ASSETS		
Cash	81,310	103,991
Financial assets held for trading	16	9
Notes receivable	3,317	4,302
Accounts receivable	20,668	22,540
Prepayment	4,656	9,488
Interest receivable	347	1,031
Dividends receivable	134	13
Other receivables	17,939	7,325
Purchase of buyback financial assets	10,771	
Inventories	24,123	30,849
Other current assets	5,598	5,308
Total current assets	168,879	184,856
NON-CURRENT ASSETS		
Granted loans and advances	3,360	2,804
Available-for-sale financial assets	37,171	44,017
Held-to-maturity investment	8,958	34,802
Long-term debtors	41	122
Long-term equity investment	41,700	42,186
Real estate held for investment	219	209
Fixed assets	111,543	120,727
Construction in process	35,556	40,970
Construction materials	1,136	782
Disposal of fixed assets	19	41
Oil & Gas assets	184,134	214,882
Intangible assets	8,639	10,892
Development expenses		25
Goodwill	5,893	5,780
Long-term deferred expense	2,199	1,505
Deferred income tax assets	4,873	9,984
Other non-current assets	2,880	3,950
Total non-current assets	448,321	533,678
TOTAL ASSETS	617,200	718,534

Note: Adjustments were made to the figures for 1 January 2011 in the statement in accordance with PRC Accounting Standards for Business Enterprises.

Consolidated Balance Sheet (Continued)

31 December 2011

Unit: million RMB

	1 January 2011	31 December 2011
CURRENT LIABILITIES		
Short-term borrowings	33,888	37,121
Financial liabilities held for trading	101	46
Notes payable	2,725	570
Accounts payable	31,823	37,728
Advance from customers	8,285	5,973
Salaries, wages and welfare payable	7,931	8,006
Taxes payable	20,976	28,876
Interest payable	1,364	1,704
Dividends payable	10	65
Other payables	12,272	10,976
Non-current liabilities due within one year	7,491	4,043
Other current liabilities	52	81
Total current liabilities	126,918	135,189
NON-CURRENT LIABILITIES		
Long-term borrowings	45,459	45,255
Bonds payable	19,176	31,302
Long-term account payables	1,877	3,234
Special payables	1,510	1,477
Estimated liabilities	15,934	25,033
Deferred income tax liabilities	12,207	13,864
Other non-current liabilities	3,546	4,170
Total non-current liabilities	99,709	124,335
Total liabilities	226,627	259,524
EQUITY		
Paid-up capital	97,143	98,565
Capital reserve	36,419	35,141
Special reserve	296	236
Profit surplus	13,298	14,487
Retained earning	140,564	189,825
Currency translation differences	-8,985	-11,826
Total equity attributable to owners of the Parent Company	278,734	326,428
Minority interest	111,839	132,582
Total Equity	390,573	459,010
TOTAL LIABILITIES AND EQUITY	617,200	718,534

Consolidated Cash Flow Statement

Year ended 31 December 2011

Unit: million RMB

	2011
I. CASH FLOWS FROM OPERATING ACTIVITIES	
Cash from sales of goods and services rendered	537,016
Taxes refund received	1,042
Other cash received relating to operating activities	15,596
Subtotal of Cash Inflows	553,654
Cash paid for goods and services	281,543
Cash paid to and on behalf of employees	14,168
Taxes paid	112,150
Other cash paid relating to operating activities	10,973
Subtotal of Cash Outflows	418,835
Net Cash Flows from Operating Activities	134,819
II. CASH FLOWS FROM INVESTING ACTIVITIES	
Cash received from withdrawn investment	203,420
Cash received from investment income	2,952
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	220
Net cash received from disposal of subsidiary and other operating entities	1,453
Other cash received relating to investing activities	1,595
Subtotal of Cash Inflows	209,640
Cash paid to acquire fixed assets, intangible assets and other long-term assets	59,367
Cash paid for investments	238,553
Net cash paid to acquire subsidiary and other operating entities	9,725
Other cash paid relating to investing activities	672
Subtotal of Cash Outflows	308,317
Net Cash Flows from Investing Activities	-98,677
III. CASH FLOWS FROM FINANCING ACTIVITIES	
Cash received from new investment	3,728
Cash received from borrowing	555,47
Other cash relating to financing activities	3,380
Subtotal of Cash Inflows	62,655
Cash paid to repay debts	49,126
Cash paid to allocate dividends, profit or repay interests	20,963
Other cash paid relating to financing activities	8,569
Subtotal of Cash Outflows	78,658
Net Cash Flows from Financing Activities	-16,003
IV. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	-1,063
V. NET INCREASE IN CASH AND CASH EQUIVALENTS	19,076
Add: Balance of cash and cash equivalents at beginning of period	56,964
VI. BALANCE OF CASH AND CASH EQUIVALENTS AT END OF PERIOD	76,040

Notes Summary to Financial Statements

Corporate Information

The China National Offshore Oil Corporation (“the Company” or “CNOOC”), incorporated in on Feb 15 1982, is a state-owned oil company approved by the Chinese State Council. According to the “Regulations of People’s Republic of China Concerning the Exploitation of The Offshore Petroleum Resources in Cooperation with Foreign Enterprises” promulgated by the State Council, CNOOC was authorized to completely take charge of the business of exploiting oil and gas resources in cooperation with overseas partners offshore from China. At the same time the COMPANY is also authorized to be an investment organization by the state.

Basis of Preparation

The financial statements have been prepared on the basis that the Company will continue to operate as a going concern. Based on the transactions and conditions which have been occurred, the financial statements have been prepared in accordance with the requirements of “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 “Accounting Standards for Business Enterprises” or “CAS”).

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

Summary of Significant Accounting Policies

1. Accounting Period

The accounting period of the Company is the calendar year from January 1 to December 31.

2. Functional Currency

The functional currency of the Company and its subsidiaries which are registered in China is Renminbi Yuan(RMB). The functional currency for those subsidiaries registered abroad is local currency. The financial statements prepared by local currency have been translated into RMB financial statements.

3. Basis of Account

The accompanying financial statements have been prepared in accordance with the accrual base, historical cost convention.

CORPORATE HONORS

- CNOOC was ranked 162nd in the Top 500 Global Companies of the Fortune magazine.

- CNOOC was ranked 16th in the China Top 500 Enterprises 2011.

- CNOOC Ltd. was ranked 144th in the latest Top 2000 Global Listed Companies of the Forbes Magazine.

- CNOOC Ltd. was ranked 46th in the Top 500 Global Companies by Market Value of the Financial Times.

- CNOOC Ltd. was ranked 34th in the Top 50 Global Oil Companies of the US Petroleum Intelligence Weekly.

- CNOOC Ltd. is the first China-based company to win the “Project of the Year” from the Project Management Institute (PMI) , which is the highest award in the world project management .

- CNOOC’s Technological Innovation System for China Offshore Oil and Gas Exploration and Development project won the First Class Enterprise Technology Innovation Prize of the State Scientific and Technological Progress Award, and CNOOC is the first centrally controlled state-owned enterprise to win this award.

- Three innovative achievements of CNOOC won prizes at the 17th National Enterprise Management Modernization Innovation Achievement Award, of which one was First Class, and the other two were Second Class.

- Two CNOOC research teams were awarded the distinction of Outstanding National Technology Programme Implementation Team during the 11th Five-Year Plan Period. They worked on the key technologies of 3000-meter semi-submersible drilling rig and the latest technologies and demonstration project for highly-efficient offshore heavy oil development, respectively.

- The Putian gas-fired power plant of CNOOC in Fujian Province received the 2010-2011 China Luban Awards for Construction Projects.

- 1 unit, 11 teams and 2 employees of CNOOC received the 2011 National Petroleum and Chemical Industry Quality Management Awards conferred by the China Petroleum and Chemical Industry Federation.

- 2 units, 12 employees and 8 teams of CNOOC received the 2011 National Labor Day Awards and Medals and were named National Pioneering Worker.

- The Liaodong Bay exploration project team of the Bohai Sea Oilfield Exploration and Development Research Institute, Tianjin Branch, CNOOC Ltd., was awarded the China May 4th Youth Medal and was the only team, fielded by a centrally controlled state-owned enterprise, to receive this highest honor from the China Communist Youth League and All-China Youth Federation.

- CNOOC was named an outstanding centrally controlled state-owned enterprise for achievements in energy conservation and emission reduction efforts during the 11th Five-Year Plan, convened by SASAC.

- CNOOC was listed on the Top 100 Chinese Green Companies of 2011.

- CNOOC received the National Petroleum and Chemical Industry Integration Innovation Award.

- Hao Zhenshan, a model worker, was named one of the Top 10 Oceanic Persons of 2010.

- CNOOC received the Light Honor Award from the Chinese Health Express Fund for helping to cure 3,000 cataract patients within four years.

- CNOOC Poverty Relief Work Office was named the National Poverty Relief Outstanding Team.

PROJECTS & OPERATIONS



EXPLORATION & PRODUCTION

Oil and gas E&P is the core business of the Group. Through efficient operation management on the basis of cost effective manner, oil and gas E&P is identified as the main drive for the corporate growth, which in turn optimizes the returns to stakeholders.

Oil & Gas Exploration

The Company has been focusing on the core business of oil and gas, through sustained and increased investment in the exploration activities, hitting a new record high. Technological innovations and increasing exploration-related profits, owing to the enhanced general exploration activities, brought more business opportunities to the Company.

In 2011, we continued to explore for crude oil in the resource-abundant depression areas of Bohai Bay and eastern South China Sea. We also made great efforts to seek out new regions and areas in the mature oil fields. Efforts in both natural gas and deep-water exploration activities, in the eastern and western South China Sea, were stepped up.

Throughout the year of 2011, we completed 2D and 3D seismic surveys totalling 22,198 kilometers and 23,462 square kilometers, respectively, and drilled 93 exploratory wells and one scientific exploration well, accumulating a drilling footage of 244,885 meters and discovered 13 new oil and gas fields.

We optimised our overseas exploration strategy, by devoting more efforts toward researching into selected strategic areas and by expediting our pace of asset acquisition, and have achieved growth in overseas reserves.

In 2011, we acquired 31 oil and gas exploration fields in 14 countries, spanning over a total area of 153,892 square kilometers, completed 2D and 3D seismic surveys totalling 1,362 kilometers and 1,128 square kilometers, respectively, and drilled 14 wells, accumulating a drilling footage of 37,477 meters.

Development & Production

Production standstill at the Penglai 19-3 Oilfield, apart from typhoons, posed significant challenges for the Company's oil and gas production in 2011.

We continued to streamline the administration of oilfields and overseas projects while pushing ahead aggressively with plans to make the move toward the integrated development of regional oilfields instead of individual fields. In addition, we optimised our economic evaluation system further, in order to meet the needs of overall development and increase the comprehensive profitability of oilfields.

We coordinated and managed the production activities in all oilfields, by tapping the full potential of existing ones while ensuring continuous production in key fields and high-yield wells, streamlining the management of daily operations and oil wells for improved productivity, and formulating an appropriate, optimised strategy for coping with production stoppage and unexpected events, in order to shorten the standstill period. Furthermore, we stepped up scientific and technological research efforts in developing methods to manage low-efficiency wells effectively and saw an increase in the oil recovery ratio. We proactively dealt with emergency events and facilitated the rapid restoration of production through collaboration with the various relevant parties. The pace of development, construction and commissioning of new oilfields was accelerated, in order to initiate actual production and realisation of economic benefits within the shortest possible time. The oilfield adjustment projects of Jinzhou 25-1 and Lufeng 13-2 were successfully commissioned, while the newly acquired American Eagle Ford shale oil and gas project also started to contribute to the production yield.

In 2011, we saw a total production of 46.61 million tons of crude oil, 16.7 billion cubic meters of natural gas.

Unconventional Gas

The Company has been keeping abreast of and studying the current global trends in the development of unconventional oil and gas resources. We are always actively expanding the exploration and development of such resources, placing emphasis on coalbed methane and shale gas in particular.

Coalbed Methane (CBM)

In order to create a new source of growth, the Company grasped the opportunities to accelerate development of the coalbed methane (CBM) business.

In 2011, we carried out a total of 12 CBM exploration projects and 5 development projects in Qinshui Basin and the eastern margin of Ordos Basin. Proven geological reserves increased by 58 billion cubic meters and production capacity by 600 million cubic meters. Annual production reached 356 million cubic meters, including 259 million cubic meters of equity yield, seeing an increase of 42.28% compared to the same period the year before. Annual sales volume reached

269 million cubic meters, including 202 million cubic meters of equity sales, seeing an increase of 47% compared to the same period last year.

We systematically pushed ahead with significant scientific and technological projects, including a national key project, i.e., the Development of Large-scale Oilfields and Coalbed Methane. The project involving the development and utilisation of CBM in South Qinshui Basin was conferred the National High-tech Industrialisation Demonstration Project by the National Development and Reform Commission (NDRC). The average daily stable yield for a single well in this project was 3,200 cubic meters, reaching as high as 14,472 cubic meters a day, and surpassed that of our competitors in China. The production yields and sales volume in 2011 were 208 million and 193 million cubic meters, respectively, with the marketable rate as high as 92.3%. Majority of the production output is piped to areas in North and East China. The completion and commissioning of this demonstration project led to a boom in the development of CBM in the South Qinshui Basin of Shanxi Province.

Shale Gas

The Company obtained the right to explore shale gas in western Xiayangzi District of Wuhu city in Anhui province, covering an area of 4,840 square kilometers. This project is our first approved on-land oil and natural gas exploration project. Commencement of seismic operations for the Anhui Shale Gas project at the end of 2011 marked our formal entry into the area of domestic shale gas exploration.



Ribbon-cutting ceremony for the inauguration of the Anhui Shale Gas Project

PROFESSIONAL TECHNICAL SERVICES

Excellent quality and expertise in technical services forms a solid foundation for sustainable development of the Company's main oil and gas related businesses. In the technical services sector (including oilfield services, offshore oil engineering construction and comprehensive services), we saw significant enhancements to our service capabilities through continuous streamlining of operations and management, full-fledged business restructuring and strong development of both domestic and overseas markets.

Oilfield Services

Our oilfield services infiltrate the various phases of offshore oil and natural gas exploration, development and production, offering not only standalone services but also a comprehensive suite of integration-ready and general contracting services, with coverage extending from Chinese waters all the way to Southeast Asia, Australia, America, Northern Europe, Middle East, North Africa and other regions.

Adhering to the strategic roadmap encompassing restructuring, expansion into deep-water operations and development towards high-end orientation, the Company has committed significant funding, based on market demand, into building large equipment and key facilities, with the focus on enhancing our arsenal of deep-water equipment and technical capabilities, to provide a strong support for our Second Leap. In 2011, we successively completed construction and delivery of large equipment, including the 12-streamer deep-water seismic vessel "Hai Yang Shi You 720", 200-inch jack-up drilling rig "Hai Yang Shi You 923/924", semi-submersible deep-water drilling rig "COSL Innovator" and deep-water survey vessel "Hai Yang Shi You 708", thus taking our operational capabilities in oilfield services further.

We have been relentless in our efforts to integrate independent and allied innovations and have flexibly adopted methods such as collaborative R&D, technology imports and acquisition, based on the individual development characteristics of professional technologies, to develop technological innovations that drive the Company's success. In 2011, the Company carried out researches into a series of technical challenges encountered mainly in the areas of heavy oil exploitation in Bohai Sea, deep-water exploration in South China Sea, development of oil and gas fields with "low porosity, low permeability, low productivity" and "high temperature and high pressure", and unconventional oil and gas E&P. Achievements are significant. New development also was made in key scientific research projects: the prototype machine of nuclear magnetic resonance logging instrument for the EMRT project was independently developed out of nothing; the maiden

operation of the multifunctional ultrasonic imaging logging instrument MUIL in the oilfield at Bohai Sea was completed, and the independently-developed deep-water well-cementing slurry system underwent a successful experiment on-site and preliminarily possessed operational capabilities of cementing deep-water wells.

We continued to strengthen our market leadership position in Chinese waters and continuously expanded our operations in the field of alternative energy. Contract rate for domestic drilling rigs reached 100% in 2011. Market share for both self-financed and collaborative exploration was 100%. A complete breakthrough in the coalbed methane service market was also achieved, with the Company successively signing service contracts with CCBM, FEEC and Pacific Asia Petroleum Corporation after SGE.

We actively developed our overseas market and saw a significant increase in bidding successes. Apart from on-going development of our operations in traditional markets such as Indonesia, Mexico and Norway, we expanded our reach to new regions, including Iraq and Cambodia, thus taking our competitiveness in overseas oilfield services up a couple of more notches.



Deep-water semi-submersible drilling rig COSL INNOVATOR is operating in Norway

Offshore Oil Engineering Services

The Company adopted the core strategy of lowering costs and improving efficiency, with the purpose of consolidating and streamlining the entire process of turnkey projects relating to offshore oil and natural gas, LNG, refining and other engineering works, in order to become a leading offshore oil engineering EPCI (Engineering, Procurement, Construction and Installation) general contractor in Asia Pacific.

In 2011, our ability to deal with difficult situations, arising during the production and management processes, was enhanced further. We improved the allocation and pricing systems and actively coordinated resources, to bring 27 engineering projects into smooth operations. Among them, we completed the general contracting project involving 200-inch jack-up drilling rig “Hai Yang Shi You 923/924”; completed the offshore hoisting of the Lufeng 13-2

adjustment project, involving three consecutive days on hoisting three modules and two consecutive days on hoisting five modules, 17 days ahead of schedule; completed the laying of China’s first marine double metal pipe four days ahead of schedule and completed the dismantling of disposed facilities in Caofeidian 1-6 Oilfield successfully, thus demonstrating that China is capable of disposing structures at sea.

Through enhancement of our scientific and technological innovation abilities and overcoming the key technologies that constrained our development, we successfully completed and signed off the research on a project “Construction and Installation of Deep-water Risers (TTR, SCR)” which is a part of the National High-Tech R&D of China Programme (863 Programme), Key Technology Research on Deep-water Riser Engineering.

In order to increase our core competitiveness further, we reinforced our infrastructure and facilities.



Offshore oil engineering service: Hoisting Operations

The deep-water pipe-laying crane “Hai Yang Shi You 201”, with an operating depth of 3,000 meters, is currently undergoing vessel-integration testing and preparation for trial operation. The 50,000-tonne semi-submersible, self-propelled engineering vessel “Hai Yang Shi You 278” was launched into action, and a five-year joint-operation contract signed with Dock Wise.

Along with the gradual formation of our overall marketing strategy, we made significant breakthroughs in business development. In Indonesia, we won the general turnkey contracts for FEED operations of the MILA & ASTI project as well as the BWK project. In addition, we also signed a ten-year cooperative framework agreement with Shell regarding the construction of shallow-water structures. In Hong Kong, we won the first EPC general contract to build an offshore wind tower.

Comprehensive Services

The Company vigorously promotes a business restructuring strategy. Through proactively pursuing the transformation of traditional businesses, accelerating the development of emerging businesses and focusing on enhancing interior driving forces, we have established a distinctive business model comprising a combination of technology, service and product, thus establishing a flexible and dynamic business system to promote socialisation reform of the mining areas and increasingly contribute to the differentiated value of the Group’s industrial chain, dependable service value, on-going business change value and the coordinated value of economic growth.

Key projects were pushed ahead steadily. Phase 1 of the Industrialisation Base, with a planned annual production capacity of 50,000 tons of environment-friendly new materials, was built, and it serves as a pioneering model for the optimisation and upgrading of China’s paint industry. The project involving comprehensive utilisation of hydrocracking tail oil was commissioned successfully, and this is a new economic growth point in the field of fine chemical products. A batch of new projects, including LNG carriers, harbour tugs, butyl rubber and ethylene-propylene rubber, entered its actual operational phase.

The characteristic businesses demonstrated more vigour and vitality. We saw much room for development of the environment-friendly and low-carbon businesses and, therefore, established the first company within the Group to have a business focus on energy conservation and environmental-friendliness efforts. The industrialisation effect of LNG cold energy started to emerge. The integrated management of FPSO (Offshore Floating Production Storage and Offloading equipment) and operational service capability also saw significant successes, while the environment-friendly business for the emergency response to oil spills played a prominent role in coping with emergencies occurring in Chinese waters.

We gradually increased our capacity for providing comprehensive services to parties beyond the Group. The oil exploitation technical services, supervision and monitoring business saw breakthroughs in several projects in the Middle East, Southeast Asia, Africa and America, and its domestic market has also started to open up.

Socialisation reform of the mining areas saw actual results. Public transport reforms in the Bohai Sea and Western South China Sea mining areas were essentially completed. Plans for the transfer of water and gas supply rights were approved. Management functions for public service and facilities and the agricultural product trading market in Junliangcheng Base city were turned over to the local authorities. The community in the mining area and the comprehensive service providers can, thus, co-exist in harmony, thereby bringing stability and contributing to the overall reform and development of the Group.



Offshore Oil and Gas Processing Factory—FPSO

China Oilfield Services Ltd. (601808, COSL, www.cosl.com.cn)

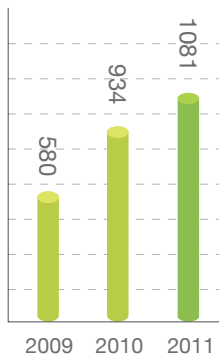
China Offshore Oil Engineering Co., Ltd. (600583, COOEC, www.cnoocengineering.com)

CNOOC Energy Technology & Services Limited (CNOOC EnerTech, no listed)

NATURAL GAS & POWER GENERATION

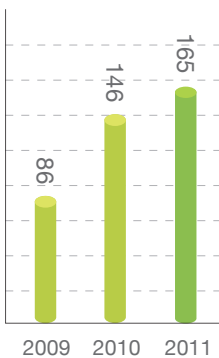
LNG Imports

Unit: 10,000 tons



Natural Gas-fired Generation Capacity

Unit: 100 million kWh



Accelerating the development of the natural gas and power generation business segment is in line with China's national strategy to adjust the energy consumption structure. It is also an effective way for us to provide clean energy and push ahead with green development. As a source of profit growth with the most potential for success, our natural gas and power generation business has currently turned into a leading engine driving the Company.

We continued to maintain our lead in the domestic LNG industry. With increased availability of LNG resources, we developed international trade aggressively and have gradually become a diversified multinational energy supplier. Our annual LNG imports reached 10.81 million tons, accounting for 88% of China's total LNG imports. LNG receiving stations in Guangdong, Fujian, Shanghai and other locations operated normally while those under construction in Zhejiang, Zhuhai, Hainan and other locations progressed smoothly.

Construction of the supporting facilities of natural gas pipelines progressed systematically, totalling more than 3,000 kilometers in length. In Fujian, we constructed a network of pipelines to be connected to its northern and southern neighbours, thus gradually forming the south-eastern coastal artery of China. In Guangdong, the main line from Aotou to Guangzhou was ready for transmission, and the initiative "One Gas network for Guangdong" was implemented. The Hangzhou-Huzhou, Hangzhou-Ningbo and Hangzhou-Jiaxing lines in Zhejiang province were successfully commissioned while the construction of pipelines for Ningbo-Taizhou-Wenzhou started. Along with the implementation of the strategy to "Provide all over Hainan with Gas", the main artery project circling the island was pushed ahead vigorously.

Gas-fired power plants such as the Yangpu, Jiaming, Putian, CNOOC Shenzhen and Huizhou plants generated record-breaking amounts of power. Total power generation capacity in 2011 was 16.5 billion kWh, which was up by 13.0% from the same period last year. The Putian power plant received the China Luban Award for construction projects.

While China entered the winter peak season for natural gas consumption, we increased the supply of natural gas and contributed to guarantee the supply to the south-eastern coastal regions. Adding to the continuous development of traditional markets like gas and industrial consumers in key cities, we stepped up efforts to explore the alternative fuel market and developed differentiation in the gas-fired power and LNG vehicle filling markets. While consolidating the Guangdong, Fujian, Zhejiang, Jiangsu, Shandong, Tianjin and other existing filling markets, we also entered new markets, including Guangxi, Jiangxi, Anhui, Henan, Hebei, Beijing and Liaoning.

With continual improvement in technical standards and regulations, our core competitive advantages in the domestic LNG field were further secured. We participated in the preparation of the industry regulation, Technical Regulation of Gas Fuelling Station for LNG Vehicles, and the national standard, Fuel System Regulation for LNG Vehicles. The Research on the National LNG Peak Load Reserves report won the Second Prize in Soft Sciences from the National Energy Bureau. The supporting project of the National High-Tech R&D Programme of China (863 Programme), Research on LNG Filling Equipment Sets, was completed on schedule, passed examinations and obtained approval from State Ministry of Science and Technology.

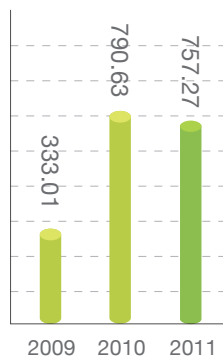


Putian Gas-fired Power Plant, the largest clean energy power plant in China

REFINING, SALES & FERTILISERS

Production of Fuel Oil

Unit: 10,000 tons



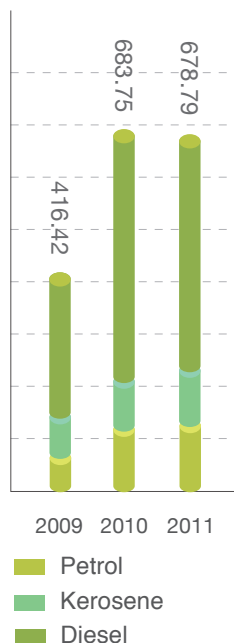
The refining, sales and fertiliser business segment, being a supplement and extension of the oil and gas business, is an invaluable drive behind the core businesses in pursuing value-added economic benefits.

Refining and Sales

The refining business is a key area for increasing the Company's competitiveness while sales serve as the most effective way in realising the value of products. In order to obtain an optimal structure and the highest efficiency, the Group restructured the Refining and Sales Unit to a Department, to promote intensified development within the business.

Production of Refined Oil

Unit: 10,000 tons



We optimised the distribution of our resources and systematically pushed ahead with key projects, including the Huizhou Refinery Project Phase 2, Hainan Alkene Project and Integration Project of Ningbo and Daxie Petrochemical Companies. In the complex environment of fluctuating market demands and rocketing costs of raw materials, we streamlined our management and made appropriate adjustments to the processing capacities, enabling us to meet our annual production and management targets. Last year, we produced a total of 26.10 million tons of processed crude oil, 6.79 million tons of refined oil, 5.34 million tons of asphalt, 7.57 million tons of fuel oil, 980,000 tons of ethylene, 1.61 million tons of aromatics, 2.15 million tons of raw salt and 2.49 million tons of sodium carbonate. To help make up the diesel shortage in certain areas within China, we increased production of diesel with low condensation point.

We continued to improve the quality of refined oil. In 2011, the quality standard of all vehicle-use petrol and diesel produced by the Huizhou Refinery achieved National Level III and above, among which vehicle-user petrol produced to the Shanghai IV and Guangdong IV standards accounted for 4.6% of the total petrol output, and diesel produced to the Shanghai IV standard accounted for 2.65% of the total diesel output. The annual production rate for high-standard petrol was 100%, which was up by 4.6% over the same period last year.

The CNOOC 36-1 asphalt brand has remained the market leader in China, seeing a steady increase in the product market influence, and has, for three consecutive years, won the first prize of the Contribution Award in China's Asphalt Industry conferred by the professional asphalt information service provider Bailinfo.com. With an annual sales volume of 120,000 tons, the 50# hard asphalt remained the domestic market leader in its class. Our environment-friendly rubber oil product penetrated the international market successfully.

We actively pushed ahead with the construction of the CNOOC marketing system, by elaborately cultivating our sales capability, carrying out marketing activities in our existing target markets steadily and effectively, and providing unlimited supply with no time restrictions to self-financed service stations, to ensure market supply. In 2011, the accumulated physical volume of refined oil and chemicals sold by the sales company was 12.49 million tons, among which 7.98 million tons were refined oil, accounting for 52% of all direct sales and up from 36% compared to the same period in 2010. By the end of 2011, the number of service stations in East China, South China and North China reached 320, with 83 newly built ones.

Fertilisers

We optimised our fertiliser business and proactively coped with the business cycle adjustments, to maintain or ensure our industry lead position and foster a healthy business climate.

In 2011, the fertiliser companies proactively coped with the business cycle adjustments and adopted the development strategies of "active yet steady, careful yet flexible, and open yet considerable". Thanks to these strategies, we maintained our lead position within the industry and accelerated the healthy development of fertiliser business.

The company emphasises work competition in the long-term operation cycle. With the assistance of streamlined management, the smooth long-term operation cycle of equipment can be guaranteed, and the production capacity can be fully leveraged. In this year alone, we produced 1.91 million tons of urea fertiliser, 440,000 tons of phosphate fertiliser, 870,000 tons of Compound Fertiliser, 28,000 tons of polyformaldehyde and 1.57 million tons of methanol. These works have laid a good foundation for achieving outstanding performance.

The production expansion and reform of the Dayukou Hubei Project (with an annual production capacity of 500,000 tons of phosphate fertilisers) has entered the pipe cleaning and equipment fine-tuning phase. This project is expected to be launched into operation in April 2011. The Huahe 3052 Project (with annual production capacity of 300,000 tons of synthesised ammonia and 520,000 tons of urea fertiliser) and Guizhou fine phosphorus chemical project had also started. The technical plan for the Tianye project involving conversion of coal to gas has already been selected, and the design work launched.

Our research and development work saw new breakthroughs, with three patent applications, 11 accepted patents and 13 authorised patents. The pilot project involving 5,000 tons of release-controlled fertilisers succeeded in the first run, demonstrating that we have mastered the globally advanced release-controlled fertiliser production technology.

With our existing business foundations, we fully developed our brand values of the three famous national brands – Fudao, Tianye, Sakefu, to conduct soil testing, formula-designing and promotion of the scientific application of fertilisers in Hainan, Guangxi, Jilin and other locations, which achieved remarkable results and gained a general acceptance from farmers. CNOOC fertilisers, with its growing brand and industry influence, plays a part in supporting the national agricultural development.



Offloading of fertilisers

ALTERNATIVE ENERGY

Coping with energy and environmental challenges, promoting sustainable economic development, and developing strategic emerging businesses are the inevitable responsibilities of a mega government-owned corporation. The Company pays close attention to the investment trends of international oil companies in the field of alternative energy and optimally selects those alternative energies with high relevance to our main businesses as well as economic viability and scale advantages for development.

Currently, we possess 400,000 kilowatts of installed wind power capacity. The availability of wind power equipment in all power plants is steadily above 97%, higher than the industry average level. The annual newly developed wind power resource reached 1.5 million kilowatts, contributing to the accumulated reserves of 15 million kilowatts and generating on-grid power of 530 million kWh. The Dongfang Sigeng wind power project (Hainan) and Changma wind power project (Yumen, Gansu) passed the United Nations Clean Development Mechanism (CDM), and it is estimated to receive total emission reduction quota of 620,000 tons, bringing potential annual profit of emission reduction to 25 million RMB as maximum.

We actively expanded our domestic and global channels for raw material supply and adjusted the production plan according to the volume of sales with profitability at the focus. The CNOOC Biolux Company and Hainan Biomass Energy and Chemicals Company that are currently launched in



Vice Premier Li Keqiang visited Tianjin Lishen Battery Joint-Stock Company Ltd., one of the subsidiaries of the CNOOC on December 2, 2011

operation, produced a combined total of 189,200 tons of biological oil fuels in 2011.

We are committed to the efficient and clean conversion utilisation of traditional coals. While developing coal-based clean energy by taking advantage of domestic coal resources, actively developing SNG and distributed energy source from gas, raising efficiency of coal utilisation, we gradually explored overseas coal resources to ensure national energy security. The Company acquired exploration rights to a total of 8.29 billion tons of coal and 14 billion tons of resources pre-allocated by the government, which safeguarded resources for projects of synthetic natural gas (SNG) from coal. The overall arrangement of the five SNG bases will be completed at the early stage of the 12th Five-Year Plan. The company will assist actively the relevant national authorities to prepare the plan for coal intensive processing model projects and will undertake the task of preparing the product quality standards for SNG.

The Lithium battery business segment of the Company leaped to Top 5 in global lithium industry. Annual production of various types of batteries amounted to 174 million, an increase of 27% over the same period last year. As the leader company of the Battery Committee in the Electric Vehicle Industry Federation of State-owned Enterprises, the Company undertook six projects to develop power battery system for motor vehicles and eleven technology research and development projects, and won financial support worth over 100 million RMB. The successful development of polymer li-ion technology enabled CNOOC to become a major supplier for Apple, Dell and HP.

FINANCIAL SERVICES

Under the guideline of “Combining core business and financing, core business leading financing, financing reinforcing core business”, we actively innovated financial products and service model of financial service segment relying upon the robust and efficient development of core industries in the Group, striving to build up reputation in financial service field. This contributed to the enhancement of integrated management of Group assets, the efficient interaction among business segments within Group and realisation of the strategic goal of developing into a global-leading energy corporation.

Financial service segment pro-actively responded to the ever-changing market, drawing upon both domestic and international experiences. With enhanced intensive development, improved risk management system, and operation in compliance, we achieved outstanding performance and improved the financing ability to better serve the core business of the Group.

CNOOC Finance Co., Ltd actively consolidated and extended its financial service chain, and endeavored to support key Group members and projects. For the year, it completed settlements of nearly 2.4 trillion RMB, up 63% over the same period of last year, which exceeded the sum of 2009 and 2010. Moreover, CNOOC Finance provided 193.5 billion RMB of preferential credit loans to member entities, directly saving financial cost of 652 million RMB. Meanwhile, the completed exchange settlement and sales amounted to 4.464 billion USD. As a result, the company fulfilled its commitment to “risk control, cost efficiency and value creation” endowed by the Group. CNOOC Finance maintained the record of zero non-performing assets and zero bad loans, which guaranteed the funds safety of the Group. It also continued to have S&P AA- and Moody’s Aa3 sovereign assets credit rating.

Zhonghai Trust Co., Ltd vigorously developed its independent management business. With constant innovation of assets management products, its industrial layout improved constantly. It managed aggregate trusted assets of over 400 billion RMB, with bad assets maintaining zero. Zhonghai Trust won the Fourth China Outstanding Trust Company Comprehensive Award.

CNOOC Insurance Ltd. paid close attention to major claim cases and shortened the time of claim settlement to ensure a timely production recovery for insured companies and to minimize their losses. Executing the integrated insurance policy of the Group and strengthening risk management benefited the growth of relevant industrial segments for its role in balancing and lowering insurance cost and controlling risks diversification.

CNOOC Investment Co., Ltd is the executive division for the Group to authorise financial investment and strategic investment. Through enhancing the governance to subordinated equity entities, closely following and managing private equity investment and actively discovering new investment opportunities under controllable risks, it converts the current assets and investment profits to core competitiveness that sustain the development of the Group.

INTERNATIONAL BUSINESSES

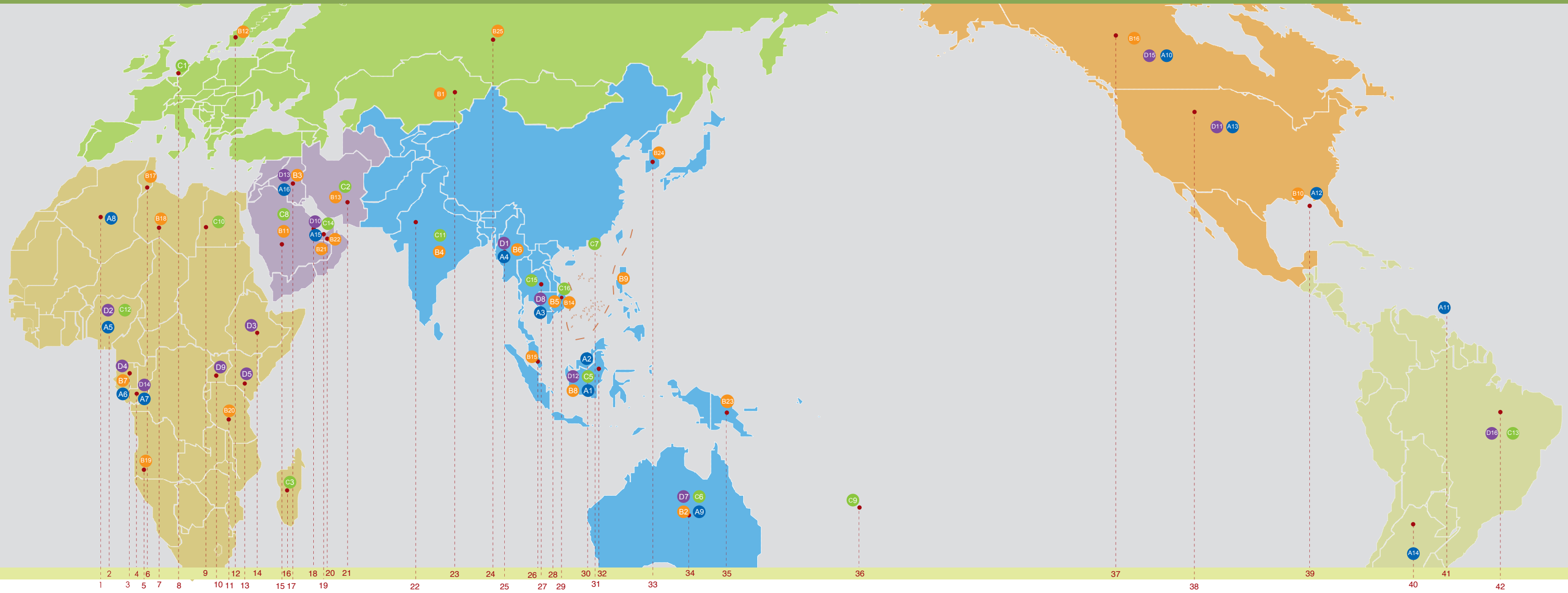
Overseas business layout and investment structure were being continuously optimised while the operation quality and profits of overseas projects were improved, which largely extended our international businesses. With 26.4% of overseas assets and 26.2% of overseas revenue, the internationalisation level gradually closed into that of a global leader. CNOOC was ranked 4th among 2011 China Top 100 Multinational Companies.

In 2011, we produced 7.66 million tons of overseas crude oil, 5.6 billion cubic meters of overseas natural gas. The annual trade volume of oil and chemical raw materials by the import and export company grew by 35% compared to the same period last year, amounting to 25.28 million tons, which included 21.58 million tons of crude oil, 590,000 tons of refined oil, 1.30 million tons of fuel oil and 1.81 million tons of chemical raw materials.



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Africa

1. Algeria	6. Tunisia	13. Kenya
2. Nigeria	7. Libya	14. Ethiopia
3. Equatorial Guinea	9. Egypt	16. Madagascar
4. Congo	10. Uganda	
5. Angola	11. Tanzania	

Middle East

15. Saudi Arabia	19. The United Arab Emirates
17. Iraq	20. Oman
18. Qatar	21. Iran

Europe and Eurasia

8. Netherlands
12. Norway
23. Kazakhstan
24. Russia

Asia-Pacific & South Asia

22. India	29. Vietnam	34. Australia
25. Myanmar	30. Malaysia	35. Papua New Guinea
26. Singapore	31. Hong Kong	36. New Caledonia
27. Thailand	32. Indonesia	
28. Cambodia	33. Korea	

North America

37. Canada
38. United States
39. Gulf of Mexico

South America

40. Argentina
41. Trinidad and Tobago
42. Brazil

● CNOOC Ltd.

- A1. Indonesia
- A2. Malaysia
- A3. Cambodia
- A4. Myanmar
- A5. Nigeria
- A6. Equatorial Guinea

- A7. Congo
- A8. Algeria
- A9. Australia
- A10. Canada
- A11. Trinidad and Tobago
- A12. Gulf of Mexico

- A13. United States
- A14. Argentina
- A15. Qatar
- A16. Iraq

● COSL

- B1. Kazakhstan
- B2. Australia
- B3. Iraq
- B4. India
- B5. Cambodia
- B6. Myanmar
- B7. Equatorial Guinea

- B8. Indonesia
- B9. Philippines
- B10. Gulf of Mexico
- B11. Saudi Arabia
- B12. Norway
- B13. Iran
- B14. Vietnam

- B15. Singapore
- B16. Canada
- B17. Tunisia
- B18. Libya
- B19. Angola
- B20. Tanzania
- B21. The United Arab Emirates

- B22. Oman
- B23. Papua New Guinea
- B24. Korea
- B25. Russia

● COOEC

- C1. Netherlands
- C2. Iran
- C3. Madagascar
- C5. Indonesia
- C6. Australia

- C7. Hong Kong
- C8. Saudi Arabia
- C9. New Caledonia
- C10. Egypt
- C11. India

- C12. Nigeria
- C13. Brazil
- C14. Qatar
- C15. Thailand
- C16. Vietnam

● CNOOC EnerTech

- D1. Myanmar
- D2. Nigeria
- D3. Ethiopia
- D4. Equatorial Guinea
- D5. Kenya
- D6. Iran

- D7. Australia
- D8. Cambodia
- D9. Uganda
- D10. Qatar
- D11. United States
- D12. Indonesia

- D13. Iraq
- D14. Congo
- D15. Canada
- D16. Brazil



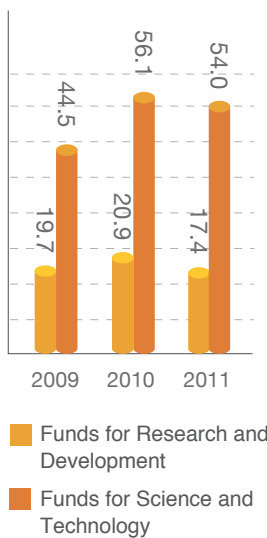
MANAGEMENT



TECHNOLOGICAL INNOVATION

Investment in Science and Technology

Unit: 100 million RMB



Key R&D staff

Unit: persons



Scientific and technological innovation played a driving role for CNOOC's growth, which emphasized on in-house innovation, integration, optimization, promotion and application of advanced technologies. The Company fully propelled the nation-level and the Company's key technological research projects, focusing on cutting-edge offshore exploitation. Major progress boosted in the fields of conventional and unconventional oil and gas E&P, technical services and equipment manufacturing for offshore engineering and petrochemicals, greatly supported the all-ranged oil & gas industrial chain.

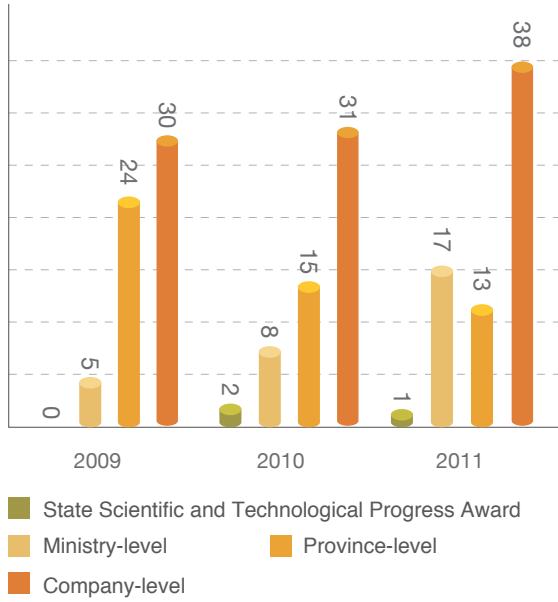
In 2011, CNOOC upgraded policies for technological innovation and financing. The year also saw start-up of a new three-level technology investment mechanism "the State guiding, the Group subsidizing and the benefitted units financing", which would effectively contributed to the implementation of the Company's 12th Five-Year Plan of R&D. In total, 5.40 billion RMB was allocated to R&D-related activities for the year, of which 1.74 billion RMB was directly targeted in R&D programs.

The Company undertook a total of 379 research programmes in 2011, including 155 at national and provincial/ministerial level. It drafted the science and technology section of the 12th Five-Year Plan and 26 key projects (8 national and 18 provincial/ministerial technology projects). It issued 142 standards and saw publication of 941 papers in trade journals at home and abroad. The Company also held or joined 31 national or international technology exchange activities and exhibitions.

In 2011, all 8 National Key Scientific and Technological Projects of the 11th Five-Year Plan, totalling 38 research subjects, were signed off, including 3 projects of National High-Tech R&D Programme of China (863 Programme). Major advances also came online in complex oil and gas exploration of China coastal waters, deep-water oil and gas exploration, offshore heavy oil

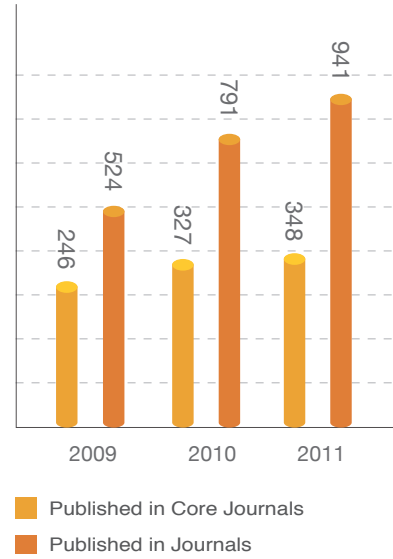
Scientific and Technological Awards

Unit: awards



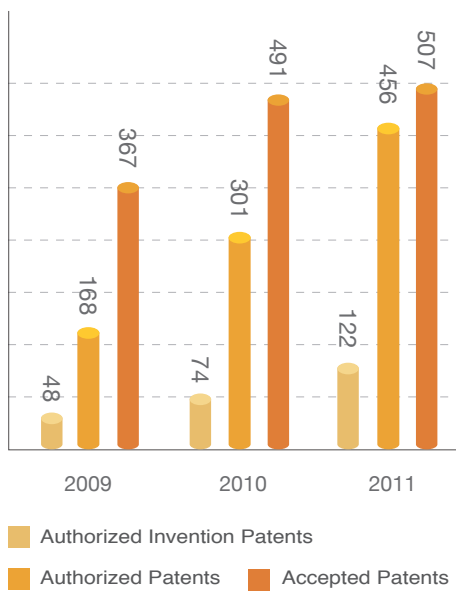
Scientific and Technological Papers

Unit: papers



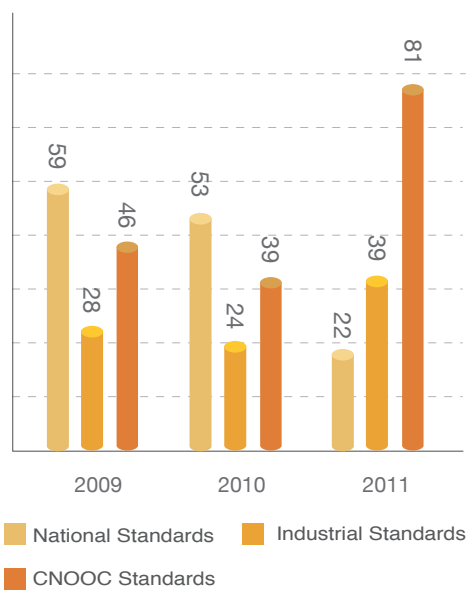
Patents

Unit: patents



Technology Standards

Unit: standards



development and deep-water equipment. Achievements included 4 strategies and methods to enhance offshore oil and gas exploration, 7 add-on technologies for hidden oil and gas reserves in coastal waters and other applications, 28 proprietary technologies and methods for evaluating hydrocarbon content in depressions in coastal waters and other applications, 9 software packages for numerical modelling of the special distribution of continuous oil/gas reservoirs and other applications, and 5 major project equipment units including the semi-submersible deep-water drilling rig “Hai Yang Shi You 981”.

New Bohai Deposits

The success of the Huizhou 21-2-1 wildcat well in Bohai meant a significant boost in daily production by 50,000 cubic meters of natural gas. Running down to 5,141 meters, it is the deepest well in Bohai as it underscores CNOOC drilling capability which exploited advanced technologies under extreme conditions of temperature, pressure and toxicity. This well further suggests strong likelihood of additional, commercially viable oil and gas reserves in the immediate area.

Deep-water Research/Survey Vessel

Built under a key national special technology project, “Hai Yang Shi You 720” is China’s first true deep-water research/survey vessel and completed its first 5,500 square meters of 3-D seismic data collection, breaking a national record by covering 165.9 kilometers and surveying 99.5 square kilometers per day.

Drilling and Completion Technology

We applied an 0.92-0.96S-G high temperature oil-base drilling liquid system for fast, safe drilling and completion of four wells in the Ya 13-1 gas field where well-bottom temperatures reached 180°C, drilling pressure differences peaked at 28.6MPa and the pressure coefficient at reservoir stratum fell to 0.27.

New Potary Steerable Drilling and Logging While Drilling Systems

The in-house COTAS rotary steerable drilling system completed two directional drilling trials in 2011. All system functions were verified and key performance indicators are consistent with international standards for comparable systems. Trials of SPOTE logging-while-drilling system demonstrated satisfactory accuracy in logging including directional measurement, gamma rays and electrical resistivity.



Oil Sand and Asphalt Technology, Sustained-release Fertiliser Units and other Prototypes

Preliminary data from industrialisation experiments demonstrated that technology of improving the quality of Canadian oil sand and asphalt is up to operational standards. Prototype industrial equipment, with annual unit outputs of 5,000 tons of polyurethane-coated fertilisers were tested and approved for pilot production. Income from nutrient-rich compound fertiliser and organic compound fertiliser technologies exerted positive impact on the year-end result.

LNG Vehicle Filling Equipment

Skid mounted gas fuelling stations for LNG vehicles under joint development went into operation after completion of all needed upgrades, add-ons and equipment modifications. The supporting project for “research on LNG filling equipment sets” received final acceptance under the High-Tech R&D programme of China (863 Programme). The results of the “Optimising small-scale natural gas liquefaction technology and equipment localisation study” have found field applications at projects in Yingkou and Heze, Shandong.

MANAGEMENT INNOVATION

Scientific management is the foundation of corporate development. It is also an indispensable and dynamic prerequisite towards taking CNOOC to the next level of corporate growth. We continue to attach great importance to innovative management and remain committed to moving more deeply into greater innovation-driven growth by exploring new strategies and techniques of management consistent with both international conventions and China's current context. The corporate watchwords are efficiency, growth and competitiveness with a view to sustaining the drive needed to become a major player of the energy industry.

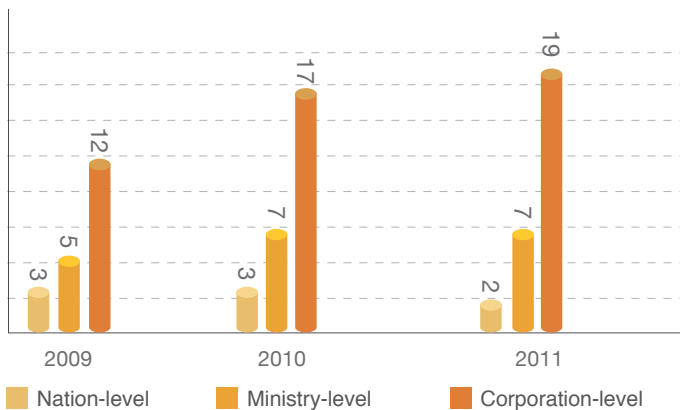


Corporate management innovation seminar

CNOOC vigorously encourages and sustains innovative managerial practices. In order to tackle the most urgent impediment to corporate growth, we motivate staff to contribute their creativity

Management Innovation Achievements

Unit: awards



by identifying and rewarding outstanding management achievements. This creates an atmosphere where managerial strategy and tactics have become a topic of general interest, with dissemination of new best practices in units at all levels of the Group, top to bottom. Indeed, CNOOC has earned ministry-level distinctions for excellent organisation over years.

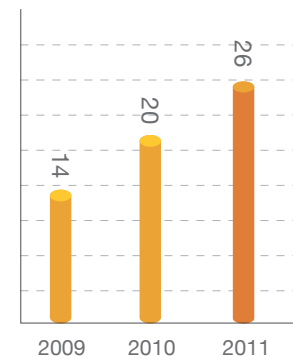
Up to 2011, CNOOC has awarded and widely spread 84 management achievements within the Company, of which 43 won ministry-level prizes and 17 nation-level prizes. The Company organised bi-annual conferences and published the achievements, ensuring high in-house circulation of the experiences, enhancing the corporate management style with CNOOC characteristics and improving management practices.

In 2011, CNOOC awarded 19 management achievements within the company, of which the first 7 achievements won ministry-level prizes, including 4 first-class, 2 second-class and 1 third-class.

Two achievements of CNOOC, “The Construction and Implementation of Scientific and Technological Experts Evaluation System in Large-scale Oil Companies” and “Construction and Implementation of Credit Risk Management System for Oil & Gas Products Trade”, won the first and second prize at the 18th National Enterprise Management Modernization Innovation Achievement Award respectively.

Management innovation papers: Industry / Ministry-level

Unit: papers



CORPORATE CULTURE

The Company highlighted the experiences that accumulated in its evolution, in particular the advanced cultural elements. Owing to the integration between the culture of oil industry symbolised by “Daqing Spirit” and “Iron Man” and the offshore oil industrial features, the CNOOC Spirit was fostered and developed in the new era, named “be dedicated, effective and innovative at work”. The Spirit roots in the culture of state-owned enterprise, endows open-ended and international minded, keeps pace with the time.

Pursuit of the “Excellence in Performance” innovation promotion campaign helped consolidate the corporate culture throughout 2011. The in-house CPC branches, Youth League and employees’ committee worked to leverage higher awareness of social and policy issues concerning core values in order to boost personal ethics and a sense of commitment. Again, the watchword was about being “committed, practical and innovative”. This fostered the birth of new centres of excellence.

- On 16th June 2011, CNOOC commemorated the 90th Anniversary of the CPC and awarded citations for achievements pertaining to the “Offshore Daqing Oilfield” Project to 496 employees and 56 work groups. Moreover, 38 employees received national awards including Model SOE Worker, National Labor Medal and National March 8th Red-banner Pace-setter.
- The Company organised eight roadshows and participated in four speaking tours organised by SASAC on the theme of Hao Zhenshan, a model worker.



CNOOC Conference for commemorating the 90th anniversary of the CPC and awarding citations for achievements pertaining to the “Offshore Daqing Oilfield” Project

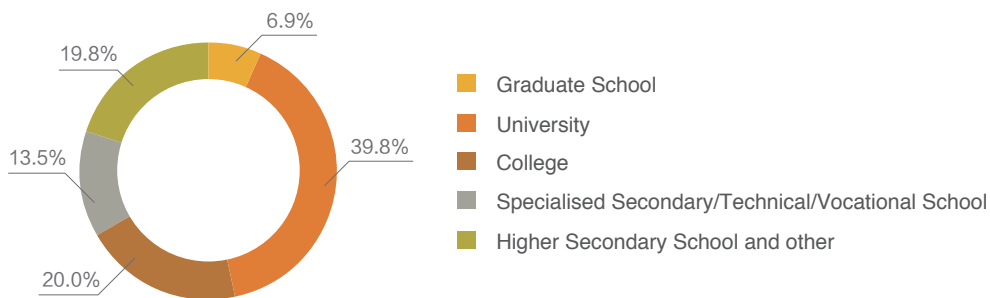
- Shandong Haihua Import and Export Co. Ltd won the 2010-2011 Annual National Corporate Culture Outstanding Achievement Award with its “One Drop” Management Culture with “Eight Links Coordination” at Core; China Offshore Industrial Enterprise Corp. won the 2010-2011 Annual National Corporate Culture Outstanding Case Award with its DNA Type of Corporate Culture Construction Featured with Estate Serving Enterprises, published in Selected Articles of Outstanding Cases on State-owned Enterprises Corporate Culture Construction while its CEO Liu Quan was honored with the title of “2010-2011 Annual National Corporate Culture Outstanding Person with Prominent Contributions ”.
- CNOOC oversaw production of the CPC documentary “Combat in Bohai” and of the motivational film “Exploring oil offshore: wholehearted devotion to the Nation” which earned the Best Educational Film Award awarded by the CPC Organisation Department. Both works are geared to offering mass audiences insight into CNOOC and a positive image of the oil industry.

HUMAN RESOURCES

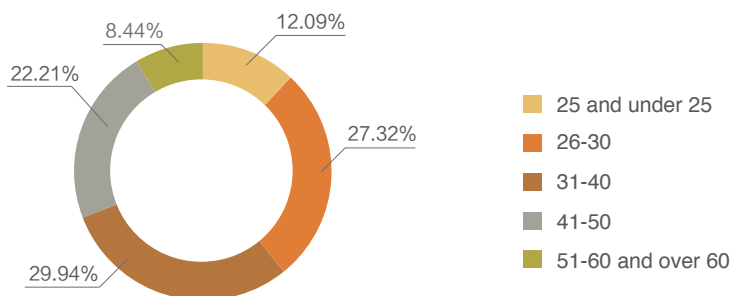
Talent is one of the most important resources that contribute to a company's sustainable development. CNOOC's personnel selection and promotion policy has always adhered to the principles of scientific management, reasonableness, capability and efficiency. This also applies to career path strategy implementation, talent cultivation and employee training. Finally, safeguarding of employee rights has long been recognized as the key to human resource development and true corporate growth.

In 2011, in order to meet the needs of the Board, improve the management abilities of the headquarter, the Company established the Secretariat of the Board of Directors and optimized the structure and administration of the headquarter. CNOOC further improved hiring policy, pay scales, health insurance, benefits, and evaluation processes to assess staff performance and contribution. Pay scales continued to be biased in favour of bottom and top brackets. Additionally, bonuses for

Staff Educational Levels



Staff Age Groups



outstanding employees were lifted to sustain high levels of staff motivation.

The quest for top technological talent remained a priority, resulting in the addition of 35 new experts at the head office. The Company renewed in 2011 the professional qualification assessment and awarded the title “senior expert” to 129 staff across six specialisations.

The “Indicator System and Assessment Method for Evaluating Technical Experts from Subordinated Entities of CNOOC” was published and implemented. This resulted in the appointment of 9 technical experts from 14 occupational specialties. Moreover, 63% of 7,000 junior, intermediate and senior workers in 45 occupational specialties passed their skill assessment tests.

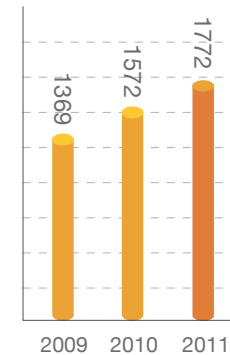
Professional qualification management also came under scrutiny. A certification procedure was set up for engineer/project managers; 65% of 182 candidates qualified, including 3 as major project managers and 24 as senior project manager. Other certification concerned well-drilling and completion supervisors, with 35 qualifying as completion director or higher and 28 as downhole operations director or higher.

The cadre management system saw greater emphasis on assessment, competitive selection, leadership training and exchange, and the coordination work of leadership groups was more reasonable. In 2011, CNOOC hired 2 senior leaders through open, competitive recruitment; conducted 56 management exchanges with other SOEs; promoted or exchanged 56 mid-level leaders; and gave intensive training to 90 direct managing cadres plus 42 subordinate cadres in order to raise political awareness, strategic thinking, personal creativity, operational efficiency and management skills.

Pursuant to the principle of “capability, efficiency, reasonable structure, prominent core businesses”, CNOOC started eHR system to optimise online recruitment by rendering it more normative and transparent. Employee turnover for 2011 amounted to 1,891 redundancies and recruitment of 1,587 fresh university

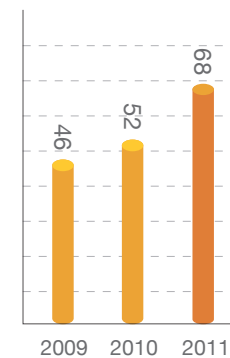
Training Cost per capita

Unit: RMB



Length of Training per capita

Unit: Hours



graduates and 776 experienced personnel.

CNOOC policy for grooming talent is based on a top-down approach running from senior management to the workbench in four tiers, each with specifically designated duties and obligations. This policy has found application in top national research laboratories, domestic offshore projects and overseas commitments with a view to perfecting a system to train talent in emerging specializations. Thus, 17 employees were sent for training abroad, 790 attended special international courses and another 43 junior/mid-level oil and drilling technicians attended job-related training as well.

CNOOC employed 2 candidates of “1000 Experts Plan” and recommended 3 excellent staff under 50 years old to relevant ministries.



SASAC Director Wang Yong and “Offshore Iron Man” Hao Zhenzhan engaged in a warm conversation

SAFETY MANAGEMENT



Chairman Wang Yilin inspected the implementation of safety and security measures for offshore facilities

Offshore Oil industry is of high risk industry. The company always put “production safety” at the first place in operational management activities, it further enhanced the QHSE management system, also improved the effectiveness of “hazard safety check” and “implementation performance”. Complying with the workplace safety rules of “5 DO NOT”, the Company obtained top-rated quality of operation and safety management.

The Company emphasizes on building and maintaining safety system, and have published QHSE Risks Internal Control System and Standard List for Health, Safety and Environment Protection Regulations (2010). The Company implemented personnel liabilities of safety production, reinforced safety management procedure for contractors, prioritized source management, focused on equipment life cycle management, onsite equipments maintenance and new technologies application, which fundamentally optimized the maintenance processes from prevention to prediction.

During the year, 172 safety related accidents were recorded, involving 3 employees and 4 staff of contractors.

The Company proactively coordinated with State Economic, Resource and Environmental Commission to conducting mass scale examination of offshore and onshore oil spill risks. The Company took the initiatives to exam regulations and evaluate the execution status of offshore

oil spill risk prevention, ODP preparation and execution, production and operation procedures, risk prevention facilities management procedures, offshore oil spill risk contingency response management processes, environment protection measures of offshore oilfields, and settling status of previous cases. This process helped to clarify the direction of reform, and allowed us to further improve measures of oil spill prevention and levels of safety production system and management.

Huizhou Refinery Company activated the fire alarm contingency response procedure immediately after the fire accident started. The fire was under control within 3 hours, and the accident was completely put down and cleaned up in 14 hours at scene, without casualties, nor oil spill. All fire fighting waste water was channelled to accident monitoring pool. Company actively investigated causes of the accident. Examination and rectification of potential safety threats were also conducted, while measures of automatic control of production storage equipments and safety chain process were carefully implemented. The source control was improved. Emergency drills and staff training were also stressed to enhance the ability in dealing with emergencies.

After Penglai 19-3 oilfield oil spill incident occurred, CNOOC, as the cooperation partner of oilfield operating company ConocoPhillips China Inc, actively urged and assisted ConocoPhillips to deal with the follow-up works such as clean-up, cementing, compensation and repair in a proper manner. The Company actively cooperated and assisted official departments to investigate and to settle cases, evaluated potential threats of all offshores, improved overall safety production standards and oil spill prevention capabilities. As a responsible state-owned company, CNOOC has been proactively urging the responsible party to take effective measures to compensate for the losses in Penglai 19-3 oil spill incident.

In 2011, 7 out of 21 typhoons from northeast Pacific Ocean made landfall in South China Sea and East Sea waters, which affected offshore operation. The Company upgraded typhoon defence response management. During the offshore evacuation processes, we overall mobilized working staffs 22,635 man-times, helicopter 811 sorties, and ships 192 sailings. No personnel safety accident occurred.

The Company actively promoted and implemented “Assessment Standard for Safe Production Standardization in Entities Related to Hazardous Chemicals”, and organized 56 hazardous chemicals producing enterprises to exam potential threats by using hazard and operability analysis (HAZOP).

INFORMATIONIZATION PROCESS

We adhered to the principle of “informationization at the service of production, management and efficiency elevation”. Along with steady advancement of fundamental management, our information process continued to be improved through broad usage of ERP system, promoting work for evaluation of existing systems and manufacturing informationization, which laid a solid foundation for establishing a “digital CNOOC” and forging ahead “intelligent development”.

In 2011, the Company effectively implemented advanced information management systems for purchasing and human resources divisions. ERP system upgrade was successfully completed. Other major information systems including energy saving & emission reduction, equity management and MPLS were also in progress.

The Company also actively promoted data integration of exploration and development, gas station retail management system, natural gas and power generating production data collection, import and export trade market platform and large scale infrastructure projects management.

The Company enhanced development standards for information system, launched “Method for Managing Corporate Management Master Data”, “Method for Classifying Materials and Managing Module” and other fine supporting management rules.

According to the requirements from state ministries, the Company completed information security and confidentiality protection projects such as security level protection for information systems, and reinforced information technology assets management.

Case > Upgrading the ERP system Establishing solid foundation for application

ERP SAP system applied in 2008 is the main platform for operation and management within the Group. In order to continuously improve the application value of this system, the Company launched ERP system upgrade work in May 2011, involving 11 modules, 36 peripheral systems, and completed unit testing, integration testing, user acceptance testing, stress testing and other work at this stage in mid-October. The transition to upgrade was a success.

Challenged by short amount of time, heavy task and coordination issues, the Company upheld the offshore oil project managing philosophy of “ONE GOAL ONE TEAM”, and painstakingly organized an upgrade testing team with more than 100 staffs from 11 units. Thanks to thorough and conscientious planning, they managed to implement SAP upgrade version within a short period of time by national standard, which provided much stable, secure system and laid a solid foundation for future optimization.

ETHICS & COMPLIANCE MANAGEMENT

It is always believed that operating in compliance is the lifeline for sustainable development of Company. Offshore oil industry is highly risky and costly. Therefore, operating in compliance, combating corruption and advocating strong work ethic are vital for our growth.

While focusing on punishing and preventing from corruption, the Company solidly forged ahead the work of combating corruption and advocating strong work ethic, and fulfilled discipline and supervision function. A process was established to allow Secretary of the Discipline Inspection Commission to report to the Compliance Office in Party Committee; responsible personnel in supervision institutions report to Audit and Supervision Department. Responsibility pledge on construction of Party Conduct and Anti-corruption was signed at each level. Leaders at all levels made honest business commitment and seriously carried out honest practice while fulfilling their obligations. Promotion interviews involved 686 cadres; 178 persons were involved in given warnings. Personal honest business conduct would be taken as an important reference for the future promotion, appointment, dismissal, overseas dispatch and performance evaluation. Anti-corruption construction was also a vital indicator for assessing the performance of each unit.

The Company actively conducted education campaign in terms of ethic and compliance management by various ways and obtained expected effects.

The supervision and examination on the implementation of central government's major decisions and arrangements was given more importance. Supervision and examination were conducted in the policies of transformation of economic development model, accountability system in anti-corruption movement, "Three Important and One Crucial" decision making policies, leaders' honest business conduct etc. After examining issues including tendering and bidding, products procurement, and unauthorized department treasures, 143 problems were found, and 126 suggestions were proposed for rectification and improvement.

By combining risk-oriented with problem-oriented, problem examination with responsibility differing, internal audit strived to do outstanding work on auditing the statement of engineering construction project, by focusing more on internal control audit and economic responsibility audit, and by stressing to analyze problems lying in systems and mechanisms. 237 audit projects were completed for the year, and 814 advices were given.

Risk management was combined with the requirement of regulations and governance in modern enterprises. The philosophy of balancing profit, efficiency and risks was applied to every management policy. The Company also implemented 12 internal controlling sub-systems, including strategic planning, health, safety and environment protection, procurement and materials.

It includes 24 basic regulations, 199 management methods, 350 detailed operational rules, 338 processes and 932 key controlling points, established internal control system based on risk management, introduced specialization methods of risk management, promoted risk management in crucial fields and gradually improved the system and reached the target of preliminary risk control.

Board of Supervisors will uplift the supervision on leading groups in subsidiaries and their members. They will examine the implementation of major decisions from headquarter, operation as well as management activities in subsidiaries, and evaluate the overall operation and management performance of management team. 265 problems were reported this year and 314 constructive suggestions were presented, which provided headquarter first-hand information to understand the operation and management of the subsidiaries and enforce the Group management.

In 2011, the supervision capability was further enhanced, with 80 newly appointed professional supervisors, 16 new Commissions for Discipline Inspection and 4 new supervision institutions in the second tier subsidiaries. The system of “quintuple” supervision team consisting of Compliance, Supervision, Internal Audit, Risk Management and Appointed Board of Supervisors was consolidated. Coordination and cooperation become smoother and effective. It plays a positive role in healthy growth of the Company.

CORPORATE SOCIAL RESPONSIBILITY



SUSTAINABLE DEVELOPMENT AND THE RESPONSIBILITY OF CNOOC



PHILOSOPHY OF HSE

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

- HSE performance is one of the foundations for the company's growth and development.
- HSE management is not only the economic responsibility but also our commitment to society.
- Put people at the first place and treat employees as our most valuable resource and asset.
- We will work hardest to achieve our goals.
- Conduct systematic management and continuous improve with the motto "There is always a 'better' for 'the best'".
- Promote the "5 DO NOT" safety rules, focus on details, and control risks.
- Manage contractors and share information and experience to achieve win-win cooperation.
- Endeavour 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.

RESPONSIBILITY TO EMPLOYEES

Employee is the most valuable resource and asset of the Company that is governed by the philosophy of “people at the first place” as always. We earnestly fulfilled our responsibility to employees and actively created beneficial environment for their overall growth. The Company complied with relevant laws and regulations, adhered to the employment policy of equality and non-discrimination, and highly valued and protected employees’ fundamental rights by establishing sound career development platform. We also pushed the localization of the employees for overseas businesses and the integration of diversified cultures forward, concerned with employees’ occupational health, actively improved their working environment, cared for employees with difficulties or pre-retirement, so as to achieve the co-development of enterprise and employees.

Employment Management

Beside international labor laws, the company also strictly complied with the relevant stipulations of China’s Labor Law, established comprehensive procedures for employment, and clearly defined lawful and legitimate employment policy. Based on the recruitment principle of equality, fairness and transparency, we treated every employee as an equal regardless of their nationality, race, gender, religious belief and cultural background. Any form of hiring child labor was prohibited and resisted; forced labor was also repelled. Meanwhile, we actively promoted the employment of women, people from minority groups and disable people. We also restricted outsourcing companies and labor service agencies on violation against human rights via laws and education. We hadn’t found any human rights violation cases within the Company or outsourcing companies hired by us for the year.

On May 7 2011, CNOOC was ranked the 2nd place in the 10 Companies Most Care for Women List in the first Chinese Women Public Welfare and Charity Models.

Remuneration and Benefits

The company abided by the principle “market-oriented employment, monetized remuneration, employees’ benefits covered by public welfare”. It maintained the comparative advantage of human resources and established competitive remuneration and benefits system, which put new Labor Contract system at the central place of employment. We practiced and innovated performance management within the Company, established accordingly a standardized corporate annual-salary-system for all employees. We established a multi-level, multidimensional and all-around employee-insurance-system, providing health check-up, paid vacation, help and support for employees in difficulty, and assistance for employees with serious diseases. As consequence, human resources are marketized and mobilized, remuneration varies across individuals based on working performance, the living standards of employees are actually improved.

Case> Zhao Chunming's Life

In 1994, 21 years old Zhao Chunming started work in research and development in Bohai oilfield. Thanks to his hardworking attitude and diligence, he became a technological key personal in very short time. Benefited from company's policy of exploring resources of young talents, independently achieved the work of evaluating reserve volume of Jinzhou 21-1 oilfield in less than two years. Such outstanding achievement laid a solid foundation for developing techniques skills. In 2002 at age of 29, he was responsible for evaluating reserve volume of Lvda oilfields and for designing development plan. In 2006, he was appointed to the chief engineer of research institute, responsible for development research and scientific research management work of 52 oilfields in Bohai. Since then, he exerted his talents on the wide platform provided by the Company, and set up a scientific research team that was honest, cohesive, innovative, committed and action-oriented. They made prominent contribution to the high speed and efficient development of Bohai oilfields and 30 million tons of production. He earned titles of "Ten Outstanding Youth in Tanggu Area", "Labor Model for 30 Million Tons of Production in Bohai Oilfields" and "Offshore Daqing Oilfield" Meritorious Individual etc.

Career Development

The company endeavored to improve employees' career development. With established strategy, we spared no efforts in human resources planning, employee training, development and reservation of international talents, so as to streamline the passage for employees toward further development.

Meanwhile, we provided our employees with better platform for their growth by introducing high-calibre professional talent in key projects, providing professional and technical personnel a sound utilization and protection system.

Staff Training

Training, an important form of talent development, is a critical composite of talent pool construction. According to the principle of "planning under coordination, responsible in each level, highlighting the key point, scientific managing", the Company strived to create a training work layout featured with diversified levels, types and through multi-channels on a large scale, which can cover all the staffs in the Company. We can serve the construction of talent pool and the development of talents by improving "CNOOC staff ability models and training system", emphasizing course development and textbook design, and establishing training resources management tank that can be accessed by all the internal training departments on a sharing basis.

In 2011, the Company consolidated its efforts in training by focusing on developing employees' ideological and political understanding and their work competitiveness. The preparation and compiling work of a series of "CNOOC internal knowledge tutorials" was launched, with a view to systematically introducing the basic knowledge, status quo and development trends of CNOOC business segments. We held 27,274 training sessions on different subjects, with participants amounting to 502,126 and invested training cost reaching 176 million RMB. Training cost exceeded 100 million RMB for consecutive four years. The annual training cost per capita was 1,772 RMB while training time per capita was 68.14 hours.

Occupational Health

The Company attentively followed the change of policies on state occupational health monitoring, approval of construction projects, administration of eligibility on providing occupational health technological service, and delivered requirements in relevant documents. Entrusted by the Administration of Work Safety, the Company devised Interim Provisions on Inspection of



Starting from 90,000 tons of crude oil at the beginning up to today becoming the established "Offshore Daqing Oilfield", CNOOC is gaining a rapid growth. As the first generation witness of offshore oil industry, I am extremely pleased and proud to witness the birth of an energy industrial cluster, which integrates the upstream, mi-stream and downstream business.

CNOOC Former Vice General Manager: You Dehua

New generation of CNOOC youth is lucky. Standing on the threshold of a rapid growth, we have good platform and environment. We must participate in every phase of development, and, with confidence, fill in the positions that need us most. Meanwhile, we should look beyond and be prepared to develop overseas. We will have more room to play only if we expand our knowledge and improve our techniques.

Staff: Wang Yingquan

Occupational Health of Offshore Oil and Gas Fields Construction Projects.

In 2011, all the affiliates executed a comprehensive inspection on factors causing harms arising from occupational disease in workplace and occupational health care after contact with persons having occupational health issues. The Company set up the “CNOOC Occupational Health Administration System” to provide storage, processing and analysis of data collected from evaluation, inspection of occupational disease harms, as well as health care. It also aimed to provide occupational health administration regulations, evaluation and guidance to occupational health administrators at all levels, and to support them in refining their management after understanding corporate occupational health situation with statistics.

Employees' Mental Health

We stress great importance to employees' mental health and continued to explore and implement Employee Assistance Plan (EAP). With a practical mind, we conducted many forms of publicity



Although it was only a one-week offshore life, I learned both theoretical knowledge and hands-on experience that cannot be gained onshore. I had a taste of the real life and working places of offshore oil workers. Onsite internship, on the one hand, consolidated my professional techniques, and on the other hand, broadened my view, which directed my career path and laid a solid foundation for future development.

Fresh Staff: Dong Jin

Coming from Qiangtang prairie in northern Tibet to the beautiful capital Beijing, I had the honor to serve a temporary position in China Offshore Oil Corporation, becoming a CNOOC staff, and even had the name of “hai you zhuo ma” (CNOOC’s zhuoma). Time flies and it has been one year here. In my view, CNOOC took harmony of human being, corporate, society and nature” as the corporate value; “win-win, responsibility, trust, innovation and cherish”, the governance philosophy; “coordinated development, technology-driven, thriving enterprise with talents, cost-saving, green and low-carbon”, the core development strategy, all together make me feel inspired and proud to be part of a great nation.

Exchange Cadre: Da Wa Zhuo Ma

and training campaigns to publicize mental health knowledge, so as to help employees to develop a positive and healthy attitude. Stress management and mental health service plan were designed under collaboration. The plan has been carried out the plan by external institutions on 8 offshore facilities in the eastern South China Sea and Bohai, where offshore operators' mental stresses were improved and Sunshine Membership Card, Online Experts Lectures, Online Workplace Data Report, Relaxation Equipments and other stress management services were also provided.

Enterprise-employee Relation

The Company advocated and emphasized harmonious relationships 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.

CNOOC has constantly improved petition channels, in order to ensure employees' opinions or proposals promptly and conveniently conveyed to the management level of CNOOC and its subsidiaries. The Petition Office accepted 57 petition cases from 184 employees and general public, among which 31 cases were through letters, involving 117 persons, and 26 cases were in the form of visits, involving 67 persons. 27 cases were resolved through the mediation of Petition Office; 9 cases were ceased due to policies explanation; contradictions in 13 cases were relieved through persuasion, with comprehensive mediation and resolving rate of 86%.

The Company abided by relevant laws and regulations to guarantee employees' rights of career development. In 2011, we found no appeal nor petition against CNOOC for forced labor .

We actively assisted employees and their families with difficulties, and improved their living environment and quality. By fully utilizing various resources and enriching the culture of caring for the elderly, the services for employees of retirement were provided and set to a new level with better health care by sending health care professionals to the frontline.

Employee Participation

Labor Union was established at all levels of subsidiaries, while corporate democratic administration with Employees Representatives Meeting at its core was constantly improved. We held to the principle of open business, enhancing democratic management and monitoring, so as to enforce the coordination and communication among employees by guaranting employees' rights to participate in major decisions-making of Company.

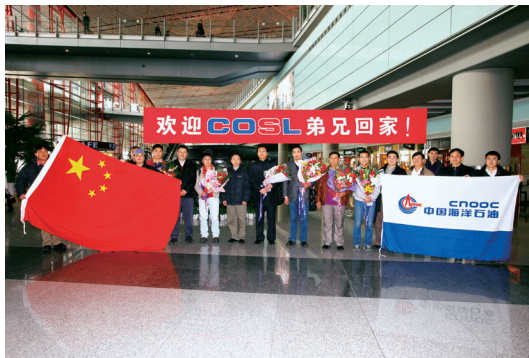
We established various ways to create colourful and healthy recreation environment and provided sports activities for employees, which promoted employees' overall development, boosted their team spirit and sense of ownership. We held the first CNOOC Employees Stamp Collection

Exhibition and Stamp Culture Seminar. Over 90 frames of stamps exhibited were related to themes of oil, culture, nature, science and technology. This activity enriched employees' knowledge of offshore oil and stamp collection, paving the road for the interaction between stamp collection lovers. We also held the Second Offshore Oil Staff Basketball Competition. The exchange and friendship among 18 representative teams were reinforced after six days competition.

The Company proactively created environment and conditions for employees to improve health through exercises. Body building equipments and family health care pamphlets were provided. We also organized many kinds of activities for staffs, including entertaining performances, spring outing and country-side outing, women health care lectures, singing competition to celebrate the 90th anniversary of CPC, which enriched employees' spiritual and cultural life.

We encouraged our employees to find hobbies, and to join health and social clubs for activities such as mountain climbing, basketball, photographing, yoga and singing into full play. With stronger body, energetic atmosphere, enriched life style and strengthened community, our employees will commit and perform better at work. Over 6,000 people in Beijing Region participated in club activities.

Case > Safely evacuated 77 staff in Libya



outbreak of Libyan Civil War.

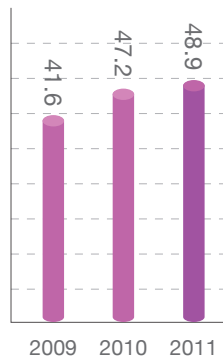
The Company studied the case of evacuation, revised and improved safety contingency response system for overseas projects, laying a solid foundation for future internationalization progress.

The Company paid close attention to the development of upheaval in Libya, and activated safety contingency response system for overseas projects in time. With coordinative command from concerned state ministries and the embassy, we evacuated 77 staff working in Libya batch by batch from 23rd to 28th February. 19 March witnessed a full-on

ENVIRONMENTAL RESPONSIBILITY

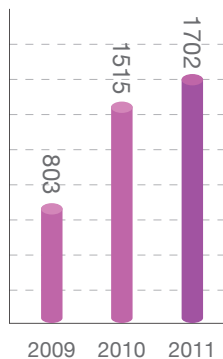
Energy Savings

Unit: 10,000 tons of coal equivalent



Chemical Oxygen Demand (COD)

Unit: Tons



It has been our national long-term strategy to control energy consumption volume, develop low carbon economy, and build an energy-efficient and environment-friendly society. By adhering to the developing philosophy of “green, low-carbon, clean and circular economy”, CNOOC actively tackled the challenge of global climate change by implementing energy-saving and emission-reduction plan to protect environment, and fulfilled its environmental responsibility.

Tackling Climate Change

The Company actively tackles the challenge of global climate change by vigorously promoting low-carbon development. After taking the initiative among state-owned companies to publish “CNOOC Policies on Tackling Climate Change”, the Company once again proactively implemented “CNOOC Action plan for Tackling Climate Change”. We fully honored our promise to “adjust industrial structure, develop low-carbon energy, value global cooperation, comply with laws and regulations, optimize resource allocation, implement energy-saving and emission-reduction strategy, regulate measurement and statistics, advocate carbon finance, reinforce cognitive ability”.

Implementing Energy-saving and Emission-reduction Strategy

Energy-saving and emission-reduction is not only essential for developing green and clean environment, but also the social responsibility of the Company. The Company attentively implemented national laws, regulations and policies on energy-saving and environmental protection. Aiming at the strategic goal of becoming world class energy company, the Company considers energy-saving and emission-reduction as the main strategy to change development direction and increase competitiveness. The Company focused on improving management system, strengthened task tracking and assessment, intensified supervision management

and technology reform in order to carrying out the energy-saving and emission-reduction.

The Company actively pursues systematical and refined management of energy saving, establishing energy saving standards and policies, standardizing and informatization process to achieve energy saving at steady pace.

According to the ammonia nitrogen and nitrogen oxides emission-reduction required by the government administration department in the “12th Five-Year Plan” period, relevant work has been refined to reach this requirement. For the first half of the year, we conducted relevant investigation and research, complied reduction technology for nitrogen oxides and ammonia nitrogen, and investigated many denigration treatment projects which can be served as a valuable example for general practice in 2012 within affiliates.

To comprehensively utilise resources, reduce production effluent discharge, improve waste water treatment quality and reduce pollutants discharge, the Company continued to upgrade and improve the treatment facilities of upstream production effluent, the technology of terminal biological wastewater treatment, and the treatment facilities for domestic sewage, and to enhance recycle of treated wastewater. Based on the targeting emission allowances, a quota program was adopted to reasonably allocate emission limits, so as to urge all operation units to achieve the goal. At present, we have completed the upgrades of wastewater treatment system in Bozhong 34-1 oilfield, domestic sewage treatment systems in Luda 10-1 oilfield, Suizhong 36-1 oilfield and Qinhuangdao 32-6E oilfield.

In 2011, the Company increased its capital investment in energy-saving and emission-reduction, and intended to hit the target by technological upgrade. The annual investment amounted to 400 million RMB for implementing 198 energy-saving and emission-reduction projects. With annual total energy consumption per 10,000 RMB output value (based on the comparable price in 2010) of 0.3226 tons of standard coal equivalent, we managed to save energy of 489,000 tons standard coal equivalent, when the emission amount of COD and SO₂ were 1,702 tons and 13,059 tons respectively. Credited by the outstanding performance in energy-saving and emission-reduction, the Company won the title of “SOE Energy-saving and Emission-reduction Outstanding Corporation” in the “11th Five-Year Plan” period given by SASAC of State Council. Two subsidiaries, China BlueChemical Ltd. and China Offshore Bitumen Co., Ltd, were honored to receive the title of “energy-efficient and environment-friendly” pilot enterprises from Ministry of Industry and Information Technology of PRC, Ministry of Finance and Ministry of Science and Technology.

Improving System Standardization

The Company published “Internal Control System for Energy-saving and Emission-reduction” to consolidate the fundamentals in management for saving energy and reducing emission. To perfect energy-saving standard system, four standards were compiled, which are “Energy Audit Regulation in Oil Refinery Enterprises”, “Energy Audit Regulation for Offshore Oil and Gas Fields”, “Offshore Oil and Gas Fields Energy-saving Evaluation Indicators and Measurement Method” and “Offshore Oil and Gas Fields Energy Statistics and Analysis Method”. We proactively implemented the ammonia nitrogen and nitrogen oxides emission-reduction requirement in the “12th Five-Year Plan” period, and completed survey and research. We planned to compile “Technology Guidance for Reducing ammonia nitrogen and nitrogen oxides emission” in 2012 so as to transform the technology applied in production facilities.

Enhancing Supervision Management

Experts within the Company had completed validations of the information system for managing

Case > The application transformation project of heat pump technology combined with geothermal energy



The geothermal energy resource in Tangu area, Tianjin, was fully utilized to achieve energy-saving and emission-reduction, and to improve the work and living environment in mining area at lower corporate operation cost. In 2011, Bohai subsidiary company improved the heat supply system for Donggu Oil New Village by using heat pump

technology combined with geothermal energy. The project mainly included geothermal and high temperature water source heat pump system, building two new geothermal wells and two new reinjection wells, cleaning existing three geothermal wells, setting up new storage tanks, supporting facility construction for heat supply (natural) gas resource, building electrical gas system and automatic control system, civil engineering as well as relevant equipment transformation and changing etc. Upon the completion of this project, we can save energy of 4,609 tons of coal equivalent each year, and reduce emission of 11,984 tons of carbon dioxide, 29 tons of sulphur dioxide, 22 tons of nitrogen oxides, 47 tons of soot; saving operation cost of 16.71 million RMB per year; achieving prominent economic profits and social benefits.

energy-saving and emission-reduction, and the greenhouse gases emission projects to be inspected. We are the first among domestic state-owned companies which passed greenhouse gases emission inspection in accordance with international standard. Energy-saving and emission-reduction monitoring centre was entrusted to conduct energy saving monitoring, energy audit, environment monitoring and clean production assessment in 54 subsidiaries, assisting to exploring potentials for energy saving and emission reduction.

Emphasizing on Environmental Protection

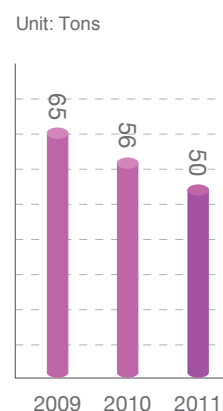
Continue to carry out special supervision and inspection programs on environmental protection. The efforts were mainly directed to carbon abatement progress, assessment of cleaner production, corporate environmental protection transformation post merger and acquisition, laboratory management and disposal of hazardous waste. Environmental protection inspections were carried out and completed in six subordinate petrochemical companies, after which suggestions for improvement were proposed and correction work was supervised. Besides, environmental risk management was intensified by upgrading major hazardous source management system.

Protecting the environment is an unshirkable responsibility of the company. We funded Marine Environmental and Ecological Protection Public Welfare Foundation. While pursuing economic benefits, we strive to preserve ecological efficiency. We enhanced our efforts in environmental protection research by actively promoting environmental protection awareness, reducing pollutants emission to maintain the regional ecological balance.

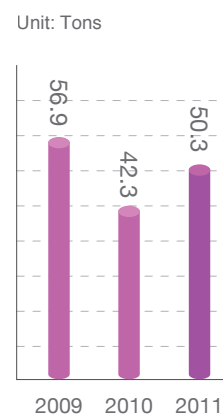
Researching on treatment of production effluent, refinery wastewater and petrochemical sewage, and on prevention and treatment of soil and underground water pollution. We published "Prevention and Treatment Guidelines of Soil and Underground Water Pollution".

Actively participating in the Earth Hour activity organized by World Wide Fund For Nature (WWF). We published the activity

Petroleum Hydrocarbon Emissions of Bohai Oilfields



Petroleum Hydrocarbon Emissions of Beibu Gulf Oilfields



participation initiative on our intranet, organized online signing activity and hosted Earth Hour solicit article competition. This campaign received enthusiastic response from all of our staff.

Organizing joint activities of enhancement and ranching in Bohai. With Ministry of Agriculture, we held the Bohai hydrobios restoration, enhancement and releasing activity with the theme of “Protect bio-resources, restore Bohai ecosystem”. We released several million fry of fishes and shrimps, along with six spotted (largha) seals, and received positive public responses.

Case > United Nations Clean Development Mechanism (CDM)

Zhongshan Jiaming Natural Gas Power Generation CDM Project is the first project in Company that gained emission-reduction profit. It received the first gain of 1.8 million Euros for emission-reduction.

The aggregate emission-reduction quotas for CDM projects in Sigeng, Dongfang Hainan and in Changma, Yumen Gansu, were 620,000 tons, with receivable emission-reduction profits exceeding 60 million RMB.

SOCIAL WELFARE

The success of our company depends on the prosperity of society. CNOOC has always been sparing no efforts in safeguarding energy supply, caring for the public and social network, involving in public welfare and giving back to the society. Being a “corporate citizen”, we undertook our responsibility by participating in public welfare and charity activities, relieving and helping people in difficulties, fighting against natural disasters, supporting education and community construction.

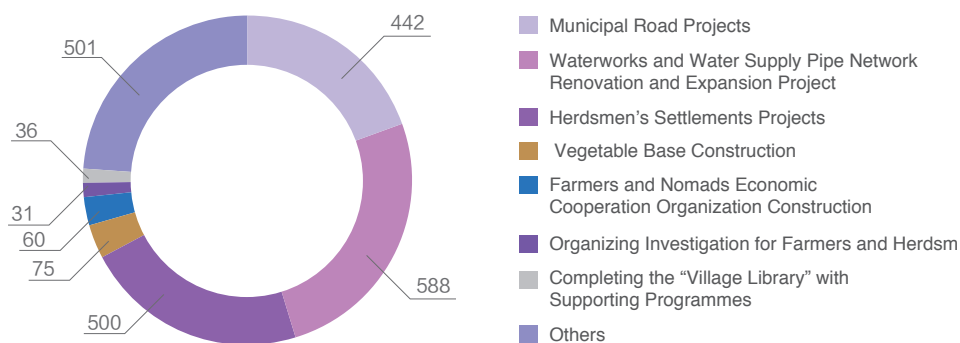
Public Welfare and Charity

In 2011, we donated 236 million RMB for poverty relief, aid for Tibet, Sichuan, and other public welfare and charity projects. Nearly 200 million RMB came from the Group; 34.98 million RMB was from affiliates while 1.94 million RMB was donated by employees. The overall annual public welfare plan has been achieved.



Funds Allocation of Aid Tibet in Nima County

Unit: 10,000 RMB



Aid Tibet

The year 2011 is the first year after the Company launched the fourth run of aid for Tibet program. An annual investment of 22.33 million RMB was injected into 13 programs in Nima County for constructing municipal roads, water supply system, herdsmen's settlements, vegetables plots and other infrastructures benefiting the public. We also implemented other projects providing support to farmers and herdsmen economic cooperation organizations, management and technique personnel training, building supporting facilities for "bookstore on farms" program, knowledge exchange and study for new socialist farmers and herdsmen. The Company made outstanding contribution for improving the public living condition, exploring potentials of new development, promoting stronger local economy, which in turn will benefit the society with harmony and stability.

Poverty Relief

CNOOC continues to explore poverty relief models. The Company not only focused on first hand

The progress of corporate poverty relief and construction aid projects

Project	Content	Newly injected capital and completion status
Aid poor female students in Wuzhishan	To help the students go to school. Over 300 poor female students received assistance since 2007, among which nearly 40 went to colleges.	100,000 RMB was donated to Wuzhishan Chufeng Scholarship Fund.
School buildings, Xiangshui Town Centre School, Baoting County	To provide safe and comfortable teaching environment for teachers and students in Baoting County; solve the problem of shortage of school space. The four story building provides floor space of 1,904 square meters.	The construction capital for this project is 3.2 million RMB which consists of 2 million RMB from Company and matched by 1.2 million RMB from local government. This project already started in November 2011.
Girl dormitory in Lingshui County Vocational Middle School	To build dormitory for schoolgirls in Lingshui County Vocational Middle School.	The Company invested 2 million RMB. Bids are currently invited for this project.
Aid Qinghua Distant Poverty Relief Education Training Station in Party School of Lingshui County Party Committee	To assist the work of Qinghua Distant Poverty Relief Education Training Station in Party School of Lingshui County Party Committee by improving teaching condition to improve teaching quality.	Newly injected capital from the Company is 30,000 RMB.
Skills training	To conduct two months' training for young farmers and herdsmen in Hezuo City, Gannan County in Gansu province, with the target of "literate, skilled, capable of enterprising and operating".	The Company invested 300,000 RMB to hold five onsite training sessions, one demo session in five villages and science and technology dome, involving 1,100 farmers and herdsmen.



aid for instant results, also pursued to help the aided poverty-stricken regions rebuild themselves, for sustainable outcome. In 2011, the Company won the title of “National Poverty Relief Outstanding Team”.

Aid Sichuan

CNOOC Aid for Sichuan Project team complied with the guidance from the Company Party Committee to “aid in building the hospital as a sanctuary for people in disaster area and make this project be trustworthy for them”. Under the principle of “low-key, pragmatic, standardized and efficient”, we solidly expedited the construction progress and delivered Phase One aid projects of building hospitals in Deyang, Guangyuan and Luojiang. Construction for four education projects in Phase Two is expected to be completed at the beginning of 2012. It is currently advancing steadily. The completion of these projects demonstrates that CNOOC fulfilled its promise to public in disaster-stricken area.



Other Public Welfare Projects

CNOOC College Student Fund (Soong Ching Ling Fund): 3.89 million RMB was appropriated in 2011, successfully completing the Phase Two plan. An aggregate of 28.189 million RMB was injected in two phases from 2003 to 2011, which helped 9,496 students in poverty study in 30 colleges' nation wide. Phase Three donation will be launched in 2012.

Mother Water Cellars: 2 million RMB was donated in accordance with the agreement.

Hope Project: 150,000 RMB was donated to four Hope Primary School.

63,000 RMB was donated to Global Compact organization.

Community Co-construction

The Company and subsidiaries proactively involved in local development activities to assist the local government in solving residents' real life problems. Through implementing "heart-felt" and "mind-calming" projects including improving hospital conditions, community greening as well as construction of large parking spaces, we created harmonious and beautiful environment for communities, and thus, delivered our promise of serving society, creating harmony that benefits public.

Case > "Double-Hundred" Aid Plan benefited families in hardship.

The establishment of Bohai Oil Charity Association in Tianjin contributed to an assistance system integrating support from society, enterprises and communities, which enabled the form of an applicable long-term mechanism featured with unified management of hardship alleviation fund and two-levels implementation. We helped 6,000 people from 5,000 families with 2.75 million RMB allocated fund.

In 2011, the Company conducted "Double-Hundred" Aid Plan for families in need to "improve family living standard". 201 families in hardship were beneficiaries; 68 family houses were under repair and remodelled; 379 articles of furniture, appliances and daily necessities were furnished, which prominently improved the living standard of families in need.



Herdsmen's settlements assisted by CNOOC

PRODUCTS RESPONSIBILITY



Customer Service

CNOOC brand is highly recognized in the end-user market with increasing influence. By providing quality products and featured service, CNOOC gas station has become the public image for CNOOC. CNOOC subsidiary company, CNOOC Chemical Ltd. owns three well known products brands in domestic market, “Fudao”, “Tianye” and “SaKefu”, and continues to lead agricultural development.

“CNOOC 36-1” asphalt boasts with 13 asphalt product lines including heavy asphalt (70#, 90#), hard asphalt (30#, 50#), hydraulic asphalt, emulsified asphalt, SBS modified asphalt, rubber modified asphalt. These products were extensively applied in the construction and maintenance of highway, Yangtze River Three Gorges Project, Chang’an Street Reconstruction Project and airports etc. As a result, the Company won the first prize of “China Asphalt Industry Contribution Award” for three consecutive years.

Feedback from a fertiliser user



free of charge and identified the method of applying fertiliser was the cause. They created a customized recipe with Fudao special BB fertiliser and urea especially for my crops at no charge. Now, things improved. 100 acres of experimental field will be ready to harvest by the end of May. I may earn a fortune from this. I am totally relieved from the worry that troubled me over years. The personals are also very considerate for giving me advice on fertiliser application. The help from China BlueChemical Ltd. gave me hope”, said Mr. Fan, a fertiliser user.

“I am a peppermint oil producer in Anhui. I wanted to build a 1 million-acre peppermint field to earn some money, but the seeds were not sprouting at start. Later after this problem was fixed, the majority of the plants started to die as they reached 40 centimeters. I was very disappointed. When service personal from ChinaBlue learned about this, they came to me and tested the soil

A customer feedback in LNG gas stations



LNG gas in CNOOC Zhongshanyuan station. Once, when he was waiting, he said to a filling staff Zhou Biao “Buddy, the service here is excellent. I can even have drinks when waiting. Each time I come here, it feels like at home... I feel particularly settled in when reading the safety boards...I used to use diesel. After switching to LNG fuel, I started to feel the advantage. Mileage for both fuels is almost the

same, but the noise is much less compared to diesel and there is no disgusting smell in car. It’s also safer and doesn’t produce pollution like diesel. I am especially proud when driving this bus filled with LNG gas.”

Marketing Network

The Company actively developed the overseas trade, warehouse and logistics as well as establishing marketing network for refined oil and petrochemical products. We are also committed to providing solutions for clients and to achieving the integration of supply, trade and logistics following industry development pattern, which can give competitive edge with CNOOC characteristics.

The Company expedited establishing marketing network for refinery products in “Two-Deltas and One-Bay” and “One-River and Two Railway Lines”. The business growth is of satisfactory. In regions like Guangdong, Tianjin and Shanghai, CNOOC has become a stable primary supplier of local oil products. While consolidating the existing LNG gas market in Guangdong, Fujian, Zhejiang, Jiangsu, Shandong and Tianjin, we successfully extended the industrial chain and value chain of CNOOC by exploring new market in Guangxi, Jiangxi, Anhui, Henan, Hebei, Beijing, and Liaoning. “CNOOC 36-1” asphalt has become the biggest brand in domestic asphalts produced for major road construction. Environment-friendly rubber oil products also entered the international market after registered and approved by European Union REACH regulation. 50# hard asphalt maintained its leading status in domestic market with an annual sales volume of 120,000 tons, steadily gaining market influence.



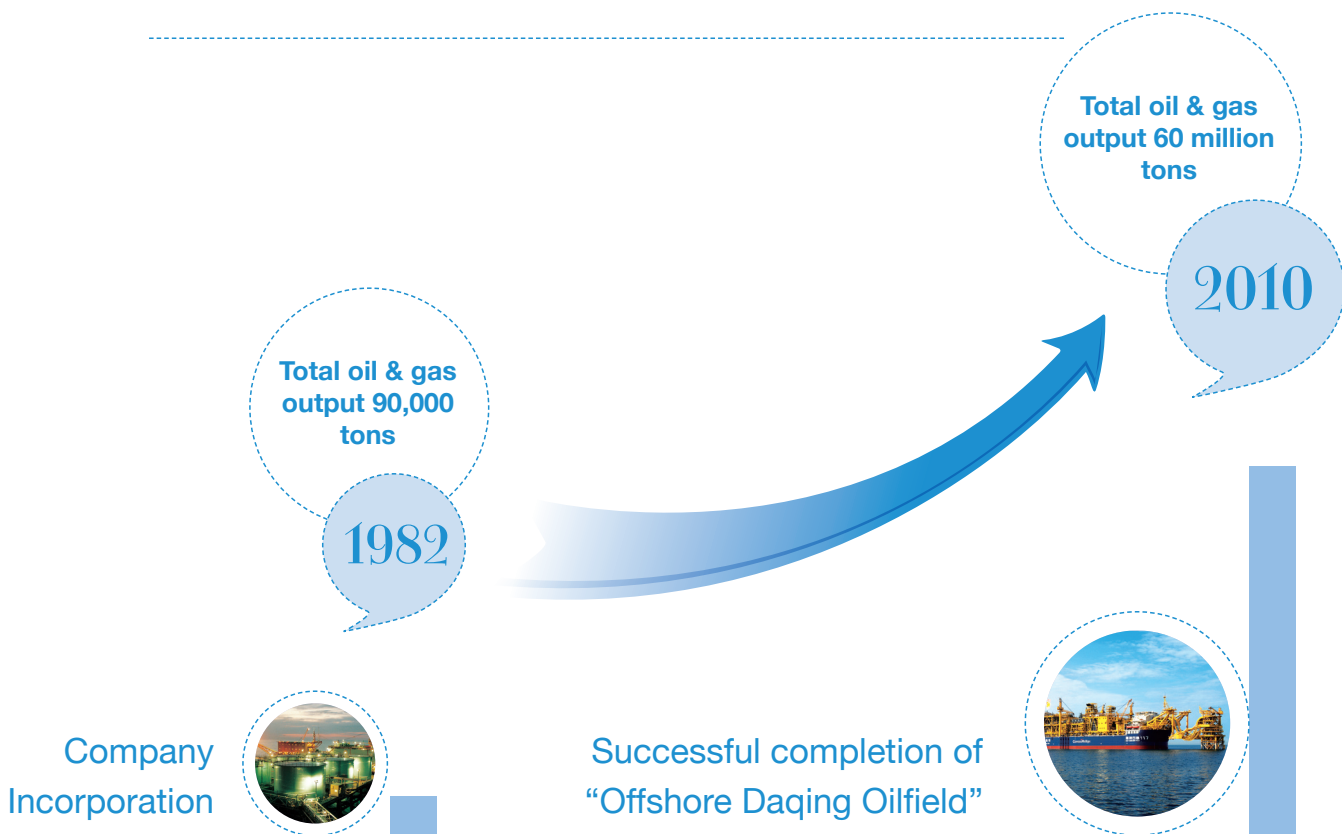
CREATING NEW SPLENDOUR: THE SECOND LEAP

In 2010, CNOOC accomplished the first magnificent leap and successfully established the “Offshore Daqing Oilfield”.

In 2011, CNOOC proposed the inspiring development schema for the “Second Leap” and strived to develop into a full-scale global leading energy company in 2030 for new glories.

Based on the Scientific Development Concept, CNOOC proposed the strategic goal of “Second Leap”:

- A new leap in philosophy, development model, and development quality;
- A new leap in quantity and quality, scale and profit;
- A new leap in hardware and software;
- A new leap in system and mechanism, as well as science and technology innovation;
- A new leap in scientific management and cultural construction;
- A new leap in the co-development of enterprise and employees.



Total oil & gas output double 2010 figure

2020

Total oil & gas output triple 2010 figure

2030

Expanding upstream, optimizing downstream, strengthening professional technical services

Developing into a World Class Energy Company

- Efficient governance
- Scientific management
- Leading technology
- Advanced culture
- Employees' comprehensive development
- Great sense of social responsibility



Developing into a Global Leading Energy Company

- Shareholders satisfaction
- Public respect
- Social recognition
- Market success
- Employees' cohesion
- Great sense of social responsibility
- Global influence





AUTONOMOUS INNOVATION: HEADING TOWARDS THE DEEP WATER



“Hai Yang Shi You 981”, with an operating water depth of 3,000 meters and drilling depth up to 10,000 meters, is the sixth generation of 3,000 meters deepwater semi-submersible drilling platform independently produced and built for the first time in China. It represents the best offshore oil drilling platform technology in the world. Its success symbolizes that China has stepped into the world's advanced ranks in deepwater oil & gas exploration and development, as well as designing and construction of massive offshore engineering equipments, filling the gap of deepwater drilling platform equipments designing and construction. As an indispensable tool for the leap from 300 water depth to 3,000 water depth offshore oil exploration and development in terms of equipment competitiveness, it is of prominent significance for implementing national energy strategy and safeguarding national interests.

“Hai Yang Shi You 981”, boasts with various independently innovation designs. It was designed in consideration of adverse oceanic condition in South China Sea, providing platform stable and strong enough to combat the wave load rarely encountered in 200 years in South China Sea. High horsepower propellers and DP-3 dynamically positioning system are applied and mooring positioning is available for operation within 1,500 meters water depth, while the maximum deck variable load is up to 9,000 tons, with a service life of 30 years. The detailed design and construction were conducted within China. The whole set of equipments won 16 scientific and technological innovation achievement awards including six global awards and ten national awards. CNOOC owns its intellectual right.

MILESTONE EVENTS

January 31	CNOOC Ltd. declared that it would purchase 33.3% interest of Chesapeake's oil and natural gas projects in the Denver-Julesburg and Powder River Basins.
February 18	The fourth project of poverty relief through improving education facilities aided by CNOOC, Hongxing School building project in Wuzhishan was launched.
March 7	CNOOC's first self-owned intellectual property "Air Separation Method of Utilizing LNG Cold Energy" gained the national invention patent.
March 11	The Clean Development Mechanism (CDM) Project of CNOOC Sigengfeng Power Plant in Hainan passed the United Nations inspection and registered successfully.
March 21	CNOOC solved the challenge of undersea electric power long distance transmission by changing the three-phase alternating current cable to direct current transmission system, which was first done in China.
March 29	CNOOC Ltd. signed sale and purchase agreements to acquire Tullow's one third interest in exploration areas 1, 2 and 3A in Uganda.
April 1	The handover ceremony of one of CNOOC aid projects, Deyang Hospital's comprehensive patient building was held in Deyang, Sichuan. By far, CNOOC has finished all 3 medical projects in phase one reconstruction.
April 8	The vice minister of Organization Ministry of CPC Central Committee, Wang Ercheng announced the Party Central Committee and State Council's decision of adjusting CNOOC major leaders: Fu Chengyu was appointed as the Chairman and Party Committee Secretary of China Petrochemical Corp. and quitted his position as President and Party Committee Secretary of CNOOC. CNOOC set up Board of Directors and separately appointed chairman and president. Wang Yilin was appointed as the Chairman and Party Committee Secretary of CNOOC.
April 13	CNOOC Energy Technology & Services Limited signed a master agreement with British Gas Group North America for the Curtis liquefied natural gas transportation project in Australia, marking CNOOC's full-scale entrance into the LNG transportation vessel industry.
April 18	CNOOC's complete self-owned intellectual property for deepwater well drilling fluid, HEM deepwater drilling fluid system experienced a successful trial on the "Nan Hai 5" platform.
May 23	The achievement report and naming ceremony for state major special project, the 3,000 meters deepwater semi-submersible drilling platform, "Hai Yang Shi You 981", was held in Shanghai.

May 30	CNOOC COSL Hope School project in Longguang, Lingshui, Hainan was completed. By far, CNOOC has finished the construction of four COSL Hope Schools in Hainan.
June 9	CNOOC signed “CNOOC-CAOS Scientific and Technological Cooperation Frame Agreement during 12th Five-Year Plan period” with Chinese Academy of Sciences.
June 15	The Achievement Exhibition of China Offshore Oil Industry was held at Military Museum of the Chinese People’s Revolution.
June 16	The CPC 90th Anniversary and Commendation Conference for achievements made in “Offshore Daqing Oilfield” was held in Beijing.
June 20	Deepwater pipe-laying crane “Hai Yang Shi You 201” commenced the first trial trip.
August 22	Gao Xuanmin, Director of Fifth Bureau of Cadres in Organization Ministry of CPC Central Committee, declared on a corporate leading group meeting that Central Committee appointed Yang Hua as the CNOOC President and Director.
September 7	Among the state major and special projects on “massive oil and gas fields and coal bed gas development” undertaken by CNOOC during “11th Five-Year Plan” period, six projects and two demonstration projects successfully passed the state examination and inspection.
November 28	CNOOC Ltd. declared that it completed the acquisition of Canada sand oil producer OPTI.
December 2	The Standing Committee member of Political Bureau of CCCPC and Vice Premier of the State Council, Li Keqiang paid an inspection visit to CNOOC Tianjin Lishen Battery Co., Ltd.
December 9	Deepwater drilling platform “Hai Yang Shi You 981” completed its first long sail, successfully arriving the coast off Pearl River estuary on South China Sea.
December 16	“Hai Yang Shi You 708”, the first global deepwater survey vessel with integrated functions of drilling, offshore engineering and exploration and operating depth of 3,000 meters, was delivered, symbolizing CNOOC’s successful efforts becoming the top of offshore engineering deepwater exploration equipments.
December 27	CNOOC completed the greenhouse gas emission inventory work of all its domestic subordinates and become the first large-scale state-owned company that finished this inventory work in accordance with the international standards.
December 29	CNOOC officially submitted a registration application to Ministry of Civil Affairs for establishment of “CNOOC Marine Environmental and Ecological Protection Public Welfare Foundation”.

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.

GRI INDEX

Content of GRI Index	Page
1. Strategy & Analysis	
1.1 Statement from the most senior decision maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy	2-3
1.2 Description of key impacts, risks, and opportunities	2-3
2. Company Profile	
2.1 Name of organization	Inside Front Cover
2.2 Primary brands, products and/or services	83
2.3 Operational structure of the organization, including main divisions, operating companies, subsidiaries and joint ventures	19
2.4 Location of organization's headquarters	Inside Front Cover
2.5 Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	46
2.6 Nature of ownership and legal form	17
2.7 Markets served	84-85
2.8 Scale of the reporting organization	Contents
2.9 Significant changes during the reporting period regarding size, structure, or ownership	16
2.10 Awards received in the reporting period	27-28
3. Report Parameters	
3.1 Reporting period for information provided	Inside Front Cover
3.2 Date of most recent previous report	Inside Front Cover
3.3 Reporting cycle	Inside Front Cover

Content of GRI Index		Page
3.4	Contact point for questions regarding the report or its contents	Inside Front Cover
3.5	Process for defining report content	Inside Front Cover
3.6	Boundary of the report	Inside Front Cover
3.7	State any specific limitations on the scope or boundary of the report	Inside Front Cover
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	10
3.9	Data assessment method and basis of calculation	24
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	22
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	26
3.12	Table identifying the location of the Standard Disclosures in the report	Annex
3.13	Policy and current practice with regard to seeking external assurance for the report	Inside Front Cover

4. Company Governance

4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	17
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	16
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	17
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	13-15
4.5	Linkage between compensation for members of the highest governance body, senior managers and executive heads, and performance of the body	66
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	62-63

Content of GRI Index		Page
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economy, environment and society	57-58
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	56-58
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	17
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	17, 62-63
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	62-63
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	Inside Front Cover, 76
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations	Inside Front Cover
4.14	List of stakeholder groups engaged by the organization	13-15
4.15	Basis for identification and selection of stakeholders with whom to engage	13-15
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	13-15
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	13-15
5. Economic Performance Indicators		
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to investors and governments	7, 21, 26
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	2-5
EC3	Coverage of the organization's defined benefit plan obligations	66
EC4	Significant financial assistance received from government	

Content of GRI Index		Page
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	66
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	13-15
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	56-58
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	77-81
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	59-60

6. Environmental Indicators

EN1	Materials used by weight and volume	
EN2	Percentage of materials used that are recycled	73
EN3	Direct energy consumption by primary energy resource	73
EN4	Indirect energy consumption by primary source	
EN5	Energy saved due to conservation and efficiency improvement	73-74
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives	72-73
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	
EN8	Total water withdrawal by source	
EN9	Water sources significantly affected by withdrawal of water	
EN10	Percentage and total volume of water recycled and reused	73
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	76
EN13	Habitats protected or restored	76
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	76

Content of GRI Index		Page
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	
EN16	Total direct and indirect greenhouse gas emissions by weight	73
EN17	Other relevant indirect greenhouse gas emissions by weight	74-75
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	74-75
EN19	Emissions of ozone-depleting substances by weight	
EN20	NOx, SOx, and other significant air emissions by type and weight	73
EN21	Total water discharge by quality and destination	
EN22	Total weight of waste by type and disposal method	
EN23	Total number and volume of significant spills	60
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and IV, and percentage of transported waste shipped internationally	
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	74
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	
EN30	Total environmental protection expenditures and investments by type	76

7. Social Performance Indicators

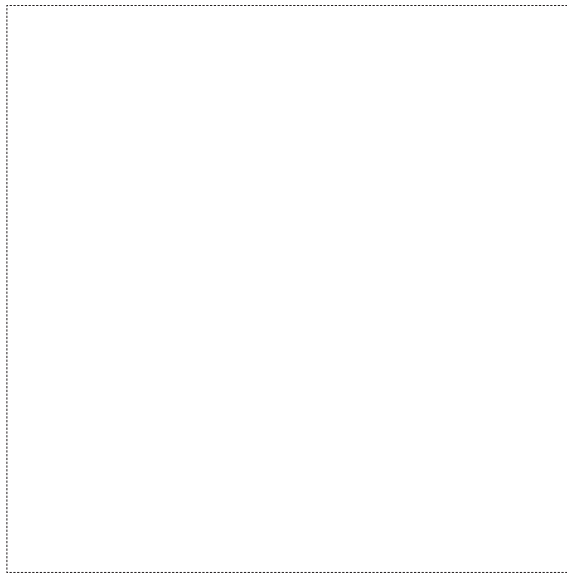
Labor

LA1	Total workforce by employment type, employment contract, and region	56
LA2	Total number and rate of employee turnover by age group, gender, and region	56

Content of GRI Index		Page
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	
LA4	Percentage of employees covered by collective bargaining agreements	
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	68-69
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	67, 69, 81
LA9	Health and safety topics covered in formal agreements with trade unions	67
LA10	Average hours of training per year per employee by employee category	67-68
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	56-58, 68
LA12	Percentage of employees receiving regular performance and career development reviews	56
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	16, 56
LA14	Ratio of basic salary of men to women by employee category	65
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	67-68
HR4	Total number of incidents of discrimination and actions taken	66

Content of GRI Index		Page
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	66, 70-77
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	66
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of forced or compulsory labor	66
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	70-71
Society		
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	65
SO2	Percentage and total number of business units analyzed for risks related to corruption	62-63
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	62-63
SO4	Actions taken in response to incidents of corruption	62-63
SO5	Public policy positions and participation in public policy development and lobbying	62-63, 77-80
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	
Products		
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	

Content of GRI Index	Page	
PR2	Total number of incidents concerning the adverse impacts of products or services on consumers' health and safety during the respective useful life	
PR3	Categories of product information required in the process of trademark registration and ratio of products passed through the registration process	83
PR4	Total number of incidents concerning the trademarks' not being registered as classified by type of outcomes	
PR5	Measures adopted for satisfying customers and research conclusions about the effects of such measures	83-84
PR6	Procedures ensuring the actions such as advertisement, promotion and sponsorship in line with marketing communication laws and regulations	83-85
PR7	Total number of incidents of non-compliance with laws, regulations and voluntary principles related to marketing communications	
PR8	Total number of complaints due to leakage of consumer privacy and data	
PR9	Monetary value of fines for non-compliance with laws and regulations concerning the provision and use of products and services	



The electronic version of the 2011 Annual Report and Sustainability Report is enclosed with this printed version



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