

CNOOC LTD
Form 6-K
August 20, 2010

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 August 2010

Commission File Number 1-14966

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

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

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

Form 20-F ☒ Form 40-F ☐

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

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

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

Yes ☐ No ☒

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

Signature

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

CNOOC Limited

By: /s/ Jiang Yongzhi
Name: Jiang Yongzhi
Title: Joint Company Secretary

Dated: August 20, 2010

EXHIBIT INDEX

Exhibit No.	Description
99.1	Announcement dated August 20, 2010, entitled “Revision of the Existing Annual Cap Under the Existing Agreement and Renewal of Continuing Connected Transactions.”

Exhibit 99.1

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 883)

REVISION OF THE EXISTING ANNUAL CAP UNDER
THE EXISTING AGREEMENT
AND
RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

(1) REVISION OF THE EXISTING ANNUAL CAP UNDER THE EXISTING AGREEMENT

Reference is made to the 2008 Announcement as regards the Existing Agreement entered into by the Company and CNOOC Finance in respect of the Continuing Connected Transactions. In view of the increase in demand for settlement of transactions with members of CNOOC Group and third parties (including those receivables arising from the sales of petroleum and natural gas of the Group to members of CNOOC Group and third parties, and payables by the Group to members of CNOOC Group and third parties for the provision of different types of services), the Directors expect that the Existing Annual Cap for depository services under the Existing Agreement for the year ending 31 December 2010 as described in the 2008 Announcement will not be sufficient.

The Directors therefore propose that the Existing Annual Cap for depository services under the Existing Agreement be revised to the Revised Annual Cap of RMB9.8 billion for the year ending 31 December 2010.

Reference is also made to the De Minimis Thresholds. As a result of the revision of the De Minimis Thresholds and as the applicable percentage ratios (as defined in the Listing Rules) in respect of the depository services under the Revised Annual Cap is less than 5%, the depository services under the Existing Agreement will be subject to the reporting, annual review and announcement requirements under Rules 14A37 to 14A40, 14A.45 and 14A.47 of the Listing Rules, but exempted from the Independent Shareholders' approval requirement.

Other than the depository services, all other Continuing Connected Transactions under the Existing Agreement will continue to be exempted from the reporting, annual review, announcement and Independent Shareholders' approval requirements.

(2) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

The Existing Agreement will expire on 31 December 2010 and is renewable for a term of three years if the parties so agree and subject to the relevant requirements of the Listing Rules. The Company and CNOOC Finance have entered into the Renewal Agreement on 20 August 2010 to renew the Existing Agreement under the same terms for a period of three years with effect from 1 January 2011.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the depository services under the Renewal Agreement is less than 5%, the depository services under the Renewal Agreement will be subject to the reporting, annual review and announcement requirements under Rules 14A37 to 14A40, 14A.45 and 14A.47 of the Listing Rules, but exempted from the Independent Shareholders' approval requirement.

Other than the depository services, all other Continuing Connected Transactions under the Renewal Agreement will be exempted from the reporting, annual review, announcement and Independent Shareholders' approval requirements.

(1) REVISION OF THE EXISTING ANNUAL CAP UNDER THE EXISTING AGREEMENT

Reference is made to the 2008 Announcement as regards the Existing Agreement entered into by the Company and CNOOC Finance in respect of the Continuing Connected Transactions. In view of the increase in demand for settlement of transactions with members of CNOOC Group and third parties (including those receivables arising from the sales of petroleum and natural gas of the Group to members of CNOOC Group and third parties, and payables by the Group to members of CNOOC Group and third parties for the provision of different types of services), the Directors expect that the Existing Annual Cap for the year ending 31 December 2010 as described in the 2008 Announcement will not be sufficient.

The Existing Agreement

Date: 14 October 2008

Parties: The Company
CNOOC Finance

Term: The Existing Agreement has a fixed term commencing on 14 October 2008 and ending on 31 December 2010. The Existing Agreement is renewable for a term of three years if the parties so agree and subject to the relevant requirements of the Listing

Rules. Upon renewal of the Existing Agreement, the Company must comply with all applicable connected transaction requirements under the Listing Rules.

CNOOC Finance and the Group may, from time to time, enter into separate agreements which set out the specific scope of services and the terms and conditions for providing such services, in accordance with the principles set out in the Existing Agreement.

Provision of Services
and Pricing Policy:

Pursuant to the Existing Agreement, CNOOC Finance will provide to the Group: settlement services which will be provided on a free-of-charge basis; depository services for which the interest rates are determined in accordance with the standard rates promulgated by the PBOC from time to time; discounting services and loans services for which the interest rates are determined in accordance with the standard rates promulgated by the PBOC from time to time, and may be reduced where the relevant laws and regulations allow; and entrustment loans services for which the annual service fee payable by the Group is set at such rate that the aggregate amount of service fee and loan interest will not exceed the interest payable on a loan of the same term directly provided by independent commercial banks.

Other principal terms
of the Existing
Agreement:

Pursuant to the Existing Agreement, the Group will have a right of set off such that, in the event of any misuse or default by CNOOC Finance in respect of amounts deposited with it by the Group which results in the inability of the Group to recover such amounts, the Group will be able to offset amounts due to the Group from CNOOC Finance against amounts outstanding from the Group to CNOOC Finance. CNOOC Finance does not have such right of set off under the Existing Agreement.

Other than the depository services, all other Continuing Connected Transactions under the Existing Agreement will continue to be exempted from the reporting, annual review, announcement and Independent Shareholders' approval requirements.

Historical transaction figures and the Existing Annual Cap

A breakdown of the approximate historical transaction figures for the depository services is as follows:

	For the period between 14 October 2008 to 31 December 2008	For the year ended 31 December 2009	For the 7 months ended 31 July 2010
Maximum daily outstanding balance (including accrued interest) placed by the Group with CNOOC Finance (excluding funds placed for the purpose of extending entrustment loans pursuant to the entrustment loan services)	RMB4.41 billion	RMB4.47 billion	RMB4.47 billion

The cap on the maximum daily outstanding balance of deposits (including accrued interest) placed by the Group with CNOOC Finance (excluding funds placed for the purpose of extending entrustment loans pursuant to the entrustment loan services) was RMB4.48 billion with effect from 14 October 2008 and ending on 31 December 2010.

Revised Annual Cap and the reasons for the Revised Annual Cap

While the Existing Annual Cap for 2010 has not been exceeded as at the date of this announcement, it is expected that the amount for the depositary services for 2010 will exceed the Existing Annual Cap.

In view of the increase in demand for settlement of transactions with members of CNOOC Group and third parties (including those receivables arising from the sales of petroleum and natural gas of the Group to CNOOC Group and third parties, and payables by the Group to members of CNOOC Group and third parties for the provision of different types of services), the Company will revise the Existing Annual Cap to the Revised Annual Cap of RMB9.8 billion for the year ending 31 December 2010.

The Revised Annual Cap was calculated on the basis of several factors including (i) the requirements for settlement of transactions with members of CNOOC Group or any third party (including those receivables arising from the sales of petroleum and natural gas of the Group to members of CNOOC Group and any third party and payables by the Group to members of CNOOC Group or any third party for the provision of different types of services); (ii) the expected amount of interest income from CNOOC Finance compared with interest income that could otherwise be realised by placing deposits with independent commercial banks; (iii) the control of financial risks in selecting financial services providers; and (iv) the strategies of the treasury management of the Company taking into account business development plans and the financial needs of the Group. Both the historical figures and the annual cap refer to the maximum daily outstanding balances during the term of the Existing Agreement, and are not cumulative in nature.

All terms and conditions of the Existing Agreement shall remain unchanged and effective. In light of the aforesaid, the Board (including the independent non-executive Directors) considers that the Revised Annual Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(2) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

The Renewal Agreement

The Existing Agreement will expire on 31 December 2010 and is renewable for a term of three years if the parties so agree and subject to the relevant requirements of the Listing Rules. The Company and CNOOC Finance have entered into the Renewal Agreement on 20 August 2010 to renew the Existing Agreement for a period of three years with effect from 1 January 2011 under the same terms.

Date: 20 August 2010

Parties: The Company
CNOOC Finance

Term: The Renewal Agreement will be effective for a period of three years commencing on 1 January 2011 and ending on 31 December 2013.

Terms and conditions: Apart from the extension of its duration, all other terms and conditions of the Existing Agreement will remain unchanged.

Other than the depository services, all other Continuing Connected Transactions under the Renewal Agreement will be exempted from the reporting, annual review, announcement and Independent Shareholders' approval requirements.

The Group utilises the Services on a voluntary, non-exclusive basis and is not obliged to engage CNOOC Finance for any such Services, or at all. CNOOC Finance is merely one of a number of financial institutions which provide financial services to the Group.

Information relating to CNOOC Finance

CNOOC Finance is a non-bank finance subsidiary of CNOOC established in June 2002 with the approval of the PBOC. It is subject to the supervision of the CBRC. According to its business licence, it is authorized to provide to the Group all services set out in the Existing Agreement and the Renewal Agreement and provide similar services to other members of the CNOOC Group (but not other parties).

As of the date of this Announcement, the registered capital of CNOOC Finance is RMB 1,415,000,000. As CNOOC Finance is a subsidiary of CNOOC, it is an associate of CNOOC and therefore a connected person of the Company pursuant to Rule 14A.11 of the Listing Rules. CNOOC Finance is managed by its board of directors. CNOOC China Limited, a wholly-owned subsidiary of the Company, holds a 31.80% interest in CNOOC Finance, and has the right to nominate directors to the board of directors of CNOOC.

Finance, subject to approval by the shareholders of CNOOC Finance at its shareholders' meeting. Currently, two of the nine directors of CNOOC Finance are nominated by CNOOC China Limited.

CNOOC Finance is rated A+/Stable by The Standard & Poor's and A1/Positive by Moody's. To the best knowledge of the Directors, such credit ratings are currently among the highest ratings assigned by these rating agencies to PRC commercial financial institutions, including commercial banks.

Internal control procedures and corporate governance measures

In order to protect the interests of the Shareholders, the Group will continue to adopt the following internal control procedures and corporate governance measures in relation to its utilization of the Services provided by CNOOC Finance:

- A monthly report on the status of the Group's deposits with CNOOC Finance will be delivered by CNOOC Finance to the Company before noon on the third day of the following month (or the following business day if banks are not generally open in the PRC on such day).
- A copy of every regulatory report submitted by CNOOC Finance to the CBRC will be provided to the Company.
- The financial statements of CNOOC Finance for each month will be provided to the Company on the fifth day of the following month (or the following business day if banks are not generally open in the PRC on such day).

The Board (including the independent non-executive Directors) considers that the above internal control procedures and corporate governance measures proposed to be adopted by the Company concerning the Continuing Connected Transactions with CNOOC Finance are appropriate and sufficient having regard to the manner in which such continuing connected transactions have been conducted in the past, and that the procedures and measures give sufficient assurance to Independent Shareholders that the Continuing Connected Transactions will be appropriately monitored by the Company.

Reasons for and benefits of the continuing connected transactions under the Renewal Agreement

The Company believes that CNOOC Finance, with its credit ratings, asset size and corporate governance practices, will be able to fulfill its obligations under the Renewal Agreement. The main reasons for and benefits of the Company to enter into the Renewal Agreement are as follows:

- (i) As CNOOC Finance is familiar with the business and transaction pattern of the Group and CNOOC Group, the settlement services provided by CNOOC Finance tend to provide a more efficient settlement platform than those that could be provided by independent commercial banks. The settlement services enable the Group to achieve same-day zero-rate settlement at no cost. This also helps to

reduce the Group's transaction costs, such as handling fees for the transfer of funds and other administrative expenses.

- (ii) For the purpose of facilitating the settlement of transactions between the members of the Group, and for transactions between the members of the Group and the members of the CNOOC Group or other third parties, the Group must maintain certain funds with CNOOC Finance. The depository services enable the Group to achieve such purpose. In addition, although the interest rates for deposits are regulated by the PBOC and CNOOC Finance offers the same interest rates as independent commercial banks, CNOOC Finance can assist the Group to formulate a beneficial deposit mix comprising different types of deposits such as current deposits, call deposits and fixed deposits, which allows the Group to increase its return on funds and retain sufficient working capital flexibility.
- (iii) Given that CNOOC Finance is subject to regulation by the PBOC and CBRC, and in light of the credit ratings of CNOOC Finance by the international ratings agencies referred to the above, the Company also believes that the risk profile of CNOOC Finance, as a financial services provider to the Group, is not greater than those of independent commercial banks in the PRC.
- (iv) The discounting services provide the Group's customers with flexibility in payment terms and accelerate the Group's collection of sale proceeds. Upon the discounting of commercial notes, the Company may receive the sale proceeds as if the sale was effected as a cash sale. This arrangement helps to efficiently reduce the Group's receivables balance and accelerate the Group's fund flows.
- (v) PRC laws do not permit companies, including affiliates, to extend intra-group loans directly without going through a financial agency. CNOOC Finance serves as the financial agency through which the funds of the Company and its subsidiaries may be channelled efficiently to be used by each other by way of entrustment loans.
- (vi) As an intra-group service provider, CNOOC Finance generally has better and more efficient communication with the Group compared with independent commercial banks. Through the information system operated by CNOOC Finance, the Group can access the status of receipts and payments of funds made through CNOOC Finance, as well as the status of funds, at no cost and at any time.
- (vii) As a shareholder of CNOOC Finance, the Group has authority to supervise and monitor the operations and risk controls of CNOOC Finance. Accordingly, the funds placed with CNOOC Finance could be well monitored.

However, if independent commercial banks or other financial institutions offer specific advantages which are more favorable to the Group in respect of any of the Services set out in the Existing Agreement as extended by the Renewal Agreement, the Group may discontinue its use of such services provided by CNOOC Finance without having to incur unreasonable extra costs.

The Board (including the independent non-executive Directors) considers that the Existing Agreement as extended by the Renewal Agreement are based on normal commercial terms or on terms no less favourable than those available from independent third parties under prevailing local market conditions, are entered into in the ordinary and usual course of

business of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and the terms of the Existing Agreement as extended by Renewal Agreement and the relevant annual cap in respect of the maximum daily outstanding balance (including the accrued interest) placed by the Group with CNOOC Finance (excluding funds placed for the purpose of extending entrustment loans pursuant to the entrustment loan services) are fair and reasonable.

Future annual cap

Please refer to the breakdown of the approximate historical transaction figures for the depository services and the Existing Annual Cap and Revised Annual Cap set out under the sections headed "Historical transaction figures and the Existing Annual Cap" and "Revised Annual Cap" above.

The Board has considered and proposed the cap on the maximum daily outstanding balance of deposits (including accrued interest) placed by the Group with CNOOC Finance (excluding funds placed for the purpose of extending entrustment loans pursuant to the entrustment loan services) to be RMB9.8 billion with effect from 1 January 2011 (being the effective date of the Renewal Agreement) and ending on 31 December 2013.

The annual cap was calculated on the basis of several factors including (i) the requirements for settlement of transactions with members of CNOOC Group or any third party (including those receivables arising from the sales of petroleum and natural gas of the Company to CNOOC Group and any third party and payables by the Group to members of CNOOC Group or any third party for the provision of different types of services to the Group); (ii) the expected amount of interest income from CNOOC Finance compared with interest income that could otherwise be realised by placing deposits with independent commercial banks; (iii) the control of financial risks in selecting financial services providers; and (iv) the strategies of the treasury management of the Company taking into account business development plans and the financial needs of the Group. Both the historical figures and the annual cap refer to the maximum daily outstanding balances during the term of the Existing Agreement, and are not cumulative in nature.

Implications under the Listing Rules

As CNOOC Finance is a subsidiary of CNOOC, it is an associate of CNOOC and therefore a connected person of the Company pursuant to Rule 14A.11 of the Listing Rules. Accordingly, the Services constitute continuing connected transactions of the Company under the Listing Rules.

Reference is also made to the De Minimis Thresholds. As a result of the revision of the De Minimis Thresholds and as the applicable percentage ratios (as defined in the Listing Rules) in respect of the Revised Annual Cap is less than 5%, the depository services under the Existing Agreement will be subject to the reporting, annual review and announcement requirements under Rules 14A37 to 14A40, 14A.45 and 14A.47 of the Listing Rules, but exempted from the Independent Shareholders' approval requirement.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the depositary services under the Renewal Agreement is less than 5%, the depositary services under the Renewal Agreement will be subject to the reporting and announcement requirements under Rules 14A.45 and 14A.47 of the Listing Rules, but exempted from the Independent Shareholders' approval requirement.

As the loans services will be provided by CNOOC Finance for the benefit of the Group on normal commercial terms where no security over the assets of the Group is to be granted in respect of the loans services, the loans services under the Existing Agreement and the Renewal Agreement are exempted from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Rules 14A.37 and 14A.65(4) of the Listing Rules.

As each of the percentage ratios (as defined in Rule 14.07 of the Listing Rules) applicable to the settlement services, discounting services and entrustment loans services is expected to be less than 0.1%, the transactions contemplated thereunder are exempted from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Rule 14A.33(3)(a) of the Listing Rules.

None of the Directors has any material interest in the transactions contemplated under the Existing Agreement or the Renewal Agreement and hence no Director was required to abstain from voting on the board resolution approving the Revised Annual Cap for the depositary services under the Existing Agreement and the Renewal Agreement and the transactions contemplated thereunder.

General

The principal business activity of the Company is investment holding. The Group principally engages in the exploration, development, production and sales of crude oil and natural gas and other petroleum products.

The principal business activity of CNOOC Finance is the provision of financial services to members of CNOOC Group and the Group.

Definitions

"2008 Announcement"	the announcement of the Company dated 14 October 2008 in relation to the Continuing Connected Transactions under the Existing Agreement
"associate"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors of the Company
"CBRC"	China Banking Regulatory Commission ()
"CNOOC"	China National Offshore Oil Corporation ()

), the controlling shareholder of the Company indirectly holding approximately 64.41% of the shares of the Company in issue as at the date of this announcement

"CNOOC Finance"	CNOOC Finance Corporation Limited (), a limited liability company incorporated in the PRC and a subsidiary of CNOOC
"CNOOC Group"	CNOOC and its subsidiaries (excluding the Group)
"Company"	CNOOC Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange and the New York Stock Exchange
"Continuing Connected Transactions" or "Services"	the settlement services, the depository services, the discounting services, the loans services and the entrustment loans services contemplated under the Existing Agreement and the Renewal Agreement
"Controlling Shareholder"	has the meaning ascribed to it under the Listing Rules
"De Minimis Thresholds"	refers to the percentage thresholds for the de minimis exemptions under Chapter 14A of the Listing Rules which were revised in accordance with certain amendments to the Listing Rules which came into effect on 3 June 2010
"Director(s)"	director(s) of the Company as at the date of this Announcement
"Existing Agreement"	the financial services framework agreement dated 14 October 2008 between the Company and CNOOC Finance in relation to the provision of the Services
"Existing Annual Cap"	the maximum daily outstanding balance (including accrued interest) placed by the Group with CNOOC Finance (excluding funds placed for the purpose of extending entrustment loans pursuant to the entrustment loan services) for the year ending 31 December 2010 as disclosed in the 2008 Announcement
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Shareholders"	Shareholders of the Company other than CNOOC and its associates
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"PBOC"	the People's Bank of China (), the central bank of the PRC

"PRC"	the People's Republic of China, excluding for the purpose of this announcement, Hong Kong, Macau and Taiwan
"Renewal Agreement"	the agreement dated 20 August 2010 between the Company and CNOOC Finance in relation to the renewal of the Existing Agreement for a period of three years with effect from 1 January 2011
"Revised Annual Cap"	the new annual cap for the depositary services under the Existing Agreement for the year ending 31 December 2010 proposed to be revised by the Company as described in this announcement
"RMB"	Renminbi, the lawful currency of the PRC
"Shareholder(s)"	registered holder(s) of shares of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

By Order of
the Board
CNOOC
Limited
Jiang
Yongzhi
Joint
Company
Secretary

Hong Kong, 20 August 2010

As at the date of this announcement, the Board comprises of:

Executive Directors
Fu Chengyu (Chairman)
Yang Hua
Wu Guangqi

Independent Non-executive Directors
Edgar W. K. Cheng
Chiu Sung Hong
Lawrence J. Lau
Tse Hau Yin, Aloysius
Wang Tao

Non-executive Directors
Zhou Shouwei
Wu Zhenfang
Li Fanrong

