CNOOC LTD
Form 6-K
April 01, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

For the month of April 2008

Commission File Number 1-14966

CNOOC Limited
(Translation of registrant's name into English)

65th Floor
Bank of China Tower
One Garden Road
Central, Hong Kong
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F _X Form 40-F ___

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

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

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

Yes ___ No _X

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

Signature

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

CNOOC Limited

By:	/s/ Kang Xin
Name:	Kang Xin
Title:	Company Secretary

Dated: April 1, 2008

EXHIBIT INDEX

Exhibit No.	Description
99.1	Announcement dated March 27, 2008, entitled "2007 Annual Results Announcement".

Exhibit 99.1

CNOOC Limited
(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock Code: 883)

2007 ANNUAL RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

Dear shareholders,

It is again time for me to report on our annual results. I am honored to report to you that during last year, CNOOC Limited has once again fulfilled our targets set at the beginning of the year.

Our net production for the year increased by 2.6% to 171 million barrels-of-oil-equivalent (BOE); our proven reserves amounted to 2.6 billion BOE, with a reserve replacement ratio of 142%; our net profit was approximately RMB31.3 billion. The board of directors (the "Board") has proposed a final dividend of HK$0.17 per share.

The figures speak for themselves, demonstrating that CNOOC Limited has fulfilled its commitments, enhanced corporate values, and managed to maintain a stable track in maximizing shareholders' return. You can be proud of your investment on CNOOC Limited while I am also honored about our remarkable results.

Nevertheless, we will not stop with what we have achieved. Enhancing corporate value and shareholders' return is only one of our goals, although it has always been the most important one. I sincerely hope that in addition to enhancing the Company's intrinsic value and creating value for shareholders, CNOOC Limited can contribute to the industry's well-being and development, and further dedicate our efforts to address the energy needs of humanity and the community.

I would like to take this opportunity to share my thoughts with you so as to further increase your understanding of CNOOC Limited.

Creator of corporate value and shareholders' value

Since our listing, CNOOC Limited has been committed to maximize our corporate value and shareholders' value. Over the past seven years, the Company has adhered to this principle with perseverance in various business practices, and reiterated this principle on various internal and external occasions.

2007 was another year of growth in corporate value and shareholders' value. During the year, due to high oil prices, the market had high expectations on CNOOC Limited's performance, and the Company continued to live up to their expectations.

We will not be satisfied to benefit solely from strong oil price and leave our corporate value to the hands of oil price only. We further hope to fully demonstrate our value by realising our growth potentials. In the past year, as always, we strived to optimize the Company fundamentals, to explore and further demonstrate our intrinsic value through discovering and revealing our potentials.

During the year, the Company continued to make positive progress in all business segments:

Exploration is fundamental for survival and growth of upstream oil companies. In 2007, upholding the tradition, the Company continued to invest substantial human resources and capitals in this segment, and made 12 commercial discoveries. Our reserve replacement ratio again maintained at more than 100%. In addition, the Company brought 5 new projects on stream successfully.

Despite the continued high oil price, promising results of explorations and smooth production, we still pursued to tighten our cost control in an environment of increasing inflationary pressure and overall surge in costs within the industry. During the period, the Company maintained its competitive cost structure, leaving more room for growth in shareholders' value.

In 2007, we were pleased to see that the market has continued to uncover CNOOC Limited's value at a steady pace. During the year, the oil price grew by 57.2%, and our share price increased by 79.7% .

In the future, CNOOC Limited will work hard to increase corporate value and generate more returns for shareholders. We will allocate more capital on exploration, so as to conduct more seismic data collection and drilling activities. To ensure the Company's long-term growth, we will increase efforts on basic research and regional research aiming at significant discoveries, and strive to achieve even greater breakthrough. With respect to development and production, we will comprehensively utilize new technologies, maintain high and stable production of existing fields, and enhance oil recovery ratio.

We will devote great efforts on developing natural gas business, by fully capitalizing on China's market potentials and leveraging on our existing advantages in the LNG market.

Contributor to industry progress

There are many century-old companies in the oil industry, compared with them, CNOOC Limited is a rather young company.

As such, CNOOC Limited has been a learner for relentless improvement and reforms since its establishment. In her growth history, we have adopted advanced western technology and learned the business model of industrial leaders. With all these efforts, we are transforming ourselves into a capable and efficient oil company with global competitiveness.

However, as a player in the industry, we sincerely hope that we can also make our own contribution to the industry advancement and development rather than only being a follower.

In 2007, the successful restart of Liuhua 11-1 oilfield marked an important step towards this target. Needlessly to say, this restart meant a lot to our production, and also demonstrated our capability to overcome challenges. What I would like to emphasize is the management and technology innovation brought by it to the whole industry.

As you are aware, Liuhua 11-1 oilfield was hit by a typhoon in 2006, and seven anchors and three hoses were broken. In shallow water, similar damages are not difficult to repair. But for Liuhua 11-1 oilfield, the picking up and repairing of a 13.5 -inch hose to resume production had to be conducted in waterdepth of over 300 meters. It is hard to find a precedent under similar operational conditions and requirements.

CNOOC Limited mobilized all available domestic and foreign resources efficiently. With the spirit of innovation, the company finally managed to resume the production of Liuhua 11-1 oilfield on 27 June 2007 after being shutdown for more than a year. CNOOC Limited not only set up a good example for the deep water engineering, but also developed 7 advanced proprietary techniques.

The marginal oilfield development technology of the Company has the value of ‘turning waste to treasure’. In 2007, the commencement of the ‘super-small’ Bozhong 34-3/5 oilfield further proved that the Company had seized a cutting-edge competitiveness in applying this technology in the industry.

Generally speaking, offshore development costs are higher than those for onshore. To be profitable, newly discovered reserves should be larger to make an economic discovery. Bozhong 34-3/5 oilfield is located in Bohai Bay, with a small size and less development value. By introducing a “Three Ones” model, which means using one jacket, one pipeline and one cable to implement unmanned automatic production, we succeeded in commercially developing such a marginal field.

My personal experience taught me that technology innovations, management streamline and case sharing could play a positive role in a company’s growth. I do hope and believe that CNOOC Limited’s experience and lesson learnt from the restart of Liuhua 11-1 oilfield and development technology of marginal oilfields could bring benefits to the whole industry.

Energy problem solver

As an energy company with strong sense of responsibility, we always hope to, together with other international energy players, contribute to tackling global energy problems and particularly the growing demand of China.

In this respect, our efforts are focused on three areas:

Firstly, we strived to increase our reserves and production. When it was listed in 2001, the Company's reserves and production were only 1.79 billion BOE and 261.4 thousand BOE per day, respectively. By the end of 2007, such numbers have reached 2.6 billion BOE and 469.4 thousand BOE per day, representing an increase of 45.3% and 79.6% over the seven years, respectively. In 2001, the Company had only 16 oil and gas fields under production in offshore China. In 2007, the number of producing fields has reached 58, spreading all over offshore China.

Secondly, we looked for more overseas development opportunities on a value-driven basis. For an oil company seeking growth, this is an important way leading to greater and faster development.

Indeed, offshore China is our home field of operation. The vast exploration area and relatively lower exploration intensity mean that focusing on offshore China benefits more to our short-term development. However, I believe that in seeking for long-term development, CNOOC Limited should not give up any opportunity to go overseas.

Further, I firmly believe that nowadays, with growing demand for energy, in particular for clean energy, CNOOC Limited's efforts on value-oriented overseas expansion and a rational exploitation of underground resources for human beings, together with its endeavor of performing corporate social responsibility to help to meet the global energy demand, in particular China's demand, should be supported and encouraged.

Thirdly, we have consistently been engaged in energy conservation, emission reduction and clean energy. Since November 2007, the wind farm on Suizhong 36-1 oilfield has started to provide electricity for the field's daily operation. Such a small shift to wind power alone will reduce carbon dioxide emissions by 3,500 tons per year. Such use of wind energy on offshore oilfield set up a precedent for the oil and gas industry in China. Among various CNOOC Limited's achievements of energy conservation and emission reduction in 2007, it is only a minor point. But I believe it is a new starting point for the Company in supporting the research and use of new energy and better performing its mission of environment protection. In addition to Suizhong 36-1 oilfield, we have also applied our energy conservation and emission reduction policy in many other aspects, from technology innovation, implementation of "zero discharge" plan, resources recycling, optimization of lighting usage to water flow control. All these reflect our strong belief and determination of energy conservation and environmental protection, which in turn will contribute to solving energy problems.

With a firm and clear mission in mind, CNOOC Limited, full of youthful spirit, will strive to pursue its determined goals at full pace. I hope that in 2008 and in the future, you will continue your support to CNOOC Limited for achieving its goals, and join hands with us to turn to a new page of the Company's development!

Fu Chengyu
Chairman and Chief Executive Officer
Hong Kong, 27 March 2008

CONSOLIDATED INCOME STATEMENT (AUDITED)
Year ended 31 December 2007
(All amounts expressed in thousands of Renminbi, except per share data)

	Notes	2007	2006
REVENUE			
Oil and gas sales	5	73,036,906	67,827,953
Marketing revenues	6	17,397,338	20,964,093
Other income		289,587	155,238
		90,723,831	88,947,284
EXPENSES			
Operating expenses		(8,039,603)	(6,999,184)
Production taxes		(3,497,440)	(3,315,661)
Exploration expenses		(3,432,419)	(1,705,075)
Depreciation, depletion and amortisation		(7,374,469)	(6,933,214)
Dismantlement		(561,701)	(472,269)
Special oil gain levy	7	(6,837,213)	(3,981,170)
Impairment losses related to property, plant and equipment		(613,505)	(252,357)
Crude oil and product purchases	6	(17,082,624)	(20,572,935)
Selling and administrative expenses		(1,741,161)	(1,543,777)
Others		(344,679)	(117,301)
		(49,524,814)	(45,892,943)
PROFIT FROM OPERATING ACTIVITIES		41,199,017	43,054,341
Interest income		672,987	781,536
Finance costs	8	(2,031,788)	(1,832,130)
Exchange gains, net		1,855,968	308,382
Investment income		902,378	613,028
Share of profits of associates		719,039	321,676
Non-operating income/(expenses), net		(6,979)	876,423
PROFIT BEFORE TAX		43,310,622	44,123,256
Tax	9	(12,052,323)	(13,196,313)
PROFIT FOR THE YEAR		31,258,299	30,926,943
DIVIDENDS			
Interim dividend		5,547,488	5,334,091
Proposed final dividend		7,052,445	6,001,819
		12,599,933	11,335,910
EARNINGS PER SHARE			
Basic	10	RMB0.72	RMB0.73
Diluted	10	RMB0.72	RMB0.73
DIVIDEND PER SHARE			
Interim dividend		RMB0.12	RMB0.12
Proposed final dividend		RMB0.16	RMB0.14

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CONSOLIDATED BALANCE SHEET (AUDITED)
31 December 2007
(All amounts expressed in thousands of Renminbi)

	Notes	2007	2006
NON-CURRENT ASSETS			
Property, plant and equipment, net		118,880,204	103,406,376
Intangible assets		1,331,204	1,409,053
Interests in associates		2,030,999	1,543,515
Available-for-sale financial assets		1,818,732	1,017,000
Total non-current assets		124,061,139	107,375,944
CURRENT ASSETS			
Accounts receivable, net		7,129,848	5,437,873
Inventories and supplies		2,345,887	1,691,479
Due from related companies		3,299,392	2,340,447
Held-to-maturity financial asset	11	3,000,000	–
Available-for-sale financial assets		6,687,948	12,390,058
Other current assets		1,625,663	2,435,363
Time deposits with maturity over three months		7,200,000	9,232,797
Cash and cash equivalents		23,356,569	14,364,055
		54,645,307	47,892,072
Non-current asset classified as held for sale	16	1,086,798	–
Total current assets		55,732,105	47,892,072
CURRENT LIABILITIES			
Accounts payable		5,051,420	4,145,977
Other payables and accrued liabilities		9,051,258	5,481,499
Current portion of long term bank loans		–	17,816
Due to the parent company		587,228	456,961
Due to related companies		1,533,424	1,175,271
Tax payable		4,690,026	3,203,856
		20,913,356	14,481,380
Liabilities directly associated with non-current asset classified as held for sale	16	488,322	–
Total current liabilities		21,401,678	14,481,380
NET CURRENT ASSETS		34,330,427	33,410,692
TOTAL ASSETS LESS CURRENT LIABILITIES		158,391,566	140,786,636

NON-CURRENT LIABILITIES			
Long term bank loans	12	2,720,431	2,438,172
Long term guaranteed notes	13	8,325,519	17,885,841
Provision for dismantlement		6,737,319	5,412,581
Deferred tax liabilities		6,293,559	7,236,169
Total non-current liabilities		24,076,828	32,972,763
Net assets		134,314,738	107,813,873
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	14	942,541	923,653
Reserves		133,372,197	106,848,275
		134,314,738	107,771,928
Minority interest		–	41,945
Total equity		134,314,738	107,813,873

NOTES TO FINANCIAL STATEMENTS
31 December 2007
(All amounts expressed in Renminbi unless otherwise stated)

1. CORPORATE INFORMATION

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

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

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

2. BASIS OF PREPARATION AND CONSOLIDATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong (“Hong Kong GAAP”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for available-for-sale investments and derivative financial instruments which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2007. The results of subsidiaries are consolidated from the date of acquisition being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued (if any) and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

3. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Hong Kong Institute of Certified Public Accountants has issued the following new and amended HKFRSs, which are mandatory for annual periods beginning on or after 1 January 2007:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK (IFRIC)-Int 8	Scope of HKFRS 2
HK (IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK (IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of these new and revised Hong Kong Financial Reporting Standards, amendments and interpretation has had no impact on the Group's results of operations or financial position.

4. PRODUCTION SHARING CONTRACTS

The PRC

For production sharing contracts in relation to offshore China (the "China PSC"), the foreign parties to the China PSC ("foreign partners") are normally required to bear all exploration costs during the exploration period and such exploration costs can be recovered according to the production sharing formula after commercial discoveries are made and production begins.

After the exploration stage, the development and operating costs are funded by the Group and the foreign partners according to their respective percentage of the participating interests.

In general, the Group has the option to take up to 51% participating interests in the development and production of the oil field and/or gas field under the China PSC and may exercise such option after the foreign partners have independently undertaken all the exploration risks and costs, completed all the exploration works and viable commercial discoveries have been made.

After the Group exercises its option to take certain participating interests in a China PSC, the Group accounts for the oil and gas properties according to its participating interest in the China PSC and recognizes its share of development costs, revenues and expenses from operations according to its participating interests in the China PSC. The Group does not account for either the exploration costs incurred by its foreign partners or the foreign partners' share of development costs, revenues and expenses from operations.

Part of the annual gross production of oil and gas under the China PSC is distributed to the PRC government as a settlement of royalties which are payable pursuant to relevant requirements of the competent authority. The Group and the foreign partners also pay the value-added tax, currently classified as production tax, to the tax bureau at a pre-determined rate. In addition, there is a pre-agreed portion of oil and gas designated to recover all exploration costs, development costs (including the deemed interest) and operating costs incurred by the foreign partners and the Group according to their respective participating interests. Any remaining oil, after the foregoing priority allocations is first distributed to the PRC government as government share oil on a pre-determined ratio calculated by the successive incremental tiers on the basis of the annual gross production, and then distributed to the Group and the foreign partners according to their respective participating interests. As the government share oil is not included in the Group's interest in the annual production, the net sales revenue of the Group does not include the sales revenue of the government share oil.

The foreign partners have the right either to take possession of their allocable remainder oil for sale in the international market, or to sell their allocable remainder oil in the PRC market according to the relevant laws and regulations of the PRC.

Overseas

In certain countries, the Group and the other partners to the overseas production sharing contracts are required to bear all exploration, development and operating costs according to their respective participating interests. Exploration, development and operating costs which qualify for recovery can be recovered according to the production sharing formula after commercial discoveries are made and production begins.

The Group's net interest in the production sharing contracts in overseas locations consists of its participating interest in the properties covered under the relevant production sharing contracts, less oil and gas distributed to the local government and/or the domestic market obligation.

In other countries, the Group, as one of the title owners under certain exploration and/or production licenses or permits, is required to bear all exploration, development and operating costs together with other co-owners. Once production occurs, a certain percentage of the annual production or revenue will first be distributed to the local government, which, in most of cases, with the nature of royalty, and the rest of the annual production or revenue will be allocated among the co-owners. Exploration, development and operating costs can be deductible for the purpose of income tax calculation in accordance with local tax regulations.

5. OIL AND GAS SALES

	2007 RMB'000	2006 RMB'000
Gross sales	78,181,343	72,709,179
Less: Royalties	(1,059,018)	(752,958)
PRC government share oil	(4,085,419)	(4,128,268)
	73,036,906	67,827,953

6. MARKETING PROFIT

	2007 RMB'000	2006 RMB'000
Marketing revenues	17,397,338	20,964,093
Crude oil and product purchases	(17,082,624)	(20,572,935)
	314,714	391,158

7. SPECIAL OIL GAIN LEVY

In 2006, a Special Oil Gain Levy ("SOG Levy") was imposed by the Ministry of Finance of the PRC at the progressive rates from 20% to 40% on the portion of the monthly weighted average sales price of the crude oil lifted in the PRC exceeding US$40 per barrel. The SOG Levy paid can be claimed as a deductible expense for corporate income tax purpose and is calculated based on the actual volume of the crude oil entitled.

8. FINANCE COSTS

	2007 RMB'000	2006 RMB'000
Interest on bank loans which are		
– repayable within five years	182,144	51,345
– repayable after five years	–	10,631
Interest on other loans (including convertible bonds)	688,876	907,565
Other borrowing costs	78,393	1,535
Total borrowing costs	949,413	971,076
Less: Amount capitalised in property, plant and equipment	(846,206)	(913,175)
	103,207	57,901
Other finance costs:		
Increase in discounted amount of provisions arising from the passage of time	305,758	250,922
Fair value losses on embedded derivative component of convertible bonds	1,622,823	1,523,307
	2,031,788	1,832,130

The interest rates used for interest capitalisation represented the cost of capital from raising the related borrowings and varied from 4.1% to 6.375% (2006: from 4.1% to 6.375%) per annum for the year ended 31 December 2007.

9. INCOME TAX

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

		2007 RMB'000	2006 RMB'000
Overseas			
–	Current income tax	967,047	874,378
–	Deferred income tax	(83,178)	141,615
PRC			
–	Current income tax	11,786,176	11,791,620
–	Deferred income tax	(617,722)	388,700
Total tax charge for the year		12,052,323	13,196,313

10. EARNINGS PER SHARE